ECONOMIQUITY

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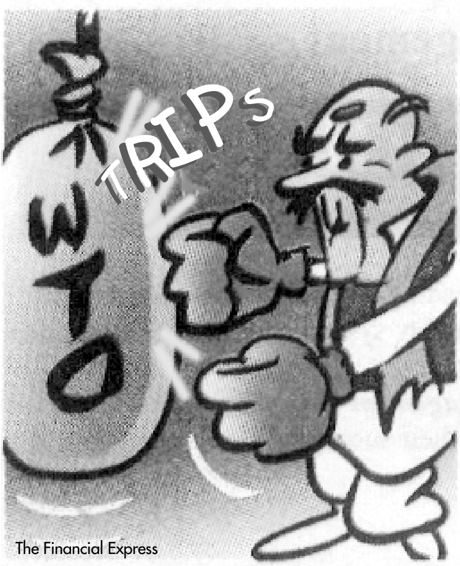
Get TRIPs Out of the WTO

The world is reeling under the scare of anthrax. Every day cases are reported not only from the US but elsewhere too. People are scared, but for some sections of business the anthrax scare is an opportunity to make money. This raises the patent bogey.

The pharmaceutical giant Bayer holds the product patent on Cipro, the anthrax antibiotic, till 2003 and is surely working to maximise production. However, the US authorities are not convinced about its ability to supply enough quantities of the drug on time and are, therefore, considering issuing compulsory licences to other manufacturers. It is even looking at importing anthrax antibiotics. Canada too is contemplating similar measures.

Drug companies may challenge these moves, as happened with AIDS drugs, when a consortium of pharmaceutical giants brought a lawsuit against a South African law that would have allowed parallel imports and compulsory licensing. This was however withdrawn partly due to pressure from consumer organisations, NGOs and so on. The battle for cheap AIDS drugs has now shifted to Kenya, where the Parliament is debating a Bill that would make it easier for the Government to import and manufacture generic versions of patented medicines, particularly anti-retroviral drugs. Pharmaceutical companies fear that this could set in motion the domino effect on patented drugs.



The Financial Express

TRIPs Provisions

Article 8 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) defines compulsory licences on grounds of competition, health and public interest. It gives members the right to adopt measures necessary to protect public health and nutrition, and to promote public interest in sectors of vital importance to their socio-economic and technological development, provided that such measures are consistent with the provisions of this (TRIPs) Agreement.

Parallel imports, on the other hand, are defined as buying of a product with the intellectual property content from a country where the product has been lawfully placed on the market by the owner of the intellectual property right or has been done with the owner's consent.

Recent Happenings

Despite US moves, earlier and recent, to allow parallel imports (and compulsory licensing) of drugs, American trade officials have tried to prevent Governments in many countries from authorising parallel imports. For example, in 1998, the US threatened New Zealand for removing restrictions on parallel imports sensitive to US pharmaceutical manufacturers. Interestingly, at that time the US Supreme Court ruled that America's copyright laws do not prohibit parallel imports into the US.

Now, the US wants to introduce compulsory licensing and parallel imports to cope with a possible anthrax outbreak. There is nothing wrong with this move, but it smacks of double standards.

Since the US is calling the shots in providing compulsory licensing and provisions of parallel imports of anthrax antibiotics, it would be interesting to see how pharmaceutical giants react. After all, they had pushed for the TRIPs Agreement at the time of the Uruguay Round of multilateral trade negotiations. At that time, a number of developing countries opposed it, but agreed to it under the assumption that they would benefit from other agreements.

The Reasons

A common fallacy on the inclusion of intellectual property rights issues into the WTO was the claim by pharmaceutical and other companies that intellectual property has the same status as their tangible property. An essential characteristic of tangible property is the right to exclude other people from its free use. However, the last thing creators and inventors want

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to do is to keep what they have developed, to themselves. They want to promote them and seek recognition, not just money.

Public interest also lies in ensuring that there is as much innovation as possible, and that it is disseminated widely. We need to provide incentives to innovate without allowing a previous generation of innovators to intimidate competition, block entry, or restrict the exploitation of new technologies. If we are serious in making the benefits of pharmacology available to those affected, the pharmaceutical industry must establish systematic mechanisms to make drugs available at low prices in poor countries.

The TRIPs Agreement is proving to be a stumbling block to such mechanisms. The time has come for the international community to raise their voices unitedly to get the TRIPs Agreement out of the WTO, and put the issue back in the World Intellectual Property Organisation, where it belongs. There are several reasons why intellectual property should not be a part of trade agreements. Apart from the fact that the creation of a 20-year patent period fosters monopoly, the Agreement goes against the very principle of free and fair trade, which is what the WTO stands for.

The reasons why TRIPs Agreement should be out of the WTO include:

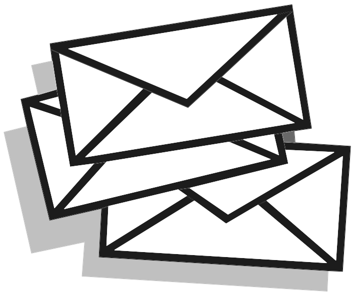
- there are enormous differences in experience with intellectual property law and policy among WTO Members;
- there is no consensus on the proper role and elements of intellectual property law and policy, particularly as applied to countries in vastly different circumstances and levels of development;
- the WTO is a trade forum ill-adapted to handling intellectual property rights issues, which would risk becoming politicised; and
- the possibility of applying WTO dispute resolution mechanisms to intellectual property rights rules poses risks to the independence and sovereignty of law enforcement authority in the member states.

Recent happenings on the breakout of anthrax and the South African AIDS drug case, to name two, have helped educate the international community on the ill-effects of the TRIPs Agreement. It is time to bury the WTO TRIPs Agreement and give back the intellectual property right its original meaning.

FORUM

Globalisation and India
– *Myths and Realities*

This monograph is an attempt to examine the myths and realities so as to address some common fallacies about globalisation and raise peoples' awareness on the potential benefits globalisation has to offer. However, the case for India to liberalise has to be argued again and again. *(40pp #0105, Rs.30/$5)*



The last pages of the book "Globalisation and India – Myths and realities indicate that your esteemed organisation brings out briefing papers on various current topics. We are interested in having a copy of one each publication of briefing papers.

Asha Gadre
Librarian,
Gokhale Institute of Politics & Economics,
Pune, Maharastra

Many thanks for sending me your document "Globalisation and India – Myths and Realities". I look forward to reading this.

Ablassé Ouedraogo
Deputy Director-General
World Trade Organisation
Geneva

On behalf of Healey Library, University of Massachusetts, Boston, we thank you for your recent donation of the book, "Globalisation and India – Myths and Realities". This book will greatly enrich our collection and we are most appreciative of your generosity.

Sharon L. Bostick,
Director of Libraries
Rebecca A. Breedlove,
Head, Acquisitions & Serials
Boston.

We acknowledge with thanks the following publication that you kindly provided on a complimentary basis to ESCAP Trade Information Service (TIS).

Globalisation and India – Myths and Realities

Kindly retain TIS on your complimentary mailing for publications issued in the future.

Marianne Debefve
Information Network Officer
Trade Promotion and Facilitation Section
International Trade and Economic Co-operation Division
Bangkok, Thailand

On behalf of the Library, I should like to acknowledge receipt of the gift of "Globalisation and India – Myths and Realities". This addition to our stock is much appreciated.

Dr Peter King
Assistant Director (Information Management)
Information Services
University of Bristol
Bristol

Regionalism and Multilateralism: Complements or Substitutes?

Does regional integration encourage evolution towards globally free trade, or does it place obstacles in its way? The opinion seems to be divided. Critics of regional trading arrangements (RTAs) argue that this practice would violate a core principle of the World Trade Organisation (WTO) that all imports from member states should face the same barriers to trade. Supporters of RTAs maintain that these agreements have enabled countries to liberalise trade and investment barriers to a far greater degree than the multilateral trade system allows.

Proliferation of RTAs

The Uruguay Round (UR) of trade negotiations and proliferation of (RTAs) have almost moved on a parallel track. The decade of 1990s has seen an unprecedented upsurge in the formation of RTAs. Virtually all WTO Members were partners in at least one RTA and many are partners in two or more. Only Hong Kong, Japan, China, Macau and Mongolia are not currently partners in a RTA.

There are about 170 RTAs in force around the world, half of which have come into force since 1990. Another 70 or so are under discussion, negotiation or due to come into force by 2005. Over a third of world trade takes place within RTAs and around three-fifths is conducted on a preferential rather than a most-favoured-nation basis. Ninety percent of Canada and Mexico's trade takes place within NAFTA, said Mike Moore, Director General of WTO at an UNCTAD meeting.

Existing Provisions

RTAs' legitimacy is well recognised under the WTO. It was so under the GATT system. This departure from the most favoured nation (MFN) principle is permitted by Article XXIV of the GATT.

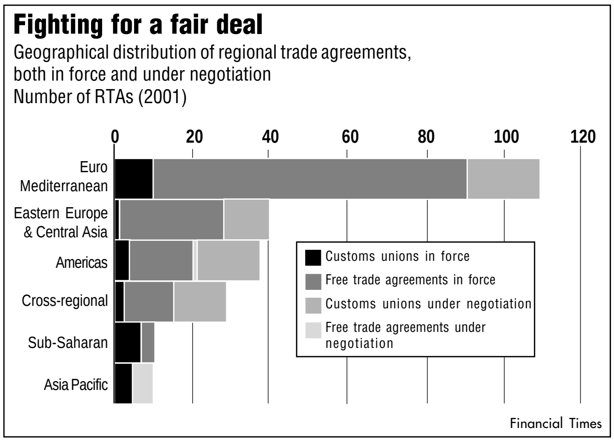
Article XXIV is generally an aid to better RTAs. It forbids increase in trade barriers for non-members. However, in practice, WTO rules are ambiguous and poorly enforced. A determined Government can make trade policy more restrictive in ways more or less immune to WTO disciplines. For example, when Mexico nearly doubled tariffs on 503 imported items from non-NAFTA sources in 1995, it did so without violating any bindings.

RTAs, by their very nature favour imports from members of the grouping, and discriminate against the imports from other countries. Therefore, the recent years have increasingly seen RTAs conflicting with the authority of WTO. This does not augur well for the future of multilateral trading regime.

Affecting Non-Members

The first and most direct way in which non-members are affected is through the change in trade flows caused by a RTA, causing both the exports and imports of non-member countries to be smaller than they otherwise would have been. Another set of circumstances under which excluded countries will be harmed by the relative decline in their trade is if their trade flows are already too small.

Another source of loss from non-membership of RTAs is the risk attached to being isolated if a trade war occurs. Of course, all countries, inside or outside RTAs, will usually lose from a trade war, but countries in RTAs have the privilege of knowing that they will still have free trade with partner countries. This creates a strong incentive for being inside a large RTA.



Supporters of RTAs maintain that these agreements have enabled countries to liberalise trade and investment barriers to a far greater degree than multilateral trade negotiations allow. They also argue that regional agreements have gone beyond trade liberalisation, taking important steps towards harmonising regulations, adopting minimum standards for regulations, and recognising other countries' standards and practices – trends that enhance market access.

The Way Out

Economists, who fear the danger of RTAs creating roadblocks for multilateralism, suggest some ways to address this issue. One response is to pursue further multilateral trade liberalisation to limit the margin of preference RTAs create. Policymakers, who believe that their country is suffering because of the rise of RTAs elsewhere, will thus have a further incentive to support multilateral trade liberalisation.

A second response is to alter the WTO rules on RTAs to commit members to phase out any preferential market access within a certain time frame. Such a provision ensures that preferential market access is only a temporary feature of any regional initiative. To make this approach more attractive to members of a regional initiative, they could be offered credit for the reduction in trade barriers, which could be used in future multilateral trade negotiations.

The aim of the GATT/WTO rules on RTAs is to minimise the risks of trade diversion and distortion, ensure that multilateral and regional liberalisation go hand-in-hand and aim for the same objectives. Free trade among some countries can only be a second-best substitute for free trade among all. At the most, regionalism can provide an important complement to the multilateral trading system. But it would be a grave mistake for us to look it as an easy substitute. Therefore, it is crucial for the member–states to push hard for more effective rules within the WTO to check proliferation of RTAs.

Winning Support from IMF

Argentine officials are confident of winning support for a new loan of at least $6bn from the International Monetary Fund (IMF) to help the country contain the crisis of confidence engulfing its economy.

According to the latest Central Bank figures, the country's reserves have fallen by nearly 27 percent since the 30th of June 2001 to under $21bn. To break this potentially disastrous vicious cycle, Argentine authorities are looking to building up the reserves that back deposits and restores confidence among depositors. Meanwhile, President Fernando de la Rúa was able to achieve broad political support for cuts in the Government spending to rescue the economy.

The IMF said it would bring forward a payment of $1.2bn from its existing $13.7bn loan originally due in mid-September. It also announced a $15bn loan for Brazil to help insulate it from the effects of neighbouring Argentina's troubles.

(FT, 07.08.01 & 14.07.01)

Robust Investment

Despite Israel's 10-month old conflict with the Palestinians, country's Foreign Direct Investment (FDI) remained robust in the first-half of 2001, showing only a relatively modest drop from a peak a year before.

There was a mixed effect of the Palestinian uprising. The total foreign investment, including portfolio investments, more than halved from $5.8bn to $2.5bn in the first-half of 2001. There was considerable economic gloom in Israel because of its disastrous impact on tourism and the construction sector also, but it has not led to a slowdown in consumer spending by Israelis.

Although the Israeli Government is forecasting economic growth of less than 1 percent this year, a rebound is expected in 2001 because the interest from overseas in Israel has not waned. Benchmark Capital and Sequoia Capital, two top-tier venture capital funds from Silicon Valley, are launching Israel dedicated funds of $220mn and $150mn, respectively, this year.

(FT, 24.07.01)

End of Global Slump

The Finance Ministers of the Group of Seven Nations (G-7) gathered for a one-day meeting in Rome on the 7th of July 2001 amid divisions between the US and Europe over who is the most to blame for the ailing global economy. But, the upbeat message came from the US that instead of finger-pointing over who is responsible for the slowdown in the global economy, the need is to put it back on track.

The Ministers agreed that the worst of the global economic slump might be nearly over, despite a mixed picture in the US, a further slowdown in Europe and more gloom in Japan. The US Treasury Secretary, Paul O' Neill, said he expects the US economy, that affects the economies of the other countries to a large extent, would improve to more than 2 percent growth by the fourth-quarter and 3 percent or more next year. As for Japan, the world's second-largest economy, its Finance Minister, Masajuro Shiokawa, promised that the new Government would not allow further downfall. The German Finance Minister, Hans Eichel, said there were a number of positive signs for Europe's largest economy as well.

(WSJ, 10.7.01 & BL, 08.07.01)

US Growth Picking Up

The Organisation for Economic Co-operation and Development (OECD) revealed in its survey that the economic expansion in the US will pick up in the coming months, while the growth prospects in the dozen nations sharing the euro are bleak.

A downfall in the economic growth in the US has weighed on exports across the world, forcing companies to trim investments and lay-off workers. But, OECD's June index for the 30 member-nations rose 0.2 percentage point to 113.8, after being unchanged in May. The increase was led by the US index and it indicates that there's is hope for the US in the fourth- quarter.

So far, in Europe the index suggests recovery is not on the cards. The index for the dozen nations, that share the euro, fell 0.4 percentage point to 111.3, after declining 0.1 percentage point in May.

(BL, 05.08.01)

IMF Team to Review Progress

The International Monetary Fund (IMF) is likely to send a team to Indonesia to review the country's progress in economic reforms needed to restart a stalled $5bn-loan programme.

The IMF has held up its $5bn programme since December, after Indonesia missed a number of key reform commitments. But now, Indonesia has made some progress towards meeting its commitments to the IMF, including putting a large nationalised bank up for sale this week and revising the state budget to keep the deficit in check. Consequently, it has asked the IMF to send a mission to Indonesia.

As a part of its strategy, Indonesia plans to sell 10 percent in Private Bank of Central Asia in a secondary offering of shares between the 4th of July 2001 and the 6th of July 2001. The Government also plans to sell up to 30 percent to a strategic partner later this year.

(WSJ, 03.07.01)

Export Growth Dips

The Union Government has attributed the dip in the export growth of India in the first-quarter of the current fiscal to international economic slowdown. The growth has fallen to 1.76 percent during this period, with June alone registering a negative growth of 4.6 percent.

The Finance Minister, Yashwant Sinha, indicated that the Government was taking steps to insulate the country from the global economic slowdown. This decision by the Government was taken on the back of the IMF's move to cut its projection for Indian Gross Domestic Product (GDP) growth. The IMF is of the view that the five-percent growth India boasts of is not genuine because presently the exports are not growing. In fact, imports are low, there is no domestic investment and inflation is also low.

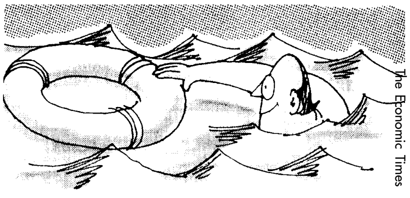
Meanwhile, the Indian Government is hopeful that the global slowdown would not impact India to a large extent as it has a huge home market and does not have an economy largely depending on exports. The World Economic and Social Survey-2001 has also suggested that the Indian economy would grow by around 6 percent during the year.

(TH, 03.08.01 & BS, 10.08.01)

Steps to Boost Economy

Amid a slumping peso and worsening fundamentals, the Philippine President, Gloria Arroyo, announced to undertake some "bold" measures to overcome the internal problems bedevilling the economy. This announcement followed a rocky week for the peso, which fell against the dollar to a five-and-a-half month low of 53.10 pesos, its lowest level since January's leadership crisis.

The economic picture of Philippines is gloomy. The balance payments surplus is shrinking, exports and investments have slowed dramatically and the Government is grappling with a ballooning budget deficit.



The IMF, in a review of the Philippines economy, said its economy faces an uncertain growth outlook amid weakening exports, strains in the banking system and a sizeable budget deficit. But, on the plus side, inflation has been contained and foreign reserves are intact. The IMF made it clear that further steps should be taken immediately to put public finances on a sound booting. *(WSJ, 11.07.01 & 09.07.01)*

Declining Growth Rates

South Korea predicted that it's economic growth rate could halve from nearly 9 percent in 2000 to 4-5 percent this year, one percentage point lower than its last estimate. Korea Development Institute (KDI) lowered its official forecast for 2001 Gross Domestic Product (GDP) growth to 4 percent from it's previous estimate of 4.3 percent growth. KDI noted that the country's industrial output continues to contract, as semiconductors and other information-technology industries – Korea's primary export items – weaken.

Meanwhile, Jin Nyum, the Finance Minister of Korea, has expressed confidence that East Asia's third largest economy could rebound in the second-half because a survey by the central bank reveals that the consumer and business confidence is on the rise. However, whether South Korea is on the road to recovery will largely depend on what happens in the US, a main customer of some important South Korean exports.

(FT, 03.07.01 & WSJ, 20.07.01)

Discussions with IMF

The International Monetary Fund (IMF) plans to speed up a $1.2bn loan to Argentina and establish a $15bn line of emergency credit for Brazil. Senior Brazilian and Argentine officials had travelled to Washington in recent weeks for talks with the IMF that could lead to a new loan for these two South American nations. These talks were also seen as an attempt to insulate Brazil from the effects of the slow-burning crisis in Argentina that has been partly responsible for the rapid depreciation of the Brazilian Real this year.

Analysts said it was unclear whether the credits would be sufficient to restore calm to emerging markets, especially in Argentina, which faces a crisis of confidence among investors and local deposit holders. However, Argentine officials are trying for new funding, in addition to the $1.2bn loan originally approved by the IMF. Some analysts believe the IMF action does not shut the door on the possibility of further international aid for Argentina.

(BL, 05.08.01 & FT, 24.07.01)

Effects of Trouble

Tremors from Argentina's dramatic economic crisis are being felt in Asia, but few expect a replay of the 1997 regional meltdown, when Governments fluctuated and Hong Kong spent $15bn supporting its stock market.

In Argentina, stocks and bonds have plunged as investors continue to worry that the nation could be headed towards a default on its roughly $130bn in Government debt. Fears that Argentina could default on its debt have hit the Asian bond market, where lenders are asking for higher rates. The Argentina-factor is being cited as a reason behind this week's postponement of a $600mn bond issue by the largest Telecommunications Company in the Philippines. Also at risk, if sentiment further turns against emerging-market bonds, is a massive bond issue planned by Hong Kong's Pacific Century Cyber Works Ltd.

Still, the situation this time will be different from that of 1997. Now, Hong Kong's currency and other units across the region are more tightly guarded against speculative attacks, while Malaysia has introduced a form of currency control. *(WSJ, 13.07.01)*

Pulling up Socks

Japan's global economy, that was once a strong and vibrant force, is now struggling to survive. The Japanese economy contracted 0.2 percent in the first-quarter from the fourth-quarter. It is now likely that the rest of Asia will soon develop many of the same problems now plaguing Japan because many Asian countries follow Japan's economic model.

The US slowdown is already slamming Asia's export-oriented economies. Asia's bad economic status can be judged from the fact that out of the total 11 million population of Asia, only 250,000 can be classified as genuinely high net-worth individuals. Moreover, with little scope for further monetary policy easing in most Asian economies, the onus for growth stimulus is shifting to fiscal policy. But, there is not much room left there either. Therefore, Asian nations must pull up their socks and take necessary actions to fix these problems. *(BL, 02.07.01 & 21.08.01)*

Economic Slowdown

South-East Asia has been badly affected by the economic slowdown in the US. The Singapore Government has downscaled its GDP growth forecast for 2001 at 0.5 to 1.5 percent from 3.5 to 5.5 percent. Singapore's economy is more closely linked to the US technology sector than the general economy and, therefore, it will take longer to recover. However, the problem is not just with Singapore. Indonesia and Philippines have also revised their 2001 GDP forecasts downwards. The North-East Asian countries like Hong Kong, Taiwan and South Korea have also been affected by this slowdown.

An ASEAN Post-Ministerial Conference (ASEAN + 10) was held to discuss the implications of the slowdown in the global economy and strategies to address this crucial issue. The Deputy Chairman of the Planning Commission and the leader of the Indian delegation, K. C. Pant, said the answer to the global economic slowdown lies in increasing demand and only a massive and sustained influx of resources into the developing world can ensure a demand for goods and services. *(TH, 27. 07.01 & 12. 07.01)*

Protectionism Rules in China

With China's World Trade Organisation (WTO) entry now expected by the year-end, the protectionists were having their last hurrah, doling out import licenses with a stingy hand. And, the Government was using this opportunity to sell-down its bloated reserves, while domestic prices remained artificially high.

On corn, for example, Hong Kong traders said they had received import inquiries from Chinese companies, but they had not received actual buy-orders because no one had import licenses. Beijing was even subsidising exports to help state trading firms, subsidies that would not be allowed under the WTO.

The Foreign Trade Ministry estimated that only a small portion of the relevant trade rules affected by WTO had been revised. The Ministry must comb through more than 1,400 laws, regulations and ministry rulings, such as import-export quotas on textiles and farm produce. The latest delays had been prompted mainly by concerns voiced by some developing countries over the deal on farm subsidies negotiated between China and the US. *(WSJ, 20.07.01 & 21.07.01)*

US Tariff on Timber

The US Commerce Secretary, Donald Evans, said the Bush Administration would impose a 19.3 percent preliminary tariff to punish Canada for what the US companies complained were unfair Government subsidies to the Canadian lumber industry. The US producers argued that Canadian producers received an unfair subsidy through the low fees, known as stumping age, which they paid for cutting timber on public land.

Softwood lumber, mainly used in house building, was one of Canada's top five exports to the US, with annual sales of about US$6.5bn. Canada accounted for more than a third of the US market.

Pierre Pettigrew, Canada's Trade Minister, called the move "protectionist" and said Canada would fight to overturn it. Some US consumer groups said it would make homes more expensive.

(FT, 11.08.01 & WSJ, 14.08.01)

China's Exports Fall

China's trade surplus narrowed to a six-month low of $830mn in June as the value of exports declined for the first time in two years. But, China's weakening trade performance would not prompt a devaluation of the yuan, which was kept in a tight trading-band of about 8.28 to the dollar. China previously held to that trading range in 1999, despite its export performance being undercut in the aftermath of the Asian financial crisis.

But, this time, the contraction in exports was due to the global economic slowdown rather than China's trade competitiveness being reduced by a sharp fall in regional currencies. The balance of services and expected strong investment inflows into the capital account should help to offset the effect of the narrowing trade surplus on the balance of payments.

With China's expected entry this year into the WTO, many investors would be positioning themselves to exploit the reduced barriers to investment. *(WSJ, 16.07.01)*

APEC Support Expected

China expected a summit of Asian-Pacific leaders later this year to issue a strong statement of support for the early launch of a round of global trade talks, the country's chief trade negotiator, Long Yongtu said. He also expected the 21-member Asia-Pacific Economic Co-operation (APEC) forum to express support for China's entry to the WTO. He also reaffirmed China's strong opposition to calls for the Taiwan President, Chen Shui-bian, to be allowed to attend the October summit of the APEC leaders in Shanghai.

High on the agenda of the APEC trade ministers' meeting in Jiangsu province, eastern China, was the launch of a new round of trade talks at a WTO ministerial meeting in Qatar in November.

China considered Taiwan to be a renegade province and insisted that only senior ministers and business leaders from Taiwan could represent the island at formal gatherings.

(WSJ, 07.06.01)

Trade Deal Offered

The European Union (EU) trade negotiators offered the Mercosur countries of Argentina, Brazil, Uruguay and Paraguay comprehensive proposals for the liberalisation of trade in goods and services between the two regions over ten years.

EU officials in Brussels said the offer, to the South American trading group in the Uruguayan capital of Montevideo, aimed at liberalising substantially all imports into the EU from Mercosur, with most to be freed of restrictions after seven years.

However, progress in the negotiations would depend on Mercosur coming forward with its own offer to liberalise access to its markets for the EU. In addition, the EU was seeking "substantial liberalisation" of trade in services when the planned trade agreement between the two sides enters into force. *(FT, 06.07.01)*

US-Chinese Agreement Hailed

The WTO Director-General, Mike Moore, welcomed an agreement reached between China and the US that could help smooth Beijing's path to the WTO membership. If accepted by the full body, China could join the WTO in time for a key meeting in Doha, Qatar, in November, possibly launching a new round of trade talks. China was eager for a seat at the negotiating table at the start of a new round.

The Wall Street Journal

Officials released no details of the US- Chinese deal, but confirmed that Chinese Trade Minister, Shi Guangsheng, and the US Trade Representative, Robert Zoellick, discussed farm subsidies and services such as distribution to retailers and import-export rights.

A further meeting had been set, where WTO members hope the few remaining differences – notably over insurance and the phasing out of existing restrictions on Chinese goods could be settled. *(WSJ, 04.07.01 & FT, 05.07.01)*

EU on Agricultural Trade Rules

The European Commission (EC) pushed for an ambitious new round of negotiations on world trade rules, but agricultural exporters said some of the European proposals amounted to protectionism in disguise. The core of the new trade round, which many countries hope would be launched at a meeting of the WTO in Qatar in November, would be trade liberalisation in traditional areas such as tariffs, services and agriculture.

The EU insisted that it should be able to set its own standards on public health. "Consumers had the right to be assured that WTO rules would not be used to place onto the market food products on whose safety there were legitimate concerns," David Roberts, the EC's chief negotiator, told a meeting of the WTO.

Agricultural exporters were also concerned by EU efforts to put the so-called Eco-labelling on the agenda of the talks. The EU, for instance, wanted stricter labelling requirements for food products that contained genetically modified organisms. *(FE, 09.08.01)*

Trade Surplus-Imports Fall

Malaysia's preliminary free trade surplus amounted to (Malaysian Dollar) M$4.7bn (US$1.24bn), reflecting a faster decline in imports than in exports.

May imports plunged 10.5 percent from a year earlier to M$23.4bn (US$6.17bn), the same drop recorded in April. Imports of intermediate and capital goods dropped 10.2 percent from a year earlier in May, an indication of lower private investment.

In the January to May period, the trade surplus amounted to M$22.9bn (US$6.04bn), down around five percent from the surplus of M$24.1bn (US$6.35bn) a year earlier. During the five-month period, imports contracted 0.7 percent to M$9.1bn (US$3.13bn), while exports contracted 1.3 percent to M$142bn (US$37.46bn). *(WSJ, 03.07.01)*

Duty Free Import

Despite Pakistan shying away from talks on issues other than Kashmir at the Agra Summit, India planned to permit duty-free import of about 50 items including leather products, hides and skins, handicrafts and dry fruits from its neighbour.

The move had been initiated at the behest of the Indian Prime Minister, Atal Bihari Vajpayee, who had asked the commerce department to prepare a list of items in the run-up to the Agra Summit. Officials said the list once cleared by the Commerce and Industry Minister, Murasoli Maran, would then be sent to Pakistani trade officials for their concurrence.

The items on which India was planning to exempt duty for imports from Pakistan were around 15 percent of its total imports from its neighbour. Trade with Pakistan was estimated at around Rs 1,200 crore (US$250mn). *(BS, 19.07.01)*

Trade Reform Called Back

Tony Blair, British Prime Minister acknowledged that France was one of the obstacles to European economic reform and trade liberalisation. In an interview with a local magazine during his Latin American trade trip, Tony Blair was asked directly whether France was the most reluctant nation among the European Union (EU) countries to accept his reform agenda. He replied that in the end France would accept a case for change and the economic reform process for Europe.

In Mexico City, he said it would be "a disaster" if the EU was to lapse into a "Fortress Europe" instead of opening up its trade markets with the rest of the world and adopting energy liberalisation and agricultural reform.

Blair had used his Latin American trip as a platform to argue the importance of a successful launch of a new WTO round at Doha, Qatar in November. *(FT, 04.08.01)*

US Trade Talks

The Bush administration had revived a ten-years-old framework for trade and investment negotiations with the southern cone of Latin America in an effort to demonstrate its continued commitment to the region.

The deal, the 1991 Rose Garden Agreement, which was part of the first Bush administration's Enterprise for the America's initiative, was intended to accelerate closer trade ties between the US and the region. But, it was forgotten amid US efforts to conclude a trade pact with Mexico and to launch negotiations on a broader Free Trade Area of the Americas (FTAA).

The effort would be favourably greeted in Argentina and the other countries in the Mercosur trading block, which in June urged the US to consider accelerated trade talks that could produce results before the 2005 deadline set for the FTAA. *(FT, 23.08.01)*

$191mn Sanctions Lifted

The US lifted $191.4mn worth of sanctions imposed on European Union (EU) exports more than two years ago after the EU's failure to comply with a World Trade Organisation (WTO) ruling against its banana import regime.

The decision followed an agreement in April, under which the EU undertook to modify its banana regime so as to increase the share of its market for Chiquita brands, Dole and other US distributors selling fruit produced in Latin America.

The EU was seeking WTO authority to impose more than $4bn sanctions against US exports, if the tax system remained in place. The US had not announced whether it would appeal, which could delay sanctions. *(FT, 02.07.01 & BL, 11.08.01)*

Largest Import Base

India's sources of imports underwent a major change during 2000-01 with the UK replacing Belgium as the largest import base, followed closely by Switzerland. During 2000-01, imports from the UK rose 14.48 percent over the previous year's level of $2.71bn, while Swiss imports registered a 19.05 percent increase over the 1999-2000 level of $2.60bn.

Exports to Europe increased 11.26 percent to $12.55bn in the last fiscal. India's exports to the US were valued at $9.28bn. Europe's share in India's export, worth $44.33bn in 2000-01, accounted for 28.31 percent.

On the export front, however, there was no change with the US continuing to be the leading export destination for Indian goods with exports rising 10.71 percent to $9.28bn in 2000-01, compared to $8.38bn in the previous year. *(BS, 17.07.01)*

IMPORT DATA

Country	1999-'00	Country	2000-01
Belgium	3.68	UK	3.11
USA	3.56	Switzerland	3.10
Saudi Arabia	3.02	Belgium	2.86
Nigeria	2.93	USA	2.80
UK	2.71	Japan	1.82
Switzerland	2.60	Germany	1.74
Japan	2.54	China	1.47
UAE	2.33	Singapore	1.43
Malaysia	2.02	Malaysia	1.13
South Africa	2.01	Australia	1.05

All figures in $ billion *Source: Commerce department*

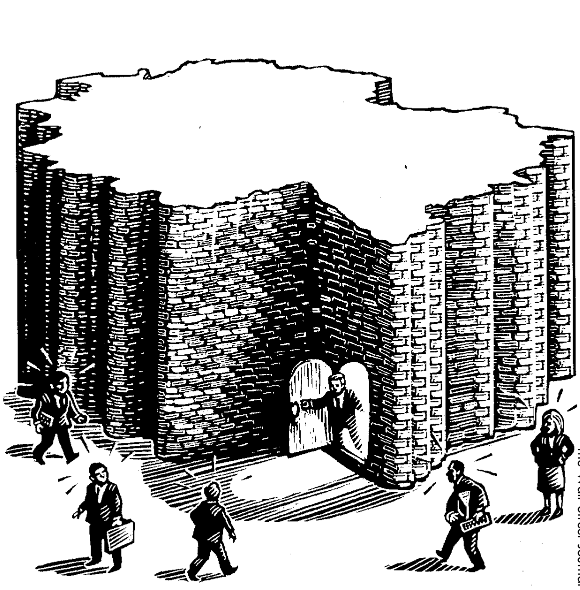
Door for Foreigners Widened

Nations such as the US, Canada and Australia improved their competitive positions in the international economy in recent years by harvesting the best and brightest from poorer countries. Until recently, Germany steadfastly refused to give citizenship, or even permanent residence, to top scientists, computer programmers and entrepreneurs.

But, faced with a growing shortage of highly skilled workers and an ageing and shrinking work force, Germany would move to shed its immigrant unfriendly image and provide ways for valuable foreign workers to gain equal legal status with native Germans.

Germany's willingness to pursue highly skilled foreigners was the latest development in an escalating battle among wealthy countries, all of which were facing shortages of some skilled workers. Some Germans, meanwhile, worried that the more open immigration scheme would not go far enough.

(WSJ, 05.07.01)



The Wall Street Journal

Moscow Strategy Reviewed

Russian chief negotiator, Maxim Medvedkov, said Russia may join the WTO in three or four years, although he called it a "pessimistic scenario" and hoped other countries would show more flexibility in their demands. Russia's hopes of an early WTO entry were abruptly set back during a meeting of its membership working party that listed concerns at its plans to bring trade legislation into line with the WTO rules. According to Medvedkov, the tough mood at the working-level talks with the WTO members in Geneva took Russia by surprise. They suggested Russia bring its draft laws to the WTO for discussion and approval.

President Vladimir Putin had called repeatedly for Russia's rapid accession to the WTO, extracting pledges of support from foreign leaders.

Putin had made membership in the 141-nation WTO, the Geneva-based body that sets the rules for global trade, a key goal for his Government. But in June, Russian negotiators complained that the WTO was making excessive demands.

(FT, 04.07.01 & BL, 03.08.01)

FTAA Released

The draft text of parts of the proposed Free Trade Area of the Americas (FTAA) was made public, giving the first official view of negotiations to create a vast trade area stretching from the Arctic circle to the tip of South America.

The release of nine chapters of the agreement fulfilled a promise made by the leaders of the 34 democratic nations of the Western Hemisphere who gathered at the Summit of the Americas in April. At the meeting, the leaders told thousands of protesters that the draft was being translated into the four official languages of the hemisphere – English, French, Portuguese and Spanish – and would be available as soon as the translations were complete.

Lori Wallach, the Director of Public Citizen's Global Trade Watch, said the documents did not include important information like indicating the positions of each country on the provisions of the agreement.

(BL, 05.07.01)

Free Trade Called

The former US President, Bill Clinton, called for a world-wide expansion of trade, coupled with stronger co-operation to help developing nations overcome their most pressing social and economic problems. He called for action to make it "a positive interdependence". This should be built with more trade and more programmes to boost health and education in developing countries and bring technology to poor areas.

As part of the concept of "positive interdependence", the US should extend financial support to Argentina, whose economy had been in recession for the past three years. Aid should also be granted to Brazil.

Among the measures he cited to promote positive interdependence were continued debt-relief to the world's poorest countries and closing the so-called digital divide.

(BL, 13.07.01)

G7 Urged

Leaders of the Group of Seven nations should commit themselves at the Genoa summit to opening their markets to poor countries' exports and launching this year a trade round aimed at reducing global poverty, the World Bank's chief economist, Nicholas Stern said. He said that a "development" round that removed rich countries' import barriers would increase national income in poor ones by at least $100bn.

A new trade round should focus on eliminating industrialised countries' barriers to imports from the 48 poorest countries, increasing market access for other developing nations and helping low-income economies implement commitments agreed in the Uruguay Round.

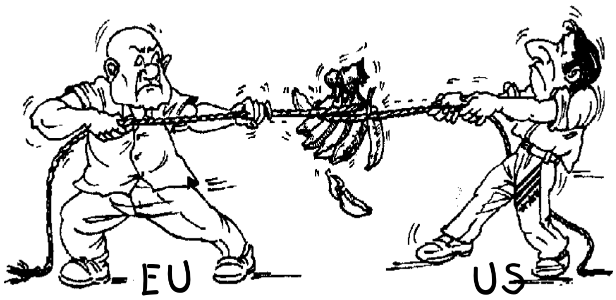
Stern was upbeat about prospects for developing economies, forecasting that their annual income per head would rise by 3.5 percent a year in the next decade, compared with an average increase of 2.5 percent in industrialised nations.

(FT, 13.07.01)

Banana Deal Threatened

Tensions between the US and the European Union are threatening to delay World Trade Organisation approval of their deal in April to end their long dispute over trade in bananas.

Under the deal, the US had lifted $19bn of sanctions on EU exports after the EU agreed to amend its banana export regime by January 1, 2002, to comply with a WTO ruling against it.



However, differences emerged over EU efforts to protect the deal from legal challenge by securing special waivers from WTO rules. Brussels says it must obtain the waivers before EU ministers will agree to amend the banana regime. EU officials privately accuse the US of backtracking on their agreement by not lobbying hard enough for the waivers.

However, US officials say the EU has made agreement in the WTO harder by demanding longer waivers than are necessary and by insisting they must cover the Cotonou agreement, which grants trade preferences to African, Caribbean and Pacific (ACP) countries. *(FT, 23.07.01)*

Losing Trademark Case

The US has lost the rum trademark case to EU. The World Trade Organisation (WTO) ruled in favour of the European Union in a dispute with the US over a long-running legal battle between alcoholic beverage giants Bacardi and Pernod Richard.

The trade body sided with EU's objections to a US law, known as Section 211, which denies protection for trademarks linked to businesses confiscated by the Cuban Government since the 1959 Communist take-over.

Bermuda-based Bacardi has used the 1998 Section 211 law in its strategy to wrestle and keep control of US rights to the 'Havana Club' run trademark away from Havana Club Holding, a joint venture between French firm Pernod Richard and the Cuban Government. *(BL, 08.08.01)*

EU to Lift Restrictions

Senior US officials are pressuring the European Union to abandon new restrictions on foods containing genetically modified organisms (GMO). These restrictions could cost US companies $4bn a year.

Under-secretary of state, Alan Larson, said that the rules unveiled by the EU on the labelling and trace-ability of GMO foods were "trade disruptive and discriminatory." These regulations, for instance, would require that American soybean oil bear a label while European cheeses and wines made with biotech enzymes would not be covered.

Larson has raised the above issue with every trade minister, agriculture minister and economy minister from Europe. Referring to the WTO, Larson said there are potential WTO concerns about how it is structured now.

(BS, 27.08.01)

Decision Deferred

The World Trade Organisation (WTO) has deferred a decision on establishing a panel under the dispute settlement body (DSB) concerning the United States 'Continued Dumping and Subsidy Offset Act of 2000' or the Byrd Amendment.

The request for setting up a panel had been made by nine complainants – India, Australia, Brazil, Indonesia, Chile, European Union, Japan, Korea and Thailand. The DSB met on 24 July 2001 and the matter will now be taken up at its next meeting.

The US had blocked the first request to establish a panel. The complainants argued that the redistribution of anti-dumping and countervailing duties to the affected US producers, who usually are the petitioners of the anti-dumping or countervailing measures, was against WTO rules. *(BS, 01.08.01)*

Favour in Tax Break Plan

The EU has confirmed that a WTO dispute panel has ruled in its favour in a dispute over the US tax breaks for exporters. The EU said the panel has concluded that the US programme, a replacement for an earlier scheme called the Foreign Sales Corporation Act, was prohibited export subsidy, violated an international agriculture agreement and discriminated in favour of the US goods in breach of the WTO rules.

The EU is fully satisfied with the results of the panel and expects the US to comply with the ruling. The United States has the right to appeal the ruling. The EU has threatened to impose up to $4bn of sanctions on the US goods if it ultimately wins the case. The US has until 19 October 2001 to decide if it will appeal against the panel's ruling. If the US did not appeal, WTO arbitrators would begin work after 19 October 2001 on deciding what amount of sanctions the EU was entitled to impose on US exports. *(BS, 21.08.01 & ET, 21.08.01)*

EC Suspends Dumping Duty

The EC has suspended the anti-dumping duties it had imposed on Indian cotton-bed linen exports in 1997. The decision implies that the duties can be re-imposed again. India is, however, fighting the case in the WTO's dispute settlement body for complete withdrawal of these duties, ranging from 2.6-17 percent.

The EC had imposed these duties despite the "overwhelming" evidence that the bulk of Indian exports termed "seer suker" had physical properties that were different from the one manufactured in the EU member-countries. But, the EC had imposed duty on the grounds that "it shares sufficient physical characteristics and uses with other types of bed-linen to make them competitive with each other".

This suspension of the duties means that the EC has not complied with the WTO appellate body's ruling that had upheld India's claims in the dispute. *(FE, 05.09.01)*

Auto Dispute Case

India is not going to attach much significance to an interim report on the auto dispute case involving the US and the EU, expected to be submitted by a joint WTO panel. This entire hearing has become infructuous with India dismantling the last vestige of quantitative restrictions (QRs) on 715 tariff lines, including the auto sector, on 1 April 2001. India had also scrapped the system of the memorandum of understanding (MoU) to be signed with the Director-General of Foreign Trade by auto majors.

While setting up the panel, the US was aware that India was willing to remove the QRs on the remaining tariff two years in advance of the date of 1st April 2003, originally agreed upon by both the countries. The joint panel was constituted to examine whether India's auto policy "breaks" the WTO rules and "distorts" international law, as contended by both the US and the EU.

The panel had been set-up despite the protest registered by India that the auto policy was in no way "inconsistent" with its obligations under the General Agreement on Tariffs and Trade (GATT) and Trade-Related Investment Measures (TRIMs) agreement. *(FE, 30.08.01)*

Resuming Trade Battle

Argentina and Brazil again waged a war of words and deeds over the regional trade agenda as each country still struggles to overcome deteriorating economic expectations at home. This struggle dampens prospects for deeper integration of Mercosur – the decade old trade bloc comprised of Argentina, Brazil, Paraguay and Uruguay.

Argentina, for boosting trade competitiveness, planned to reduce or eliminate import tariffs on information technology goods, automotive products, etc. Brazil Government, in turn, suspended bilateral trade talks and demanded that Argentina immediately reverse the measures.

These two largest South American countries have been at each other's throats since 1999, when Brazil abandoned strict controls on currency fluctuations. Argentina claimed that its export competitiveness suffered as a result of the currency regime shift by its leading trade partner. If this conflict continues, nascent trade negotiations between Mercosur and EU – which has offered to cut tariffs on a wide range of products – could be threatened. *(FT, 11.07.01)*

Failing to End Dispute

The US has refused to drop its tariff penalties on European steel companies, despite a World Trade Organisation (WTO) ruling last year, that indicated those duties may be illegal under world trading rules. Consequently, the European Union (EU) has decided to launch a dozen separate WTO cases in an effort to overturn US duties on its steel companies.

The two sides had attempted to negotiate a solution since last month, when the EU first threatened to take the cases to the WTO. But the US Commerce Secretary, Don Evans, told the reporters that no deal could be reached.

The decision will heighten the US-EU tensions over the steel trade at a time when the US has launched an action under its Section 201 law that could lead to broad restraints on steel imports. *(FT, 20.07.01)*

Japan Warned on Import Curbs

China has warned Japan that it risks provoking a new trade row by considering imposing quotas on towel imports. The row has become increasingly acrimonious after China slapped 100 percent punitive tariffs on imports of Japanese cars, mobile phones and air conditioners in retaliation for Japan's decision in April to impose import curbs on some farm products that come primarily from China.

The meetings held to resolve these issues have failed because the meetings themselves involved legalistic wrestling, intensified by different sets of trading rules cited by both sides. Japan holds the view that Beijing's imposition of punitive tariffs violated WTO rules, while the Chinese officials stuck to their own rules saying Japan's initial "safeguard" measures to protect Japanese farmers discriminated against China's agricultural products. Therefore, China is resolutely opposed to any form of trade protectionism adopted by Japan. *(WSJ, 03.07.01 & 05.07.01)*

Challenge over Import Duties

Canada is planning to launch a WTO challenge against a US decision this month to slap import duties of more than 19 percent on Canadian lumber.

Canada's action would mark the first step in what could become the largest series of international dispute settlement actions involving a single product. Softwood lumber is among Canada's top five exports to the US, accounting for about 35 percent of the US market. Therefore, Canada's Trade Minister vows to use every legal measure possible under the WTO to fight the US softwood trade action.

The US Commerce Department ruled this month that the Canadian provincial Governments were illegally subsidising lumber production, and ordered a 19.3 percent tariff on lumber imports from Canada. Canada will argue before WTO that the US action violated the WTO agreement on subsidies. *(FT, 22.08.01)*

Aids Drug Dispute

The Brazilian Government and Roche, the Swiss Pharmaceuticals Company, signalled their readiness to seek a negotiated solution to a stand-off over the pricing of Aids-drugs.

This decision came after the Brazilian Government decided to override the patent on Nelfinavir, an Aids drug produced by Roche, and decided to issue a compulsory licence for its local production. Earlier, the Government had argued that it could not agree with Roche on a substantial price reduction for the drug that it offers as part of its free Anti-aids programme.

It is the first such move by a developing country and the outcome of the confrontation could be decisive in controversy over the prices multinational pharmaceutical companies' charge for Aids-drugs in poor countries. The disagreement in Brazil appeared as the news emerged that the drug groups may also come under pressure over access and prices of Aids-drugs in China. The Brazil ministry of health said it was open to negotiations with Roche as long as the company was "ready to offer further price reduction." *(FT, 24.08.01)*

Financial Times

Global Food Aid Moved

Continued food assistance needed by over 60 million people affected by natural or man-made disasters in Africa, Asia and Latin America led to the massive movement of food and other relief material around the globe.

According to the Food and Agriculture Organisation, in eastern Africa alone, the food security of some 18 million people was undermined, while in the low-income food deficit Commonwealth of Independent States (CIS) countries some four million people needed assistance to survive.

Among the leading recipients, in terms of tonnage, were Ethiopia, Indonesia, Bangladesh and Nicaragua. Most aid supplied by donors (developed countries) was in the form of cereals, cereal products, oilseeds, oilmeals, pulses, skimmed milk and various blended products. *(BL, 16.07.01)*

Failing Dimensions

Anti-globalisers ranging from Drop the Debt, a London-based group that pushes rich nations to forgive Third World debt, to mainstream environmentalists had an urgent message: Globalisation is moving in a troubling direction. Huge corporations, driven by greed, have gained tremendous control over our lives. They need to be held accountable.

Activists viewed the International Monetary Fund (IMF), the World Trade Organisation (WTO) and the World Bank (WB) as enforcing this system through their loans and trade rules and argued they need to be dramatically reformed or abolished altogether.

In India, a group of 28 social scientists, activists and intellectuals had signed a declaration stating that globalisation, in its present form, threatens the 'life-world' of vast sections of Indian society and called for an exploration of alternatives to the current development paradigm.

(BL, 14.06.2001)

Irreversible Globalisation

The World Bank President, James Wolfensohn, said the Bank estimated there were three billion people in nations that benefited from globalisation. Up to one billion people lost out because of differing production levels and concentrations of power.

A series of meetings between the 'Association of Southeast Asian Nations' (Asean) delegates and those from dialogue partners including the US, EU, China, Japan, South Korea and Australia discussed security issues and ways in which Asean can further integrate into the global economy.

Asean released its Hanoi Declaration, which pledged to "devote special efforts and resources to promote the development of newer member countries" and to "expand linkages with the rest of the world, particularly with China, Japan and the Republic of Korea."

(BL, 07.08.01 & WSJ, 30.07.01)

Move on Forex Tax Hailed

Followed by pressure from the Socialist and Green parties in the ruling Belgian coalition, Didier Reynders, the Finance Minister, had agreed that he and his European Union (EU) colleagues should discuss the so-called "Tobin tax" on currency speculation at their meeting in Liege.

The meeting preceded the annual meetings of the IMF and the WB, fuelling hopes among Tobin tax supporters that Belgium might rally EU support for the measure to be included in discussions on reforming the "architecture" of the international financial system.

Non-Government Organisations (NGOs) such as War on Want believed the Tobin tax could fund a massive rise in financial support for the world's poor. It claimed a 0.25 percent tax on currency transactions would raise more than $250bn a year - more than five times the current aid to poor countries. *(FT, 09.07.01)*

Net for Better Living

Poorer countries can raise their living standards by changing laws, building technology infrastructure and training workers to use the internet, a United Nations report concludes. The document urges to copy successful programmes that use information technology to create jobs, lure investment and sell high-tech products and handmade crafts on the global market.

The report, "Creating a Development Dynamic" came from the United Nations development programme along with the Markle Foundation, a New York based charity, and global management consultancy Accenture. Together the group calls itself the Digital Opportunity Initiative. *(ET, 29.07.01)*

Snapshot Captures Failure

The traditional role of the United Nations human development report, to provide a snapshot of progress in eliminating poverty, disease and lack of education, may be overshadowed this year by its controversial recommendations on genetically modified foods (GMOs).

A third of the world's extremely poor, those living on less than a dollar a day, live in countries that are lagging behind from the goal of halving such poverty by 2015. Other goals, reducing infant and maternal mortality and achieving universal primary education are also behind target.

The report suggested, however, that income inequality, the subject of intense interest from anti-globalisation activists, might be declining. It also backed the internet as a "critical technology" for human development. *(FT, 11.07.01)*

Improving Living Standards

New technologies, including GMOs, could be vital to developing countries trying to improve living standards, according to the United Nations.

The United Nation's (UN's) keynote human development report said developments in bioscience and information technology would help the poor people.

The report argued that countries such as Argentina and Egypt, which had approved production of GMOs, show that "developing countries can create bio-safety systems that enable them to move forward in managing technological safety". But, the report balanced its support for new technology by criticising trade-related intellectual property rights (TRIPs) rules. It said they had failed to deliver transfer of new technology from the rich to the poor countries and made it too complex for developing nations to register patents on a large scale. *(FT, 11.07.01)*

Powerful Enabler of Development

Information technology could be a "powerful enabler of development" in less industrialised countries, said a report published before the Group Eight (G8) summit in Genoa. The research, co-authored by Accenture, the international consulting group, the United Nations Development Programme and the Markle Foundation, a US not-for-profit organisation, said poor countries with large IT export industries can enjoy "significant" economic benefits but added that these gains may sometimes fail to translate into social development.

Vernon Ellis, international chairman of Accenture, said technology could bring development only if five other conditions were in place: quality infrastructure, favourable Government policies, good education, local relevance and a culture of entrepreneurship.

The report said building IT production capacity can help strengthen a country's economy but may harm its international competitiveness and its ability to adopt new technologies. *(FT, 13.07.01)*

Victim to 'Initiativitis'

It was two weeks before the great annual get-together of the G8 meeting, where the heads of the most powerful nations were doubtless in issuing resounding declarations about the global struggle against Aids and poverty, against the background of a media circus, demonstrations and quite possibly a riot etc.

However, Clare Short, initiativitis the international development secretary, was not that excited. "The real problem is, lots of one-off G8 initiativitis which did not really go anywhere," she said. What they really wanted was the G8 to commit to drive forward the agreed international reforms and contribute more to them.

Ms Short preferred to concentrate on the slow grind of building up the capacity of poor countries to fight for themselves at the negotiating table and try to get donors to co-ordinate their work better. She counted some recent successes, including Ghana, which decided to apply for debt-relief after UK support. *(FT, 07.07.01)*

Treatise on Poverty Eradication

In the Organisation for Economic Co-operation and Development (OECD) Employment Outlook, the Paris-based inter-Governmental think tank of 29 industrialised countries said reducing the incidence and persistence of poverty is a goal shared by all OECD countries.

The OECD recommended Governments to structure policies in such a way as to distinguish between those requiring temporary relief and those at high risk of exclusion over long periods.

Low earning potential, for instance, due to lack of qualifications or valuable work experience and the burden of family responsibilities are among the principal causes of long-term poverty. For this reason, family-friendly policies such as child care, maternity leave and flexible working hours have a role to play in combating poverty, particularly by making it easier for single-parents to enter the labour market. *(BL, 05.07.01)*

Making Globalisation Work

In the Genoa summit, the Group of eight (G-8) leaders of the world's richest nations (the US, Japan, Germany, France, Italy, Britain, Canada and Russia) said in a joint statement that they would seek "enhanced co-operation and solidarity with developing countries, based on a mutual responsibility for combating poverty and promoting sustainable development". They also pledged to look for ways to broaden debt-relief for the world's poorest countries.

Business Standard

The summit had endeavoured to produce broad agreement on major economic and foreign policy issues such as the growing divide between Arabs and Jews in West Asia and political crisis in Macedonia. It also emphasised the commitment to a new global fund to fight AIDS, TB, malaria, etc., in the developing countries.

Tony Blair, the Prime Minister of Britain, said global trade and opening up the world economy were "not the obstacles to, but the means of, advancing the interests of the poorest countries. Protectionism is their enemy". *(TH, 23.07.01)*

Integrity for Influence

By their very nature, development agencies have an awkward but needy relationship with Governments. The best, recent example of the symbiotic relationship was the UK government's links with the heavily indebted poor countries' debt-relief campaign. Jubilee 2000, London-based but with a world-wide network, was a pure advocacy organisation with no other aim but to change the opinions of Governments, the IMF and the WB.

The World Bank now has a special unit dedicated to building up NGOs and about 70 staff spread around the world specifically to manage NGO relations. The UK spends about $268mn of its annual budget through NGOs.

Governments need NGOs; NGOs need governments. But, for the relationship to work, both need to prove their legitimacy. *(FT, 17.07.01)*

Employment Goal

According to the European Commission's (EU) annual Employment in Europe report, women and the high-tech industries were the main drivers behind the 1.8-percent growth in employment in the 15-member EU last year, during which three million jobs were created. EU employment fell by more than 1.5 million to an average of 8.2 percent, while female unemployment fell below ten percent for the first time in a decade.

Among the aims set out by the EU at the 1999 Lisbon summit was the desire to lift the employment rate of the eligible population to 70 percent by the end of the decade, compared with 75 percent in Japan and the US. The employment rate rose above 63 percent in 2000.

In Central and Eastern Europe, the transition to a market economy had led to high levels of unemployment. But, the most noticeable trend was the wider range of youth and female unemployment. *(FT, 23.07.01)*

Energy Lobby to Target G8

The Group of Eight (G8) leading industrialised nations were urged at their Genoa summit to set for themselves the goal of spreading the benefits of renewable energy to one billion people around the world by 2010.

This was the headline target of the report by the G8 task force set up at the UK's initiative last year to identify ways of overcoming the barriers to the promotion of renewable energies such as bio-mass and wind-power.

The task force, which included representatives of the World Bank and private lenders such as General Electric (GE) Capital, called for the international financial institutions, as well as rich-country credit agencies, to focus more on renewables in their energy projects. *(FT, 14.07.01)*

Clean-air Curbs

General Motors (GM) Corp., the world's largest auto-maker, quietly prepared a push to loosen the nation's clean-air rules to allow wider use of diesel engines as fuel saving alternatives to thirsty gasoline light-truck engines. GM took its pro-diesel campaign public with a report issued by the Diesel Technology Forum.

Diesel can get at least 30 percent better fuel economy than comparably sized gasoline engines, an important advantage in Europe, where gasoline prices are high. Tax policies in some European countries encouraged diesel use, but so do European clean-air standards, which were more lenient than a new round of US rules toward the pollutants associated with diesel motors.

The Diesel Technology report said new clean-air rules in the US "constitute a significant challenge for the future of diesel vehicles in America". *(BL, 07.08.01)*

Reducing Dismantling Risks

Major ship owners, such as P&O Nedlloyd, had been targeted by organisations such as Green Peace for allegedly 'dumping' ships with dangerous and environmentally-harmful substances on board. The major ship owner representative bodies decided to take an active role in addressing this issue and set up a working party chaired by International Chamber of Shipping Secretary-General, Chris Horrocks.

The working party had launched an 'Industry code of practice on ship recycling', advising ship owners what to do before selling ships for scrap.

In addition to covering the measures that ship owners might take prior to the delivery of ships at recycling yards, such as the cleaning and certification of tanks to hot work and entry standards, the code incorporated an inventory of potentially hazardous materials on board, intended for completion on a ship's last voyage prior to be broken up. *(BL, 14.08.01)*

Deal-wrecking Impact

A looming controversy on proposals for introducing environmental rules in trade had the potential of having the deal-wrecking impact on the Doha Ministerial meeting of the World Trade Organisation (WTO).

The first proposal was for allowing countries to control imports when food safety was involved, by invoking the "precautionary principle" where there was a threat of irreversible environmental harm, even if the scientific evidence was not certain. Eco-labelling, the certification that products are manufactured in an environmentally-benign way was the second area proposed by the European Union (EU) for negotiations.

Another controversial suggestion by the US was for the inclusion of a seemingly innocuous statement in the preamble to the Ministerial declaration in Doha which would refer to the freedom of countries to introduce the 'highest environmental standards possible'. *(TH, 03.08.01)*

Clean-up may Cost $460mn

The US Environmental Protection Agency said it would stick with a Clinton administration plan requiring General Electric (GE) Co. to pay for cleaning up polychlorinated biphenyls (PCBs) that it discharged along a 40-mile stretch of the Hudson River in connection with a broad range of industrial activities.

It called for GE to begin dredging a stretch of the Hudson River north of Albany, New York, in a project estimated to cost at least $460mn. The order to dredge was a huge defeat for GE and it claimed that it would be more destructive because it would stir up PCBs buried in mud and re-contaminate the river.

The clean-up plan included testing of PCB levels in the soil, water and fish and measuring how much of the dredged waste contaminates the river. *(BL, 03.08.01)*

Turning into Flexible Business

The meeting of the United Nations Convention on Global Climate Change in Bonn approved more precise rules for implementing the basic pledge of the 1997 Kyoto Protocol, which called for a cut in emissions of the six gases believed to cause global-warming.

The Wall Street Journal

The cost of the rules to government and industry would depend on the savvy of individual countries as they lay plans to meet their emissions-reduction targets. "Policy choice and flexibility make a big difference in terms of cost, as much as 400 percent or 500 percent," says Tom Jones, the head of the global environmental policies unit for the Paris-based Organisation for Economic Co-operation and Development (OECD).

The global reduction system was being designed without much US input, so many of the rules might end up working against America. For instance, the US was already complaining that developing countries would have a big say in the UN body that would assess compliance with emission targets, even though the developing countries would not be required to make any cuts themselves.

The protocol, signed by 159 nations in the Japanese City of Kyoto in 1997, was not very strong on specifics. It does not spell out what will happen to the countries that miss their targets, or how far countries can go in using such "flexible mechanisms" as pollution-credits trading to lower their emissions level on paper. *(WSJ, 30.07.01)*

Pushing Green Farming

At a conference in London on the future of European agriculture, Renate Kunast, the German Farming Minister, and Margaret Beckett, her British counterpart, insisted radical reform of the common agricultural policy remained achievable.

Ms Kunast said Germany would work closely with Britain to persuade other member–states of the need for reforms to improve food safety, reduce intensive agriculture and promote organic production methods.

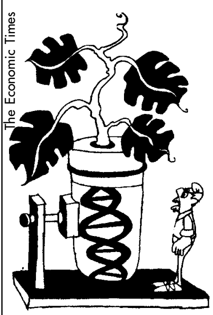
Environmental groups and organic farmers welcomed the stance taken by Britain's new Department of Environment, Food and Rural Affairs, set up to implement a more coherent rural policy. *(FT, 18.07.01)*

Moving to GM Crops

The European Commission was set to adopt proposals aimed at restarting the stalled approvals-process for genetically modified (GM) crops, while reassuring consumers that their food is safe.

The Commission was expected to propose a centralised scientific evaluation of GM crops, tighten labelling requirements for both live GM plants and foods derived from them and establish a strict system to trace GM-based ingredients through the food chain.

Under the Commission's latest plans, food or animal feed would require a label if derived in any way from a GM crop even if modified protein or DNA could no longer be detected in the product.


The Economic Times

"The scientific arguments say there is no risk to human health," said a senior Commission official. "But consumers say they won't accept anything else and virtually all member-states want this."

Consequently, the consumer groups have welcomed the Commission's initiative. "This is an essential element in restoring consumer faith in GM foods, which was shaken by the way they were imposed on people," said Jim Murray, Director of Beuc, the European consumers' organisation. *(FT, 23.07.01)*

Air Pollution Crisis

Smoke clouds from hundreds of forest-fires in Indonesia and Malaysia are expected to worsen, raising fears that 1997's regional air-pollution crisis could be repeated. In Malaysia, school children were sent home or stopped from playing outside and street sweepers wore masks over their noses and mouths to protect them against the smoke, which is covering large parts of this country.

The haze has also affected Southern Thailand and Singapore is watching for wind-shifts that could blow smoke its way.

In 1997, fires raged out of control for weeks during the dry season, blanketing Singapore and some parts of Malaysia and Indonesia with thick smoke. The ecological disaster also sparked a huge diplomatic row between the nations affected. *(WSJ, 12.07.01)*

Wildlife Re-think Prompted

The UK's leading wildlife charities were considering radical changes in their approach to nature conservation to cope with the threat from climate change.

The wildlife conservation groups were debating whether they should attempt to counter the impacts of climate change in nature reserves, in an attempt to give species more time to adapt to changing conditions. Intervention could involve establishing buffer-zones or corridors to allow species to migrate north.

The study warned that in changing environmental conditions "the maintenance of the current scientific interest of statutorily designated sites may prove difficult, or even inappropriate". *(FT, 27.08.01)*

Carbon Sinks Rejected

A new report by Britain's Royal Society said too little was known about how much farmlands and forests, so-called carbon-sinks, could absorb carbon dioxide, the main greenhouse gas, from the atmosphere.

According to the report, carbon-sinks and soil absorbed about 40 percent of carbon dioxide emissions and could soak up as much as 45 percent. They could release greenhouse gases, such as methane. The long-term solution can be cuts in carbon dioxide emissions through energy saving and replacing fossil-fuels with renewable and nuclear energy.

The EU was also sceptical about the widespread use of forest sinks and said excessive use of carbon-sinks could undermine the integrity of the Kyoto protocol on climate-change, because it reduces the incentive to cut the use of fossil-fuels. *(BL, 10.07.01 & FT, 20.7.01)*

G8 Summit Over-shadowed

Global warming, the UN's global health fund and debt-relief for developing countries dominated the G8 Summit. The Summit coincided with a meeting of officials of the UN inter-governmental panel on climate change in Bonn, which had been dominated by US President, George W. Bush's rejection of the Kyoto protocol aimed at reducing greenhouse gas (GHG) emissions.

Junichiro Koizumi, the Japanese Prime minister, was likely to resist pressure from European leaders but would try to persuade the US President to soften his opposition to the treaty. Disputes emerged as Ministers joined the talks, where the EU pledged to resist proposals by Japan and three other countries to loosen controls on carbon emissions.

The main disagreements involved how to credit countries for properly managing forests that soak up carbon from the air and on how sternly to punish countries that fail to meet their emission targets. *(FT, 18.07.01 & BL, 21.07.01)*

Warning over Kyoto Accord

The Japanese Government, apparently, failed in bilateral talks to persuade the US to lessen its objections to the Kyoto treaty.

Diplomats from around the world gathered in Bonn to address a seminal question: Will there be a Kyoto protocol on global warming without the US or none at all? The key-player in answering that question appeared to be Japan, whose position might well determine whether other industrialised nations move ahead despite vigorous opposition from the US President.

The Kyoto protocol was the central issue at the UN convention, which initially was intended to complete the pact after talks in The Hague broke down in November over relatively minor differences between the EU and the US. *(FT & WSJ, 16.07.01)*

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FICCI-CUTS WTO Seminar

Reflections on Doha Ministerial of the WTO: Issues and Options

27th August 2001, New Delhi

On 27th August, 2001, CUTS and the Federation of Indian Chamber of Commerce and Industries (FICCI) jointly organised a seminar entitled "Reflections on Doha Ministerial of the WTO: Issues and Options", at the Federation House in New Delhi. The Union Minister of State for Commerce, Digvijay Singh, Jairam Ramesh, Secretary of Congress Party's Economic Cell and Nripendra Misra, Special Secretary on World Trade Organisation (WTO), Ministry of Commerce, were the main speakers at the first session.

Business Line

The Union Minister of State for Commerce and Industry, Digvijay Singh, (right) with Pradeep S. Mehta, Secretary General, CUTS, at the seminar.

In the second session, three presentations were made. Dr. Veena Jha of the United Nations Conference on Trade and Development (UNCTAD) made a presentation on Environment. Dr. Nagesh Kumar of the Research and Information System for the non-aligned and other developing countries (RIS) presented his views on the issue of Investment and Dr. Biswajeet Dhar of the (RIS) made a presentation on Trade Related Intellectual Property Rights (TRIPS). CUTS' Secretary General, Pradeep S. Mehta, chaired the second session.

During the first session, Amit Mitra, Secretary-General, FICCI gave the reasons for jointly organising this seminar with CUTS. He said FICCI believes in associating with grassroot organisations and the people. He further added that it is a wrong notion that the interests of the consumers and the industry are different, or mutually exclusive. R. V. Kanoria, Vice-President, FICCI, stressed upon the importance of the success of the Doha Ministerial for the survival of multilaterism. According to him, proliferation of the Regional Trade Agreements (RTAs) and Preferential Trading Agreements (PTAs) is causing a trade-diversion to many developing countries. Article 24 of the General Agreement on Tariffs and Trade (GATT), which makes provision for RTAs, needs to be re-looked at and a roadmap should be drawn to integrate all the RTAs into the multilateral trading system in due course of time. He said the TRIPs agreement should not come in the way of providing drugs at affordable prices, as public health is of paramount importance.

Digvijay Singh, reiterated the well-known stand of the Government on various WTO issues that the Uruguay Round (UR) did not address the interests of the developing countries. On New Issues, he said, no *prima facie* case has been established on the necessity or relevance of the proposed new issues into the WTO framework. As far as investment is concerned, bilateral treaty is better than any multilateral treaty in the present scenario. Competition Law has been introduced in India, but we do not have enough experience on this. Hence, it is not fair to have multilateral agreement on competition at present. He also opposed the inclusion of new issues in the WTO, unless there was a convergence of views of all the WTO members. He also reiterated that on the issue of launching a new round, India is not isolated.

However, the speech of Nripendra Misra provided more substance and there was a slight indication of the softening/shifting of India's stance vis-à-vis the new issues. He said, in the previous round of trade agreements, many of the provisions were negative. However, the post-UR provisions are much more positive. Reacting to the demands of some developed countries to include new issues in the WTO, he said it is because of the dispute settlement mechanism of the Dispute Settlement Body that we want to discuss everything under the WTO. The developed countries have good legislations on Competition. They have experience of this too. But, the developing countries need to gain experience first at the domestic level.

Jairam Ramesh started his speech in a very offensive tone and attacked the Government on its negative stand towards a new round, which, according to him, is inevitable at Doha. According to him, issues important for India can be addressed in a better way in a new round only.

The second session was issue-based. Dr. Veena Jha spoke on environment and related issues. She highlighted the major weaknesses in the EU's proposal, risk to the developing countries and what the developing countries can agree to.

Dr. Nagesh Kumar of RIS spoke on the developed countries' attempt to evolve a multilateral framework on investment. He urged that the attempts to broaden the WTO agenda on investment beyond TRIMS (Trade Related Investment Measures) should be resisted. Dr. Dhar started his presentation with a general remark on the launching of a new round of trade negotiations. According to him, the real issue is of comprehensive round vs. limited round.

Pradeep S. Mehta spoke in both the sessions. In his concluding remarks in the second session, he emphasised three issues – need for further domestic reforms, consumers interest and the TRIPs agreement, which is not only affecting public health but also threatening food security because it affects farmers' rights.

Competition Policy & Law Made Easy

This is a booklet on competition policy and law in a simple language. The purpose of this monograph is to introduce competition policy and law to consumer and other activists and general public. This publication aims to generate awareness that could be helpful for a common person to identify anti-competitive practices in the market place
(36pp. #0109, Rs.20/$5)

Making Investment Work for Developing Countries

This publication is another in our series of monographs on investment and competition policy intended to introduce related topics to a wide audience. This monograph will also serve as a reference point for those interested in the complex and sometimes controversial relationship between foreign direct investment and development.
(46pp. #0110, Rs.20/$5)

Briefing Papers

Framework for Fair Trade and Poverty Eradication

No.4/2001

Over the years, the problems vis-à-vis realisation of market access opportunities, which the developing countries have faced so far, emerge from both the supply-side and the demand side. Of course, there are certain positive factors also on both the demand and the supply side. However, many countries are not in a position to capitalise on them in a systematic manner. The situations that have emerged from the functioning of the WTO over the last six years have not resulted in enough opportunities for the developing countries to increase their share in world trade.

With this background, the paper highlights various issues concerning the market access potential of the developing countries. These have also been substantiated with empirical data and the required policy responses.

Implementation of the Uruguay Round Agreements
Need for a Frontloaded Agenda

No.5/2001

Prior to the 3rd Ministerial Conference of the WTO, held in Seattle, USA in November/December 1999, a group of developing countries drafted a common agenda on implementation issues vis-à-vis WTO agreements, consisting of 94 points (popularly known as *tirets*). In June 2001, the WTO General Council (GC) received another proposal from a group of seven developed and developing countries on implementation issues. The development since Seattle makes it clear that implementation of WTO agreements by itself is a huge agenda and delays in resolving these issues make them more and more complex.

With this background the paper tries to address only those implementation issues, which could be resolved before Doha Ministerial Conference and during the period immediately after Doha. It compares the two sets of implementation proposals with the original Uruguay Round Agreements by highlighting their implementation status.

Proactive Agenda for Trade and Poverty Reduction

No.6/2001

There are substantial inequalities in the existing international trading system. The developed countries have long preached the virtues of openness but practice lags behind the rhetoric. Despite progress over the last 50 years, developed countries maintain significant tariff and non-tariff against the exports of developing countries.

With this as background, this paper throws light on some thoughts on how one could construct an agenda for a new round of trade negotiations by taking into account various ground realities for development and concerns for the poor.

SOURCES

ET: The Economic Times; BS: Business Standard; BL: The Hindu Business Line; TH: The Hindu; FT: Financial Times; WSJ: The Wall Street Journal; FE: The Financial Express; ToI: Times of India; ToZ: Times of Zambia; BR: Business Report

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