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CUTS Centre for International Trade, Economics & Environment
CUTS-CITEE

No. 2, 2005

Partnering with Greater Accountability

The golden jubilee of the Bandung Conference reviewed the progress made in terms of South-South cooperation. The event was held in 1955, at Bandung, Indonesia, when leaders of 29 developing countries met to promote collective self-reliance as a political imperative.

This was followed by the establishment of a Working Group on Technical Cooperation among Developing Countries (TCDC) by the UN General Assembly in 1972. In 1999, the High-level Committee on the Review of Technical Cooperation among Developing Countries (TCDC), in its eleventh session, resolved that South-South cooperation should be viewed as a complement and not a substitute for North-South cooperation.

Thus, came the recognition for the importance of trilateral development cooperation (TDC).

The Millennium Development Goals (MDGs) and the Monterrey Consensus, among other international covenants, have reinforced the need for enhanced and targeted delivery of overseas aid to developing countries. Most of the aid goes through the bilateral route with a large amount being channelled through inter-governmental organisations.

Another route that is becoming popular is through "trilateral cooperation" where the aid is channelled through institutions in Third Countries for being applied to development projects in poor countries.

However, at the practical level, trilateral cooperation received a major boost in 1993, at the Tokyo International Conference on African Development (TICAD). It has since become known as TICAD process in which Japanese resources are used to promote exchanges between Asian and African countries.

Trilateral cooperation takes a broad-based approach that promotes partnerships with various actors, which include traditional donors, multilateral agencies, private sector, academic institutions and civil society organisations (CSOs).

Development cooperation has traditionally been bilateral, though the donors often used the services of private agencies or non-governmental organisations (NGOs) in their home countries. This has led to the emergence of several large NGOs mainly based in the developed countries: CARE, Oxfam and Action Aid, to name a few. Some of them attract support from other donor governments. Thus, a form of trilateral cooperation started involving the developed country donor, developed country technical assistance providers and developing country recipients.

This form of cooperation was extended when some developed country donors started involving agencies and experts from other developing countries. This was done through both involvement of other developing country governments or that of private or non-governmental organisations.

Business Standard

Another form of trilateral cooperation takes place when developed country donors engage inter-governmental organisations (IGOs) for technical assistance. This need not be confused with the arrangement when developed country donors channel their funds through IGOs. An example in this regard could be the United Nations Conference on Trade and Development (UNCTAD) project on capacity building on trade policy issues in India supported by Department for International Development (DFID).

Capacity building requirement is not an issue in the developing countries only. There are requirements for sensitisation and capacity building in developed countries to give the developing country perspectives to the stakeholders there. Bilateral assistance programmes have often been criticised for their tied nature, that is, aid tied to the donor country's provision of goods and services.

For example, it has been reported that in 1999, "71.6 percent of its bilateral aid commitments were tied to the purchase of goods and services from the US." Trilateral cooperation can be a cost-effective way of promoting development cooperation.

Another issue related to tied aid is that when the donors tie up with local (donor's home country) technical assistance providers, there is a possibility of monitoring by the donors going lax as they are likely to develop alliances. A third country provider of technical assistance is far less likely to develop such a relationship with a donor and, hence, monitoring is likely to be more rigorous.

It is well-recognised now that importing technologies or policies or legal practices from the developed countries may not be appropriate for most developing countries. It may be better for them to draw these from countries that are developing but yet at a more advanced stage than they.

In fact, ignoring this has cost many developing countries, especially in sub-Saharan Africa, dearly, as they implemented the Washington Consensus agenda. Trilateral cooperation can be an effective way of bringing "appropriate intermediate technology" and "appropriate policy" to developing countries while taking the help of developed countries in meeting the financial resource need.

INSIDE

WTO at Crossroads and Beyond

CUTS Statement to the WTO Public Symposium, April 2005

In January 2005, the World Trade Organisation (WTO) has completed ten years of its existence. Other than negotiating challenges faced by WTO members, the system itself is facing institutional challenges and from preferential trading arrangements (PTAs).

Institutional Challenges

The WTO needs reforms. Slow progress of the Doha Round due to growing conflicts between the rich and the poor over a range of issues have evoked interest in the international community on the necessity of institutional reforms of the WTO. The biggest strength of the WTO is that it is a member-driven organisation, though some say it is the biggest weakness as well.

The Economic Times

The WTO should function on the principles of collective leadership leading to collective decision-making. And, this collective decision-making will have to take into consideration the fact that trade is no longer lies in the realm of policy-makers only; civil society has an equally important role.

Furthermore, the functioning of the WTO can be improved if members try to restrict its agenda to core trade issues. Some non-trade issues are part of the WTO, like intellectual property rights (IPRs). Such harm done in the past should be reversed and no further harm to be done to the multilateral trading system (MTS) by keeping alive such hydra-headed monsters.

Building Blocks

Many trade theorists argue that bilateral/regional trading arrangements (non-multilaterals) are not desirable, as they undermine the multilateral system. At the same time, back-of-the-envelope calculation estimates that more than 90 percent of world trade is occurring on the basis of tariff lines, which are bilaterally/regionally determined, than multilaterally agreed.

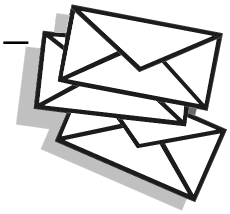
As evident from preferential trading arrangements in contiguous geographical entities such as Southern Cone Common Market (Mercosur), Asean Free Trade Area (AFTA), many small countries are eager to avail advantages of large neighbours. Given the current geo-politics, many small countries are looking at them as 'indigenous' as compared to a relatively 'alien' (WTO) entity. They do bring peace dividends through trade.

Taking into account today's realpolitik, non-multilateral arrangements are not a threat to the MTS. They are indeed building blocks to the multilateral trading system, provided the following.

First, Article 24 of the General Agreement on Tariffs and Trade (GATT) 1994 agreement is amended to include a provision that commitments made under a PTA should be compatible with a country's WTO commitments and should not be in the nature of WTO plus. The WTO should have a body, like its dispute settlement body, which will endorse such an agreement before it comes into force and concerned countries should abide by the decision of this body.

Secondly, more emphasis should be given on 'arrangement' than 'agreement'. A PTA should focus more on trade 'practices and procedures' than 'rules'. This will not only help in reducing transaction costs of doing business, but will also increase poor countries' capacity to trade.

FORUM



To Explore Collaboration

We were established in July 2004 as an autonomous institute within the National University of Singapore. The institute is dedicated to the study of contemporary South Asia. It aims to generate knowledge and insights about the region, and to disseminate them in a manner that is useful to policy-makers, the business community, academia and civil society.

We understand that CUTS organises programmes and activities on South Asia on a regular basis. We would like to be placed on the mailing list for your activities and programmes, and to participate in them. We would be pleased to explore possible collaboration with CUTS.

Hernaikh Singh
Institute Manager
Institute of South Asian Studies
National University of Singapore

Very Useful Report

I would like to say many thanks for your material on Trade Facilitation. It is a very useful report and will help in enhancing cooperation between my country and India, especially as we are members of the WTO.

As a least-developed country, Cambodia has launched many projects on trade facilitation, in particular to strengthen the competitiveness of small and medium enterprises. I look forward to further cooperation.

Lay Chreav
Foreign Trade Department
Ministry of Commerce
Cambodia

Instructive and Enriching

I sincerely thank you for continuing to keep me on your mailing list. Let me express my deep appreciation of the quality of contents of your newsletters. I take special pleasure in reading them, as they are very instructive and enriching.

You have made generous efforts to work more closely with our people in Mauritius.

Siva Palayathan
Trade Adviser
Mauritius Mission in Geneva

Moderate Growth in Asia-Pacific

The Asian Development Bank (ADB) projected that growth in the Asia-Pacific region would slow in the next three years after reaching its highest peak of 7.4 percent in 2004, post the Asian Financial Crisis of 1997. It projects average gross domestic product (GDP) for the region at 6.5, 6.6, and 6.9 percent in 2005, 2006 and 2007 respectively.

Aggregate current account surpluses of Asia-Pacific economies fell from 4.3 percent in 2003 to 3.7 percent in 2004. With high oil prices and increasing imports, the surpluses are expected to further decline to 2.6 percent in 2005 and 1.6 percent by 2007.

Rise in global interest rates, threat of bird flu epidemic are the new risks in sight for steady expansion of Asia-Pacific economies, said the ADB.

(FT, 07.04.05)

Debtor Nations Reversing Roles

Emerging market countries are *en-route* to being net creditors in the global financial system, the milestone to be reached by 2006, revealed Fitch Ratings. Central Banks of China, India, Brazil, Russia, South Korea and Malaysia added US$100bn of reserves in the first quarter of 2005.

These countries are the biggest buyers of the US sovereign bonds, thus assisting record increase in the current account deficit of the world's richest country.

"Poorer countries funding record deficits of richer countries can fuel a sharp depreciation in the dollar, further accelerating inflation and increasing global interest rates. This would result in developing country borrowers to see a sharp rise in their borrowing costs," said David Riley, Managing Director of Fitch. *(FT, 15.06.05)*

Indonesia Dressing up

"Indonesia is keen to attract investment and is ready to go extra miles to attract investors," said Indonesian Vice President, Jusuf Kalla, at an Investors Forum in Singapore. "With the emergence of China and India as economic powers, Association of Southeast Asian Nations (ASEAN) countries need to work closer together, with Indonesia acting as a big anchor," he added.

During this summit too, investors expressed concern on Indonesia's performance with regard to corruption, labour issues and taxation. Indonesia ranks 133 of 146 countries in the 2005 Global Corruption Report of Transparency International.

"We should identify the root of the problem. If it is mismanagement, the option is to restructure the management. If it is not, another option could be privatising the firms" said Nusron Wahid, a Member of the House of Representatives.

(The Strait Times, 06.05.05 & The Jakarta Post, 20.05.05)

Mobiles Help Africa Grow

Africa presents several examples of how efficient communication plays an important role in economic development. Farmers in rural communities can get a better price for their crops without wasting time on long journeys. People located in towns with inadequate fixed line phones, poor postal services or expensive bus travel, are helped by mobile phones to maintain productivity.

Large companies, such as Vodafone, based on their own experiences, show that in the right conditions, businesses in Africa can thrive. In the mobile telephony sector, the emergence of private resellers has acted as an economic stimulus even in very poor rural communities.

The number of African mobile subscribers in Africa increased ten times, from 1998 to 2003. However, African countries differ widely in adoption rate of mobile phones.

(FT 30.06.05)

Global Gloom is far from India

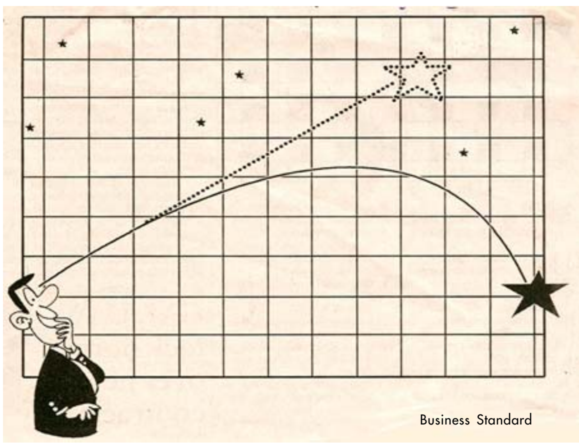
Indian executives were most confident of their country's economic prospects, at a time when global business managers are losing confidence, revealed the McKinsey Confidence Survey of Business Executives 2005, a poll of 9300 businessmen in 130 countries. 80 percent of Indian executives said that the economy was better than six months ago, and the same proportion saw better prospects six months hence.

The McKinsey Survey stated that Indian business leaders were more focused on growth in the domestic market, while the US was the most important external market. The ADB projects India's growth to remain buoyant, at 6.9, 6.1 and 7.0 percent in 2005, 2006 and 2007 respectively.

(FE, 25.04.05)

Damp Growth Prospects for OECD

The leading indicators for all seven of the world's leading economies (US, France, Germany, Italy, Britain, Canada and Japan) weakened in the first quarter of 2005, causing the Organisation for Economic Cooperation and Development (OECD) to cut its forecasts. The lead indicators in the euro zone fell from 105.5 to 105.3 in March 2005. Industrial production in France dropped by 0.5 percent.



Leading indicators for Britain and Japan sank from 100.6 to 100.4, and 98.7 to 98.5, respectively. In February 2005, leading indicators for OECD area as a whole fell from 103.6 to 103.2. "Slowing activity lies ahead in the OECD area according to latest composite leading indicators," said an OECD statement.

Though the US consumer demand was a silver lining, the imbalances between US *vis-à-vis* EU and Japan, may cause global imbalance, said the OECD. Further, the OECD also forecasts that the US current account deficit, the most important measure of the global economic imbalances, would continue to rise, and hit 6.7 percent of the GDP by 2006. This could aggravate the risk of an abrupt weakening of the dollar, and result in a one percent drop in economic growth and fall in asset prices across EU, US and Japan.

(FE, 12.05.05 & FT 25.05.05)

Infrastructure in Africa

"Infrastructure is absolutely critical for growth and US$20bn needs to be spent in Africa to reach the MDGs," said Michel Wormser, Director, Infrastructure, World Bank (WB), Africa. The WB plans to increase its funding for infrastructure projects in Africa by 30 percent in the next few years.

The WB is targeting access to electricity and water and building new roads and bridges, which are key components of the United Nations MDGs.

In 2000, the WB lent US$600mn to the African continent for infrastructure, which increased to US$1.8bn in 2005. In the next couple of years, funding is expected to go up to US$2.4-2.6bn every year.

(FE, 07.06.05)

Asia Wants More Say in IMF

"We call for an urgent review of the quota of Asian countries in the International Monetary Fund (IMF) to properly reflect the current realities and their relative positions in the world economy," said the Asian Finance Ministers in a joint statement at the Annual Conference of ADB in May 2005.

The IMF voting rights have remained unchanged since it was established 60 years ago, when Asia was in wartime ruins. Today, Asia holds US$2.5tn – two-thirds of the world's foreign exchange reserves. The US has the largest quota in the IMF at 17.38. Japan has a quota of 6.229 compared to China at 2.980 and Korea at 0.764.

"High levels of quota enables us to represent our national interests in the international arena," said Choi Joong-kyung, Director General, International Finance Bureau, Ministry of Finance, Korea.

(The Korea Herald, 06.05.05)

Cracks in the Russian Economy

Moscow's shopping malls are buzzing, state finances look good, foreign currency reserves are high and budgets are in comfortable surplus. On the other hand, investments are falling and production is stagnating. Foreign investment remains negligible compared to other emerging economies and domestic investment fell by 10 percent in the first five months of 2005.

"We have seen little or no good news over the past 18 months in terms of economic policy. But we have seen distractions of Yukos, which has damaged the investment climate" says William Thompson, a Senior Economist at OECD.

Russia's oil output has also stagnated, in spite of rising oil prices. Taxation and transport tariffs have burdened oil companies. In the past five years, tax burden on Lukoil, Russia's leading oil producer has increased 6.5 times and the Government is taking 65 percent of its upstream revenues by way of taxes and tariffs. "The current tax rates are designed for low oil prices and the Government should leave more money in the hands of oil companies to invest" said Chris Weafer, Chief Strategist, Alfa Bank.

(FT, 24.06.05)

Confidence Dips in Europe, Rises in Asia

"Consumers in European Union were most pessimistic of the growth prospects of their region," stated AC Neilson's Consumer Confidence Survey 2005. 54 percent of the Greek expect their economic condition to get worse in the next year. 53 percent of the French predict a slowdown in growth for the next year. 75 percent of the Greek, 70 percent of the Italians and 66 percent of the French thought that their economy deteriorated in the past six months.

Europe alone represented seven of the ten most pessimistic nations in the world. A silver line was seen elsewhere in Europe where 47 percent of the Russians, 44 percent of the Irish, 43 percent of the Poles and 40 percent of Denmark's population expected accelerated growth.

The Hindu Business Line

In Asia, more than 70 percent of Indians and Chinese said that their economies improved in the last six months.

(FE, 09.06.05)

Uruguay Turns Centrist

"There is huge place for the private sector, much more than the public sector, to develop the country," said the Uruguayan Vice President Rodolfo Nin Novoa. His comments are labelled little short of remarkable for an administration comprising communists and former revolutionary guerrillas.

The left-wing Government maintains that the Uruguayan state should be downsized and more private capital should be allowed to lead the country's development. "The state paid for the cable TV for directors of public companies, they had 30-40 secretaries in their offices, and even holiday homes, all paid for by the state. We are putting an end to all that," he said.

Nevertheless, he dismissed any notion of selling off state-run monopolies in key sectors of public utilities. Uruguay's 3.4 million population remains vehemently opposed to privatisation, and the country has proportionally one of the biggest public sectors in the region.

(FT, 13.06.05)

Pact for Investor Protection

The European Union (EU) is further improving business ties with India by introducing a comprehensive agreement on investment protection. This is envisaged to give comfort to EU companies working in India, in manufacturing and Indian companies, on expansionist mode in Europe, particularly in services.

EU has recently identified India as a strategic trade partner. India already has bilateral investment protection treaties with 16 of the 25 EU member countries. In addition, several other issues are being discussed. These include pacts on Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT), custom cooperation and civil aviation.

(ET, 29.06.05)

Deadlock on TRIPs

WTO members made no progress on agreeing to an amendment to the Trade Related Asects of Intellectual Property Rights (TRIPs) Agreement that would make it easier for developing countries to import cheap, generic versions of patented products. Apparently, it was because the EU was unable to table its expected proposal on the amendment.

African countries, the loudest advocates for an amendment, said that they still hoped an agreement on the amendment could be reached before the end of July. But, this is unlikely since the US and other WTO members including Japan and Switzerland are expected to oppose the EU proposal.

The Chair of the TRIPs Council also indicated this by stating that discussions should be continued at the next meeting of the TRIPs Council, which is expected in October. Members currently are working under no formal deadline for reaching an amendment, as they did not set a new one after a previous deadline passed in March.

(Inside US Trade, 17.06.05)

'Benchmarks' on Services

Key WTO members agreed on principle to push the idea of establishing 'benchmarks' for seeking momentum on lagging services negotiations. These negotiations have been plagued by an absence of market access offers from several WTO members as well as an overall lack of ambitions in the offers already on the table.

The idea of benchmarks would be to establish minimum standards that all WTO members will be expected to meet in their services offers. The US and the EU have been spearheading efforts to incorporate an alternative negotiating approach to services talks.

They admitted that the request-offer model used so far is too time-consuming and has not been effective in achieving the market liberalisation commitments sought in the negotiations.

(WTO Reporter, 22.06.05)

'Withdrawal' Calls Rebuffed

Withdrawing from the WTO "would bring certain closure of markets to those American workers and farmers dependent on continued trade liberalisation and would ignite persistent trade conflicts that would distort the global economy beyond anything imaginable today," said Peter Allgeier, US Deputy Trade Representative.

He was reacting to a proposal by the two US lawmakers that Washington should pull out of the WTO. Bernard Sanders, an Independent from Vermont and Ron Paul, a Texas Republican, submit a joint resolution in this effect.

The WTO, in existence for over 10 years, represents "the work of the past six decades to bring about a rules-based liberalised global trading system," Allgeier said. Some critics also assailed the WTO for what they have termed its at-best-mixed record of helping developing countries benefit from open trade.

(IPS, 18.05.05)

Just the Man for WTO

Almost everyone agrees on Pascal Lamy's ability to run large and complex institutions like the World Trade Organisation (as its Director-General) is first rate. But there is a little doubt over whether his policy predilections make him the right man for the job.

Sir Peter Sutherland, Chairman of Goldman Sachs International and a former Director-General of the WTO said, "Among other talents, Pascal is an excellent bureaucrat and diplomat who knows how to run organisations." But opinions are divided on the strength of his commitment to open trade and free markets. "He has a credibility gap to make up," said a WTO Ambassador from a country that backed Carlos Pérez del Castillo, his main rival for the Director-General's job.

In any case, how much real influence he will have on the direction of trade negotiations remains to be seen. Trade experts pointed out that the WTO Director-General has few formal powers in an institution that is genuinely 'member-driven'. "The Director-General is not a magician, but he has an ambience-creating role," Lamy said.

(FT, 14.05.05)

A Practical Visionary

In Pascal Lamy, the WTO has finally found a leader up to the challenges it faces. The clumsy way in which the WTO has dealt with civil society will end under his leadership. The values of openness and participation are central to his political philosophy, as is the imperative that globalisation should benefit all, not just a privileged few.

He is among the only intellectual statesmen of our time to offer a positive and hopeful alternative to the critics of global economic liberalism. His willingness at Cancún to drop insistence on investment and competition talks in the Doha Round reflects an ability to compromise and a sound sense of realism.

Robert Howse, Professor of Law, University of Michigan, USA (FT, 18.05.05)

Right Choice Despite Baggage

WTO members have made a wise choice in electing Pascal Lamy as the next Director-General. He has the requisite skill and tenacity of purpose. His style will perhaps be the quality needed to push countries and groups of countries (including the EU) towards a deal that can liberalise trade, including the contentious issue of farm subsidies.

Indeed, he carries the baggage of the past, when he was lobbying for the EU's agenda. One knows he is fairly sanguine about his role as the new Director-General, when his salary comes from the WTO, which will require him to be neutral. One sincerely hopes he will live up to this expectation. If not, the Group of 20 alliance will not be an easy client.

Pradeep S Mehta, Secretary General, CUTS International, India (FT, 19.05.05)

Call from Business

A group of business organisations has called for sharp cuts in goods tariffs under the current Doha Round of trade talks. This coalition includes the US National Association of Manufacturers, UNICE (the European industrial association), the Australian Group, and the Japanese Keidanren.

"In order to be successful and supported by the global industrial sector, the Round must see major progress in securing real market access gains for manufactured goods," a statement from the group said.

Much of the attention in the Doha Round has focused on agricultural trade, which is one of the biggest concerns for emerging market countries. But, the business organisations said that global trade in manufactured goods was nearly 10 times larger than in farm products.

(FT, 14.04.05)

EU to End Export Subsidies

The EU is prepared to phase-out agricultural subsidies provided advanced developing countries, such as Brazil and India make "equivalent gestures". "We stand ready to flesh out our plans on agriculture and to negotiate for real improvements in market access to our markets for agricultural exporters, but this can only be done on the basis of fair reciprocity," said Peter Mandelson, EU's Trade Commissioner.

Developing countries need to pledge to reduce industrial tariffs in return, he said. After months of negotiations, trade ministers from about 30 countries approved a formula to simplify global farm duties, worth US$600bn in 2004, easing the way for a global accord to cut tariffs.

(FE, 21.06.05)

G-33 Upbeat on S&DT

The Group of 33 developing countries is upbeat about its chances that WTO members will accept its proposal on the implementation details of special and differential treatment (S&DT) in protecting staple farm products. G-33 Ministers met in Jakarta to discuss this proposal.

WTO Ambassador of Honduras, Dacio Castillo, said that the grouping had a bigger chance of being heard in the agriculture negotiations considering the G-33 represents about two-thirds of the world's population. The Indonesian-led G-33 proposed that the special products should not be subject to tariff reductions and "neither of these goods can be subject to commitments on tariff rate quota."

Ministers spared 10 minutes to hear an appeal from local farmers groups and non-governmental organisations. "No country will remain sovereign and advance if they keep depending on their food needs externally," said a statement prepared by the Federation of Indonesian Peasants Union. *(The Jakarta Post, 13.06.05)*

India Rejects 'List' Approach

India has rejected the 'list' approach advocated by certain developed countries for identifying environmental goods, which should be subject to minimal tariff and non-tariff barriers (NTBs). It argued that the 'list' approach could be misused by countries to export dual-use and consumer goods at preferential duty rates.

Alternatively, it suggested a 'project' approach under which goods and services included in an environmental project, meeting certain criteria, would qualify for specified concessions for the duration of the project.

Doha Ministerial Declaration mandates WTO members to negotiate for enhancing mutual supportiveness of trade and environment. India stated that there was a growing feeling that the direction of negotiations so far had focused on goods, which were likely to give highly industrialised countries a comparative advantage. *(FE, 07.06.05)*

Talks on Fish Subsidies

Japan, Taiwan and South Korea have dropped their objections to WTO negotiations to curb fishing subsidies, which have been blamed for the depletion of fish stocks. This helped the trade talks to gather momentum.

However, the three Asian countries are continuing to argue in favour of a restricted list if prohibited subsidies rather than a general ban, with defined exceptions, which are favoured by most other countries.

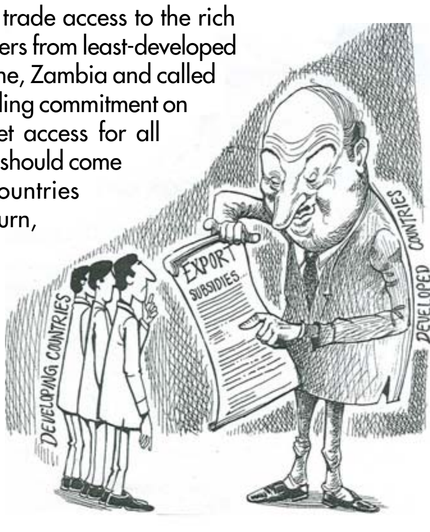
"The WTO fishing subsidies negotiations are now genuinely moving – and in basically the right direction," said David Schorr of the World Wildlife Fund (WWF) for Nature. According to WWF estimates, overcapacity in the global fishing fleet may run as high as 250 percent.

(FT, 14.04.05)

Poor Countries' Call

Ministers from the world's poorest countries called for complete and immediate trade access to the rich world's markets. About 50 ministers from least-developed countries (LDCs) met at Livingstone, Zambia and called for rich countries to grant a "binding commitment on duty-free and quota-free market access for all products from LDCs." The access should come without demands that poor countries reduce their tariff barriers in return, said. the ministers.

They also criticised the European Unions (EU's) proposal to slash the price it pays for sugar, saying it would damage the economies of poor producers of the crop. They were reacting to a proposal to reform the EU's sugar regime. While presenting this proposal, Mariann Fischer Boel, EU's Agriculture Commissioner, said, "An EU price at the current level would draw in more imports than we could absorb and our market would be in danger of imploding."



The Hindu Business Line

Graham Clark, Chairman of the LDC London Sugar Group, said that such arguments were based on an unrealistic fear that nations, such as Ethiopia, Zambia and Mozambique would import cheap sugar from the world market to satisfy domestic demand and export their entire domestic production to the EU.

Dipak Patel, Zambia's Trade Minister and Coordinator of the LDC Group in the WTO, sent a strongly worded letter to EU's Agriculture Commissioner arguing: "To now be cited as one of the principal reasons for radical reform is an inaccurate representation of the truth."

(FT, 27.06.05)

Who is to Control the Aerospace?

The European Union's (EU) Trade Commissioner, Peter Mandelson, said, "My philosophy is that when you see trade irritations arising, you should always engage in dialogue, which could have been attempted in relation to Boeing-Airbus." A US trade official said, "Dialogue was attempted throughout summer and early fall of 2004, and then again in the first five months of 2005 – but the unwillingness of Europe to give up Launch Aid and the clear moves by member states to go down that road forced our hand."

This sums up the launch of the biggest litigation in WTO (World Trade Organisation) history. The WTO dispute panel will sort out the US allegations that Airbus (a consortium of European companies and now the world's largest aircraft maker) has benefited from billions of dollars in direct government subsidies. The EU in turn alleges that Boeing (the US-based company), despite its falling market share, has enjoyed equally lucrative subsidies.

The US argues that "launch aid" provided to Airbus by the UK, France, Germany and Spain was illegal under WTO rules. It said US$3.7bn in aid for Airbus' A380 and the US$1.7bn expected to be offered for the A350 are prohibited export subsidies, and should also be barred as they have hurt Boeing's commercial interests.

The EU will counter that there is no subsidy because the governments have realised commercial rates of return from their investments. According to one member of the Airbus consortium, Airbus "is a net repayer, not borrower, having paid much more than it has received over the last 13 years."

(FT, 01.06.05 & 13.06.05)

Future of the Byrd Amendment

The US administration is trying to pass a legislation for repealing the controversial dumping and subsidy offset Act (popularly known as the Byrd Amendment). A WTO dispute settlement panel declared this as non-compliant with the WTO norms two years back.

The existing legislation allows the US Government to distribute collected anti-dumping duties among the US companies that initiated such cases. It was found to be WTO-inconsistent as it did not entail a specific action against dumping. It was seen as a measure to encourage US industries to file more such cases.

Earlier, the EU and Canada threatened to impose retaliatory duties on the US imports ranging from paper to machinery because of Washington's failure to repeal this law. EU's sanction would have worth about US$28mn a year and US$14mn that of Canada's. *(FE, 16.05.05 & FT, 01.04.05)*

Ethyl Alcohol under Scanner

The EU is expected to import anti-dumping duties on ethyl alcohol from Guatemala and Pakistan. This would protect European producers, such as Royal Nedal from cheap imports. Ethyl alcohol is used in drinks and industrial goods, such as pharmaceuticals, cosmetics, paints, and inks.

The EU opened an inquiry into whether Guatemalan and Pakistani exporters are selling at an unfairly low prices in the 25-nation bloc. In the EU, ethyl alcohol is made mainly from sugar beets, cereals, potatoes and fruits. It is also manufactured synthetically by companies like BP, the world's second-largest publicly traded oil company. *(FE, 27.05.05)*

Reinsurance Rip-off

The European Commission (EC) urged to seek trade sanctions against the US if Washington refused to drop rules that forced European reinsurers operating in the US to put aside billions of dollars to cover future payouts on outstanding claims. Some industry experts estimate that as much as US$40bn is deposited in the US by European reinsurers.

"It has to be said very directly to the US that the logical consequence of all this is, at the end of the day, you could find yourself in a WTO case if it does not get resolved in a voluntary process," said Peter Skinner, a British member of the European Parliament.

(FT, 24.05.05)

War on Film Piracy

The US film industry threatened to push for action against China in the WTO as illegal DVD copies of latest *Star Wars* movie went on sales on Beijing's streets just a few days after its opening. Dan Glickman, President of the Motion Picture Association of America, said piracy had not diminished in China despite the seizure of 500 million discs by the authorities in the last five years.

WTO rules governing intellectual property rights (IPRs) allow member states to file complaints against other nations on the ground that copyright regimes are not acting as a deterrent against piracy. "This is the kind of thing that could raise trade tensions to the point where they affect bilateral relations," Glickman said.

In November 2004, the global music industry urged the US and the EU to use trade agreements to demand tougher anti-piracy action from the Governments of Russia, China, Mexico and Brazil. *(FT, 24.05.05)*

Tariffs on Steel Imports to Stay

The US said that it would keep in place punitive tariffs on steel imports from Brazil, Russia and Japan, following intense pressure from US steel producers and their congressional allies. The US International Trade Commission ruled that US steel producers would be harmed if the anti-dumping duties were lifted on imports of hot flat-rolled steel from the three countries.

The decision was one of the most closely watched of so-called "sunset reviews" that are required under international trade rules in order for duties to be kept in place longer than five years. These anti-dumping duties were first imposed in 1999.

US domestic steel users, who say they are being punished by tariffs that keep US steel prices above world prices, condemned the decision. "With record high steel prices and healthy profits for the steel industry in 2004, there is no economic justification for the continuation of these duties," argued William Gaskin, President of the Precision Metalforming Association. *(FT, 15.04.05)*

Ruling on Internet Gambling

In November 2004, a WTO panel ruled that US federal and state laws prohibiting cross-border gambling violated US commitments under the General Agreement on Trade in Services (GATS). The complaint was brought by Antigua-Barbuda.

In April 2005, the Appellate Body of the WTO decided that the US federal laws violated US GATS commitments, but they were mostly justifiable as 'necessary' protections for public morals and public order. As a first case concerning online services, it could encourage other countries to see how far the WTO's services agreement can be pushed.

Another intriguing aspect is that it is the first ruling under a special clause allowing trade restraints to "protect public morals or to maintain public order". The US cited under-age and compulsive betting, fraud, money-laundering and organised crime as threats from online casinos. "Don't forget that this country was founded by the Puritans," said Keith Furlong, Deputy Director of the New Jersey-based Interactive Gambling Council, which argues for regulation rather than a total ban. *(FT, 08.04.05)*

Financial Policy Hammered

A top financial regulator of Korea criticised the the EU move to take a South Korean bill limiting the number of foreigners on boards of local commercial banks to the WTO. Lee Jang-yung, Assistant Governor for International Affairs and macro supervision of the Financial Supervisory Service (FSS) said that the EU's move to file compliants against laws that have not been passed are unreasonable.

He said that foreigners have failed to fully understand what local market practices are. "We are trying to make the harmonious cooperation of domestic and foreign directors a market practice. We welcome foreigners bringing global standards to local banks."

He also said that the FSS has no immediate plan to turn the guideline into a law, rather it wants to see local bank board seats not dominated by foreigners. The FSS has asked the London-based Standard Chartered Bank, which has recently taken over Korea First Bank, to ensure half of its new board directors are Korean.

(Korea Times, 04.05.05)

Anti-dumping: EU on the Top

The EU has replaced India as the largest initiator of anti-dumping investigations in the July-December 2004 period. China grabbed the number two post, while India slipped to the third position.

In this period, the EU initiate 17 investigations as against just four filed in the comparable period of 2003. China initiated 16 investigations. India with 14 registered a decline of more than 50 percent from its 33 investigations during July-December 2003.

On the other hand, China remained the most frequent subject of new investigations, with 25 investigations directed at its exports. Korea was the second most frequent subject, with 12 investigations. *(FE, 21.05.05)*

Textiles Sops under Threat

India, Pakistan and China have taken on the US at the WTO for making preferential benefits for textiles and apparel products extended by it to African countries conditional on use of the US material and components. The US has filed a notification to the WTO of the waiver schemes for the Caribbean Basin Economic Recovery Act (CBERA), the African Growth and Opportunity Act (AGOA) and the Andean Trade Preference Act.

The three complainants pointed out that such riders added extra burden on the beneficiary countries in the post-ATC (WTO Agreement on Textiles & Clothing) era and gave unfair advantage to the US yarn and fabric producers.

It asked the US to comment on whether it led to a breach of the US commitment at the WTO that the duty-free treatment shall be designed not to raise barriers or create undue difficulties for the trade of other WTO members. *(FE, 18.04.05)*

'Zeroing' Method

The WTO has formed a panel to look into Japan's complaint related to inconsistencies of the US 'zeroing' methodology used for calculating anti-dumping margins. The problem with anti-dumping calculations in the US is that its methodology results in inflated figures.

When the normal value of the exported product in the home country is higher than the US price, the difference is treated by the US as the dumping amount for that sale. When, however, the US price is higher, the dumping amount is set to 'zero' rather than calculated in the negative.

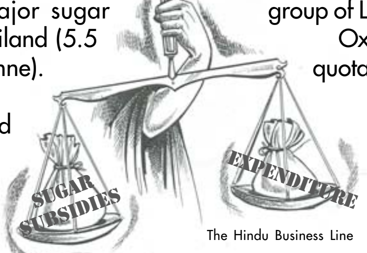
Japan said that this methodology is inconsistent with various provisions of the anti-dumping agreement (ADA). It claimed that anti-dumping duties imposed by the US on a number of Japanese products were inflated. Ten countries, including India, EU, Norway, Thailand, have joined this case as third parties.

(FE, 23.04.05)

Bitter Sweet Reform to Usher in

Sugar exporting nations are expected to gain a windfall after a WTO panel has asked the EU to reduce annual subsidised sugar exports from its current level of over 5 million tonne to 1.2735 million tonne. Major sugar exporters are Brazil (13.4 million tonne, Thailand (5.5 million tonne) and Australia (4.1 million tonne). India exports about 0.2 million tonne sugar.

A WTO dispute settlement panel suggested that the EU should endeavour to bring its production of sugar into line with domestic consumption while fully respecting its international commitments concerning imports from developing countries.



The Hindu Business Line

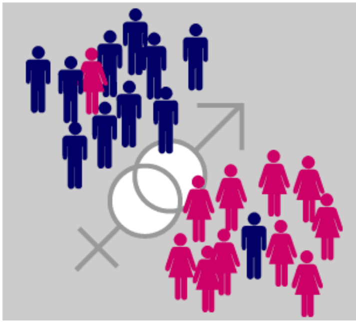
Canada urged the EC to minimise the potential adverse effect the implementation of the judgement could have on Africa, Caribbean and the Pacific (ACP) countries. Brazil welcomed the report saying nothing would compel the EC to change its preferential access for ACP sugar. The sugar-producing group of LDCs did not comment.

Oxfam argued that the EU should cut production quotas for its own farmers. "This ruling should do nothing to threaten poor developing countries' preferential access to the EU market," said Phil Bloomer, head of Oxfam Make Trade Fair campaign.

Under the present system, the EU sets quotas for domestic production and gives its farmers a guaranteed price, currently more than three times world levels, a policy that the WTO said implicitly subsidises the EU exports. *(FE, 26.05.05, BL, 02.05.05 & FT, 29.04.05)*

Gender Gap Prevails Globally

The economic and political empowerment of women still remains a distant dream for millions in much of the western countries, let alone developing countries. No country has yet managed to eliminate the gender gap, says a report by World Economic Forum (WEF). However, the Nordic states: Sweden, Norway, Iceland, Denmark and Finland have succeeded best in narrowing it. The report entitled "The Women Empowerment: Measuring the Global Gender Gap" is the first ever gender gap study covering 58 nations.



India is ranked at 53rd position and is embarrassingly behind even the less developed countries such as Bangladesh. America does not even figure in the top ten women friendly nations. This is because of its restrictive maternity rights regime and poor state child welfare system.

The countries have been ranked on five critical areas – economic participation, economic opportunity, political empowerment, educational attainment and health and well-being. *(TH, 20.05.05; BS, 17.05.05)*

Ultra-Poors Mounting in Africa

Africa is home to virtually all the planet's ultra-poor who live on less than half a dollar a day, quoted a study published by the University of Cape Town. "Poverty, Inequality and Labour Markets in Africa: A Descriptive Overview" confirmed that the number of poor in the continent has almost doubled between 1981 and 2001.

It says that while South and East Asia have managed to reduce their poverty levels significantly in the last two decades, sub-Saharan Africa has been unable to alter the proportion of people earning below US$1.03 per day.

Worryingly, most of Africa seems to remain poor even when its economies grow. The region, apart from inadequate growth rates is also not effectively translating growth into poverty alleviation. Analysts have highlighted poor governance, heavy dependence on commodities and an exceptionally high disease burden as few of the indicators for the growing poverty. *(FE, 24.05.05)*

WB's Strategies Deprecated

World Bank's (WB) internal watchdog, Operations Evaluation Department (OED), criticised the over-emphasis placed on education and health spending for reducing poverty. The hard-hitting report by OED stated that social policies fail to reach the poorest people and also that there has been an inadequate assessment of the impact of such expenditures.

It suggested that more attention should be paid on promoting economic growth. The report called on to refocus its efforts on infrastructure projects and urban and rural development. It said that the record showed the private sector has not provided adequate financing for infrastructure projects. Jim Adams, Bank's Vice-President, welcomed the report by saying that we would now focus more on quality of those projects.

The report also highlighted 'inconsistencies' in the way countries are treated saying that richer ones received upto nine times larger assistance than poorer ones. *(FT, 20.05.05)*

Qatar Initiated Fund for Poor

Qatar, one of the world's fastest gas-rich developing nations, has initiated a new fund to meet the urgent social, economical and political needs of poorer nations. The new fund named 'South Fund for Development' was launched at the conclusion of two-day South Summit on June 15-16, 2005 hosted by Qatari Government.

Sheikh Hamad bin Khalifa Al-Thani, emir of Qatar has pledged US$20mn in seed money for the proposed financing facility. This was quickly followed by instant pledges of US$2mn each by China and India.

The emir also announced Qatar's commitment to meet the benchmark of 0.7 percent of the country's gross national income (GNI) as development aid by 2006. This commitment is very significant as 0.7 percent target set by the UN General Assembly is only applicable to the world's 22 richest nations and Qatar does not fall into this classification being a developing nation. *(IPS, 16.06.05)*

G-8 to Cancel Poor's Debt

US President George W Bush and British Prime Minister Tony Blair proposed to eliminate 100 percent of debt for the world's poorest countries. During the discussions in the White House, Bush and Blair agreed that highly-indebted developing countries that are on the path to reform should not be burdened by growing debts.

This proposal will be finalised in the G-8 summit to be held on July 6-8, 2005. Bush also announced after the summit that US would give an extra US$674mn for humanitarian aid in Africa.

Both leaders emphasised that any international moves to boost aid or provide debt relief must be backed by initiatives in Africa to improve governance, reduce corruption by properly targeting the extra money. Despite all the warm words and expressions of intent by the two countries, there was no mention of any measures on how to tackle African poverty.

(Asia News Network, 08.06.05)

Domestic Debt Hinders Growth

Domestic debt is a real burden on efforts to reduce poverty and sustain economic growth, said Zambian Finance Minister Ngandu Magande. During a mini-consultative group meeting with the internal donor community, Magande declared that the Government is currently holding discussions on exploring the possibility of reducing the internal debt, which currently stands at about US$ (ZK5tn). The Zambian Government is currently considering refinancing the domestic debt with a hope of obtaining significant discounts from the creditors.

Heavily Indebted Poor Countries (HIPC) initiative have relieved Zambia of the external debt to a great extent. Magande acknowledged the fact that all (except one) creditor nations had completely cancelled Zambia's debt.

However, domestic debt still poses a serious threat that takes away substantial resources from poverty reduction programmes. Magande expected that with proper interventions, Zambia's economy could gain much higher growth rates than the present rate. *(The Post, 27.05.05)*

Giving Till it Heals

Jeffery D. Sachs*

In my new book 'The End of Poverty', I show how extreme poverty can be ended by 2025, but only if the rich world follows through on its promise to help the poorest countries. In order to thrive, and to foster the private-sector investment needed for long-term growth, an economy requires functioning health and education systems, investments in soil nutrients and water management, and basic infrastructure such as electricity and motorised transport. Yet the poorest countries, even well-governed ones, lack the resources to finance these investments.

Lack of adequate foreign assistance is one of the greatest disgraces on our planet, and the US has been the biggest laggard of all. It is urgent that the US wakes up to global realities, and that it follow through on its commitments.

The most famous single promise by the rich countries has been to provide aid to the poorest countries equal to at least 0.7 percent of their Gross National Product (GNP). The commitment began 44 years ago, in 1961, when the United Nations General Assembly adopted the objective that foreign assistance should increase significantly, "so as to reach as soon as possible approximately one percent of the combined national incomes of the economically advanced countries." At that time, foreign assistance was about 0.5 percent of rich-country income.

Despite the promises, aid continued to decline. By the early 1990's, official development assistance was still around 0.33 percent of donor GNP, and by the early 2000's, it had declined to around 0.22 percent of GNP. Now it is roughly 0.25 percent of GNP. But the long-term decline in the ratio of aid to GNP did not stop the rich world from promising time and again to reach 0.7 percent of GNP, including at the Rio Earth Summit in 1992 and the Copenhagen Summit on Social Development in 1995.

At the start of the new millennium, the world's leaders got together to adopt the Millennium Development Goals (MDGs) including the global commitment to halve extreme poverty by 2015. To implement these commitments, world leaders, including US President George W. Bush, met again in Monterrey, Mexico, to adopt the Monterrey Consensus on how to achieve the breakthrough from poverty. The personal presence of Bush is notable, because the rich countries once again adopted the target of 0.7 percent of GNP, with the US being a signatory.

The US Government often declares these days that it is not bound by any 'arbitrary' numerical target such as 0.7 percent of GNP. Top officials even declare that the US never signed on to such a goal. Yet the US and other countries *did* sign the Monterrey Consensus urging "developed countries that have not done so to make concrete efforts towards the target of 0.7 percent of GNP as official development assistance." It could hardly be clearer. Alas, the US has shown absolutely no "concrete efforts" towards keeping this commitment.

In fact, US official development assistance amounts to just 0.15 percent of America's GNP, which is less than one-fourth the global target. This contrasts with the four percent of GNP that the US spends on its military, roughly US$500bn this year. So the US spends around thirty times more on military than it does on peaceful development aid for the poorest countries.

From a global point of view, there are currently five countries that have reached 0.7 percent of GNP in aid: Denmark, Luxembourg, the Netherlands, Norway, and Sweden. Six more countries, all in Europe, have recently set a timetable to reach 0.7 percent of GNP by the year 2015. They are Belgium, Finland, France, Ireland, Spain, and the United Kingdom.

UN Secretary-General Kofi Annan, in his report in advance of the UN summit of world leaders in September 2005, has called on all donor countries to reach at least 0.5 percent of GNP in aid by 2009, and 0.7 percent by 2015. He also noted that countries like Germany and Japan that aspire to permanent UN Security Council membership have a particular responsibility of global stewardship in reaching the target.

Sadly, the ideological mouthpieces for the super-rich in the US, especially the editorial page of *The Wall Street Journal*, remain bitterly opposed to foreign aid, even if it is just 70 cents per hundred dollars of income! In criticising my book, a *Wall Street Journal* review said that I was calling for "Giving Till it Hurts."

But there is a limit to greed. I am quite sure that *The Wall Street Journal* does not really represent the interests or views of many or even most of American rich people, including the millionaires and billionaires whose contributions to aid could make a huge difference for the lives of millions of people.

Many remarkable philanthropists, such as Bill Gates, are already leading the way. I believe that few wealthy people would refuse to contribute a small portion of their huge wealth for the chance to save the lives of millions of people each year and help the poorest countries get the first foot on the ladder of economic development. They will know that they would not only save lives, but also contribute to a much safer and more prosperous world.

Instead of worrying that 70 cents per US$100 is giving till it hurts, our slogan in the rich countries should be "Giving Till it Heals."

(Professor of Economics and Director of the Earth Institute at Columbia University, USA; Excerpts from ET, 06.04.05)*

New EU Principles

The EC adopted a Draft Declaration on Guiding Principles for Sustainable Development, which paves the way for the renewal of the EUs sustainable development strategy. "We see our future in a global context and pursue our efforts on sustainable development at home and internationally. This Declaration brings together our objectives and principles," said Commission President José Manual Barroso.

The Declaration lists its key objectives as a strong economy, social equity and cohesion, environmental protection, and meeting the EUs international responsibilities.

A series of policy guiding principles cover fundamental rights, equity within and between generations, openness, integrating economic and environmental considerations, involvement of citizens, businesses and social partners, policy coherence between all levels, using best available knowledge, precautionary approach, and making polluters pay.

(Internetwork for Sustainability, 06.06.05)

Up against Pollution

Hundreds of community-based groups campaign against some of Europe's most powerful and polluting companies in Europe. These largely unfunded organisations of passionate individuals, campaign against toxic pollution by standing up to companies that run landfill sites, waste incinerators and concrete kilns in their immediate locality.

Many of the members of these organisations are direct victims of pollution by the companies they fight against. Many of the locals are detected with leukemia and cancer, allegedly caused by the pollution that the companies cause in connivance with the local officials.

They work through community action and initiating court proceedings against the polluting companies. Localised they may be, yet they form part of strong and expanding national and international networks fighting toxic pollution. Disappointed with the implementation of national laws, they are increasingly using the EU anti-pollution legislation to aid their cause. *(TH, 09.06.05 & BL 18.05.05)*

Toxics Troubles

A Monitoring Committee set up by the Supreme Court of India sought a full-fledged inquiry by a central agency into the illegal entry of a toxic ship registered in Denmark into the Indian waters. The Committee also said that the ship docked at a Gujarat port for dismantling should be "mercilessly driven out of Indian sovereign territory without loss of time".

The ship carrying carcinogenic asbestos insulation was allowed to enter Indian waters despite the Danish Government alerting its Indian counterpart of the destination. The ship had escaped the Danish authorities that ordered it to remain in Denmark until it is decontaminated and changed its name and flag mid way to India.

Meanwhile, the Danish Government has asked India to consider the ship illegal traffic under the Basel convention and return the toxic vessel to Denmark in order for it to be decontaminated.

(TH, 29.05.05, 30.04.05 & 20.04.05)

Tackling E-waste

On an average, a citizen of UK discards about 3.3 tonnes of domestic electronics appliances in a lifetime, a report states. Electronic waste is growing three times faster than any other type of waste in the UK. Each year UK dumps two million TVs, three million fridges and freezers, two million computers and 2.2 million washing machines in the landfill sites.

The fallout of such high consumption of appliances is that in the next ten years the energy consumed and carbon dioxide emitted will triple, said the Energy Saving Trust of UK.

To tide over the problem, a new Waste Electrical and Electronic Equipment directive is targeting manufactures of equipment to force them to design and produce gadgets with increased levels of repair, possible upgrading, re-use, disassembly and recycling at end-of-the-life. *(TH, 04.05.05)*

A 'Cool' Road to Kyoto

The Japanese Government is asking the salaried to shed their formal jackets and ties during summer, through an innovative "Cool Biz' campaign aimed at easing global warming in line with the Kyoto Protocol. According to the Environment Ministry, use of jackets and ties at workplaces increases the energy consumption by necessitating setting of air conditioners at lower temperatures and thereby increasing green house gas emissions.

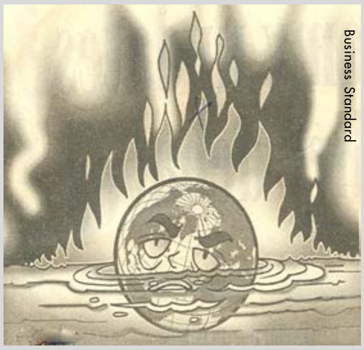
The campaign has touched the upper echelons of the Government with the ministers attending the cabinet meetings in fashionable casual wear. The Ministry has also drawn up a set of 'cool biz' tips for the government employees to look good when dressing down.

(FT, 02.06.05 & BL, 27.05.05)

Life after Kyoto

The efficacy of the Kyoto Protocol that came into force recently is held in doubt with the release of UK Government's estimates that its emissions could exceed the targets of the Protocol.

UK was one of the compliant countries and a leader in emissions reduction by setting stricter domestic targets for reducing



green house gas (GHG) emissions. The failure of the rich countries to comply with Kyoto targets comes in the wake of the their effort to protect jobs in the domestic sector.

The Protocol has witnessed considerable dilution of the emission targets and exclusion of prominent present and prospective polluters, says noted environmentalist Sunita Narain of India. Due to the dilution, at the present rate, by 2012, the world may be able to achieve just one percent reduction in the emissions of the industrialised North.

(Excerpts from an article of Sunita Narain of Centre for Science and Environment, New Delhi in BS, 10.05.05)

Cleaning Up Economic Growth

Joseph E. Stiglitz*

For a long time, two of the most important and long-standing global problems – Third World poverty and global warming, seemed to be at odds. The developing world understandably does not want to sacrifice its growth for a global public good, especially when the United States, the richest country in the world, seems unwilling to sacrifice even a little of its luxurious life style.

Led by Papua New Guinea (PNG) and Costa Rica, a group of developing countries, a new rainforest coalition has now come forward with an innovative proposal, not only offering to commit to GHG limits, but also showing how this can be done in a way that will promote their development.

Developing countries have long provided a vital global public good: maintaining global environmental assets. Their rainforests are a vast storehouse of biodiversity, and forests are major carbon sinks, reducing the level of CO_2 in the atmosphere.

I served on the International Panel for Climate Change in the mid-1990s, reviewing the scientific evidence concerning the magnitude of increases in greenhouse gasses and their economic and social consequences. At the time, there was already overwhelming evidence of a serious problem that needed to be addressed, and data since then – concerning, for example, the rapid melting of the polar ice cap – have strongly reinforced this conclusion.

About a quarter of all GHG emissions are from land-use change, mainly deforestation, an amount comparable to US emissions from burning fossil fuels (the US is the single largest contributor to GHG emissions.)

By maintaining their rainforests, tropical countries provide an invaluable global service, one for which they have so far failed to be compensated. But, especially after the signing of the Kyoto Protocol, we can value at least part of these environmental services: carbon sequestration (that is, if they did not maintain their forests, the level of carbon concentrations in the atmosphere would be enormously higher).

The Kyoto Protocol has generated new markets for trading carbon emissions, such as the European Emissions Trading Scheme (ETS). At current carbon prices, the value of carbon sequestration by tropical rainforests is likely to equal or exceed the current level of international aid being provided to developing countries. In effect, the poor are aiding the rich.

Biodiversity and climatic stability are global public goods. The benefits of conservation to the world as a whole far exceed the value of exploitation to a country like PNG. The PNG Government would like to do the right thing, to maintain its natural capital for future generations. But officials there believe that that they have currently no choice.

A huge mistake was made (for a variety of reasons) at Kyoto. While countries can be compensated for planting forests, they cannot be compensated for avoiding deforestation. Countries like PNG would thus be doubly better off if they cut down their ancient hardwood trees and replanted.

But this makes no sense economically or socially. These countries should be given incentives to maintain their forests. (There are, as always, technical issues to be resolved, concerning monitoring and measurement, but these can be overcome easily with modern technologies.) At the very least, markets like ETS should credit emissions reductions that result from limiting deforestation.

Without such a programme, unfortunately, developing countries have neither the means nor incentives to underwrite conservation. There are some 2.7 billion people in over 60 developing countries that are home to the world's tropical forests. Cutting down the hardwood forests – even when they presently receive just five percent of the final price in, say, New York - is the only way people can make ends meet.

Some have suggested waiting to address this issue until 2012, when a revised protocol is supposed to come into effect. But, can we wait? At current rates of deforestation, the combined contributions to GHG concentrations from Brazil and Indonesia alone would offset nearly 80 percent of the emission reductions gained from the Kyoto Protocol.

What is so impressive about the new rainforest initiative is that it comes from the developing countries themselves; it represents their creativity and social commitment. For the first time, developing countries seem willing to undertake the kinds of commitments that Europe, Japan, and the other advanced industrial countries (except the US) have made to avoid what could be a global disaster.

Costa Rica, for example, has already shown that a system of paying for the provision of environmental services (like maintaining natural forests) can work in ways that preserve the environment and boost the economy.

Compensating the developing countries for providing these environmental services would be one way of substantially increasing aid – and at the same time, providing these countries with the right market incentives. From a global point of view, the best use of these resources is to maintain the forests, which is even possible with managed cutting.

This is an initiative around which all countries can and should rally. In a world divided – between rich countries and the poor, between those focusing on environmental protection and those concentrating on growth – this initiative can unite us all.

(Professor of Economics ay Columbia University, USA; Excerpts from an article in ET, 10.06.05)*

Big Win for Big Companies

In a big victory for big technological companies the legal affairs committee of the European Parliament has cleared a bill granting patents protection on software innovations throughout the EU, through a single window clearance. It applies to computerised inventions, such as washing machines, cell phones and ABS car breaking systems, computer programmes, etc.

However, the bill needs to go through several rounds of reviews by the full EU assembly and EU Governments. The legislation has been under discussion for five years and was rejected once by the Parliament and sent for a redraft.

Under this bill, a patent can be granted under the condition of a new technical contribution to further innovation, under the contention that patents are needed to reward companies for innovation, as opposed to the rights of free software usage by smaller companies.

(ET, 22.06.05)

Authorised Generics

A US court has upheld the US Food and Drug Administration's (USFDAs) decision to allow authorised 'generics' by pharma multi-national corporations (MNCs) during the exclusivity period granted to generic companies winning para IV filings.

Generic majors, such as Ranbaxy, Teva and Dr Reddy's, make most of their revenue during the exclusivity period. Therefore, this decision provides little financial incentives for them to undertake patent challenges, risking litigation costs and puts further downward prices pressure on them in the US market.

Through authorised generics, pharma MNCs hope to retain a major part of their share even after losing their patent rights after the exclusivity period gets over, especially since being the originator of the drug, they get greater acceptance and higher prices. This is clearly a move to protect big pharma majors, threatened by cheap generic products. *(ET, 09.06.05)*

Patented Failure

Governments have once again failed to reach an agreement on the patent harmonisation issue in the meeting of the Standing Committee on the Law of Patents (SCP) of the World Intellectual Property Organisation (WIPO). The SCP has been unsuccessfully attempting to negotiate a Substantive Patent Law Treaty (SPLT) for several years. The meeting ended with two primary proposals on the issue on the North-South lines.

Several proposals, of which one called for a focus on improving patent quality, avoiding encroachments on the public domain and reducing duplication among patent offices and address areas of prior art, grace period, novelty, inventive step, sufficiency of disclosure and genetic resources received little support from developing nations.

Another statement from one developing country group called for greater transparency, inclusion in the WIPO processes, inclusion of provision on areas, such as biodiversity and disclosure of origin, anti competitive practices, technology transfer and flexibilities in acting for public interests. *(Ip-health, 03.06.05)*

Patent Pool

The World Health Organisation (WHO) has suggested patent pools in the development of the Severe Acute Respiratory Syndrome vaccine (SARS). Patent pooling is a voluntary agreement between two or more patent owners to license patents to one another or outsiders, share royalties and are devised when companies are unable to innovate because others own key technical developments of patent protection. It is less bureaucratic, cheaper than granting individual compulsory licensing and prevents delays and other legal hassles.

Existing licensing arrangements between pharmaceutical companies and select research partners and the DVD video, DVD Rom arrangements between Sony, Philips and Pioneer are instances corroborating the workability of the concept. Patent pooling prevents generic drug companies from selling cheaper copies to the developing world, in violation of IPRs. *(FT, 20.05.05)*

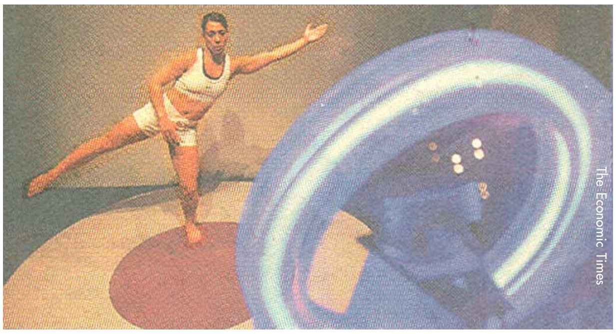
Mandela Files Lawsuit

Nelson Mandela is suing Ismael Ayob, his former lawyer, for swindling millions of dollars by illegally using his name. Mandela has appealed to the court to stop Ayob from using his name, which is his copyright and remove Ayob and his wife from all positions they hold in the trusts associated with Mandela.

Mandela has said that his legacy of moral rectitude, dignity and his name and reputation have and will continue to be damaged by these unlawful actions. Also damaged in the process are the gains achieved through the various charity organisations with which he is associated. *(FE, 12.05.05)*

Busting Yoga Monopoly

In an effort to thwart the increasing monopolies obtained by western yoga practitioners through IPRs, the National Institute of Science Communication and Information Resources (NISCIR) under the Ministry of Science and Technology is engaged in making a digital database of 1500 yoga postures and their therapeutic properties.



The database comprises body cleansing practices, breathing exercises, various *mudras* and postures, all digitally documented in five major international languages and are to be shared with prominent patent offices globally. This is likely to help avoid costly litigation on rights already granted and further grant of new patents. The database also covers Ayurveda, *Siddha* and *Unani* medicines.

The Yoga practice market is estimated to be US$27bn in the United States alone. Armed with this database, the Government is aiming to overthrow 134 patents, 150 copyrights and 2315 yoga trademarks, constituting the IPRs on yoga that the US Patent Office has granted so far. *(ET, 08.06.05)*

Employee Records Scam in China

Widespread falsification of factory records is undermining western companies efforts to enforce their corporate social responsibility (CSR) standards in China. While earlier altered records were detected simply by interviewing workers, "now workers are coached," said Daryl Brown, Vice President for Global Ethics and Business Practices at Liz Claiborne.

This deception has particular relevance now after the January 1 end of the quota regime for global trade in textiles. While the US and EU expected to impose temporary trade restrictions on textile imports from China, the elimination of quotas is expected to drive more production orders their way.

Auditors, consultants and non-governmental organisations (NGOs) say the falsification stems partly from buyers' demands for goods at low prices on tight timelines – a charge some international companies reject.

(FT, 22.04.05)

Racial Diversity Improves Profits

US companies with more racially diverse staff tend to deliver higher shareholder value than other companies, said a study. The top 50 racially diverse companies from a total of 203 surveyed generated a share price yield 12.8 percent higher than the entire Standard and Poor's (S&P) 500 in 2004, found the trade publication

DiversityInc that specialises in diversity related issues published this report. 27 percent of the US workforce *vis-à-vis* 40 percent of the workforce at the top 50 companies in the survey was racially diverse.

The data suggests growing economic power for minorities. The household income for 'people of colour' has risen at more than twice the rate of white households since 1990, said DiversityInc, citing data from the research body Selig Centre for economic growth. *(BL, 19.04.05)*

Congo Resources Fund Militias

Manufactures and commodity traders are facing mounting pressure to halt metal imports from the Democratic Republic of Congo (DRC), where illegal mining is fuelling violence in the east of the mineral-rich country.

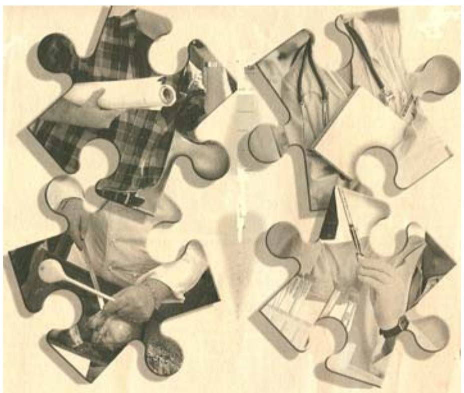
A similar issue on 'conflict diamonds' had come to international attention two years back, when illegally mined gems were being used to fund militia groups during DRCs' bitter civil war. Pressure groups, such as Global Witness report that the DRC's natural resources are still fuelling violence in the country, particularly in the eastern provinces bordering Rwanda and Uganda.

(FT, 30.06.05)

Migrants Promote Growth

A recently published report of the Centre for Economic Policy Research and Centre for Research and Analysis of Migration, *Immigration, Jobs and Wages: Theory, Evidence and Opinion* found that an increase in immigration leads to economic expansion and not to job losses.

Christian Dustmann, one of the authors of the report, said the public debate about immigration "often seems to be led by the perception that there is a fixed number of jobs in the recipient economy and that immigration will lead to more competition for these jobs". According to the report much of the large-scale migration into Europe has been driven by labour shortages. The study concludes that even in the simplest type of economy, new workers are absorbed and jobs created.



Financial Times

A press release by the Geneva-based International Organisation of Migration (IOM) Migration Research Studies shows that migration, when incorporated into development strategies, policies and programmes can also have a direct and positive influence on the achievement of the MDGs. *(FT, 13.05.05 & IOM, 04.05.05)*

Brain Drain Crisis

"It's a crisis" Democratic Alliance Member of the South African Parliament Jack Bloom said, referring to the vicious cycle that has nurses and doctors quitting because of stress created by large pay packages and better work conditions tempting away colleagues. Gauteng Province of South Africa today has 1,600 fewer health workers than it did five years ago, but 600,000 extra patients, many of them from other provinces.

In India, a similar trend saw first doctors and now nurses add to the brain drain. Current trends indicate 35-40 percent of the 1,000 nurses graduating annually from the state opt for overseas assignments, said Reshma Desai, President of Maharashtra Nursing Council.

This brain drain assumes significance as India as a country is woefully short of these personnel. According to Indian Nursing President T Dileep Kumar, "The nurse to population ratio in India is one nurse for every 2,250 people, while it is 1,100 in Sri Lanka, 850 in Thailand and 150 in Europe".

(ET, 12.06.05 & Business Day, 07.06.05)

Future of Outsourcing

"Offshore employment (in services) will grow gradually, making no sudden impact on labour markets overall in developed countries," says a report by the McKinsey Global Institute. This was the first of its kind to come up with authoritative estimates of how many service jobs could move from rich countries to poor ones. McKinsey estimates that out of the 160 million or 11 percent of the world's projected 1.46 billion services jobs by 2008, only 1.2 percent will be realised.

In face of rising wages in India, about 40 percent of companies surveyed plan to shift some technology work to China in the next three to five years compared with merely 8 percent in 2004 according to a recent survey by DiamondCluster International. The study also found that the number of buyers terminating outsourcing deals before expiry has doubled to 51 percent.

A sector poised to see a massive increase in outsourcing work to low cost countries, with India leading in attractiveness, is product development.

(FT, 23.06.05; 16.06.05 & BS, 08.06.05)

Achieving Better Market Access

'Achieving Better Market Access' is the name of a project implemented by the CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE), with the support of the Ministry of Foreign Affairs, Sweden. Six Policy Briefs covering issues relating to market access and from developing countries' perspectives have been produced. These Policy Briefs are expected to help trade negotiators during the Doha Round of negotiations, especially in the run-up to the Hong Kong Ministerial Conference of the World Trade Organisation (WTO).


POLICY BRIEF
Farm Trade Liberalisation

Farm Trade Liberalisation
The Challenge of Reducing Subsidies and Trade Barriers

Many developed countries provide support to their farmers through a complex array of policy measures, such as tariffs that discriminate against agricultural imports, and subsidies that encourage greater protection, higher exports, and effectively reduce the cost of production. The Policy Brief underscores the need for dismantling farm trade barriers, which are the main stumbling blocks in the way of establishing a free and fair multilateral trading system.


POLICY BRIEF
Trade in Textiles & Clothing

Trade in Textiles & Clothing
Likely Problems in the New Regime

It is difficult to predict what the effects of the Agreement on Textiles & Clothing (ATC) would now be when quotas have expired. It is not even certain how much market access this would create, since the agreement did not relate to tariff barriers and other non-tariff barriers (NTBs). The Policy Brief tries to highlight some of the market access issues, which may prove detrimental for developing countries and also suggest policy measures to counter them.


POLICY BRIEF
Trade in Services & Developing Countries

Trade in Services & Developing Countries
The Market Access Barriers

The services sector has emerged as the largest and the most dynamic component of both developed and developing country economies. However, the world trade in services gives a contrasting picture. Its share in total world trade (goods and commercial services together) is only one-fifth. Further, when it comes to the share of developing countries in services trade, they have a diminutive share. It means that General Agreement on Trade in Services (GATS) failed to provide them increased opportunity to exploit their natural comparative advantage in services trade. The Policy Brief focuses on the modes (of service supply) and sectors of developing countries' interests where they need better market access.


POLICY BRIEF
Is Anti-dumping Causing More Harm Than Good?

Is Anti-dumping Causing More Harm than Good?

Today, anti-dumping is nothing but protection in disguise. The growing use of anti-dumping action has occurred along with tariff reductions and trade liberalisation. There exists a widespread concern that anti-dumping measures are both misapplied and used to protect domestic industries. This Policy Brief throws light on some of these critical issues, which need to be addressed under the current Doha Round of trade negotiations.


POLICY BRIEF
Multilateral Trading System

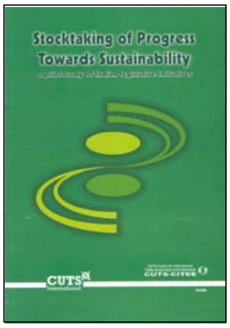
Multilateral Trading System
The Developmental Challenges

The role of international trade is significant in achieving higher growth rate and reducing poverty, but in practice, the positive role of trade in poverty reduction is actually being realised in very few least developed countries (LDCs). This Policy Brief critically evaluates the role of special & differential treatment (S&DT) under the WTO, the technical and capacity building programmes undertaken so far and poor implementation of special provisions related to LDCs' concerns.


POLICY BRIEF
Enhancing South-South Cooperation on Trade

Enhancing South-South Cooperation on Trade
An Alternative to Northern Market

The South-South trade cooperation is gaining ground not only within the continents but also across continents. In the prevailing multilateral trading system, it holds a dynamic potential that could be realised more effectively through further trade liberalisation. This Policy Brief, besides underlining its importance, recommends effective and meaningful implementation of non-reciprocal trade preferences among Southern countries and South-South free trade agreements (FTAs).



Research Report
Suggested Contribution: Rs.350/US$50

Stocktaking of Progress Towards Sustainability:
a pilot study of Indian legislative initiatives

For a country like India, with its growing population of over one billion and huge disparities in income and lifestyles, and in the distribution of entitlements, and the need to develop sustainability takes on an added urgency. Over the last several years, the country had formulated numerous laws that have a bearing on sustainable development in general and sustainable production and consumption, in particular. Yet serious gaps remain, and implementing continues to be weak. Various stakeholders have also been engaged in varying degrees in the work towards a sustainable future.

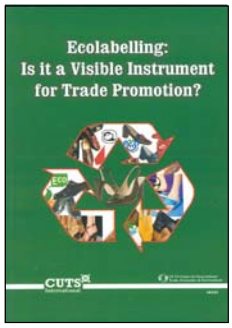
This pilot study addresses these issues by focusing on five laws, their implementation and stakeholder involvement. It first tests the extent to which these laws match Section G of the United Nations guidelines on Consumer Protection (UNGCP) and relevant sections the Johannesburg Plan of Implementation (JPoI). Secondly, it presents findings on implementation of laws and stakeholder involvement. By putting these two together it arrives an overall picture of progress towards sustainability, or more correctly, how far the country is from adopting and implementing avowed objectives of the guiding documents. The study uses analytical techniques, specialised literature as well interviews of implementing agencies and stakeholders. The overall findings are presented with recommendations for policy and future work.

Ecolabelling: Is It a Visible Instrument for Trade Promotion?

Ecolabels are regarded as important market-based instruments to influence the behaviour of consumers and industry in favour of environment-friendly products. Ecolabels can contribute to the improvement of environmental performance in a two important ways. Firstly, they can increase consumer awareness of environmental issues and influence their choice in favour of less polluting products. Secondly, they can push industry to produce and market environment-friendly products.

India has introduced an ecolabelling scheme, called Ecomark, which has met with little success. Its failure has been a serious cause of concern for both environmentalists and governmental environmental agencies. It is important to study the causes of the scheme's low acceptability and to suggest ways to increase its popularity.

This study is focused on the impact of ecolabels on India's leather industry. This is for two main reasons: the production of leather is a highly polluting process, which impacts very negatively on the environment; and leather and its products account for a large proportion of India's export. The use of ecolabelling by importing countries might affect these exports significantly.



Research Report
Suggested Contribution: Rs.100/US$15

Newsletters

Making Things Happen
(April-June 05)

This issue of the newsletter of CUTS-CITEE on "Grassroots Reachout & Networking in India on Trade & Economics (GRANITE)" highlights the decline in the quality of institutions, such as credit facilities, agriculture extension services, etc. available to the farmers and the resulting rural indebtedness. It also covers certain key state-specific issues in the sectors of agriculture and textiles.

ReguLetter

The current issue of 'ReguLetter' covers information on the competition scenario of the world. Special articles on 'Efficiency Defence in Competition Law: A Small Country Perspective ' and 'Does a Cartel Exist in the Philippine Oil Industry' are the highlights of this issue. Besides, it talks about the investment prospects in Vietnam for Indian business as a means of economic cooperation between the two countries and discusses the state of competition in Ethiopia. An 'Insert' in this issue informs the reader about the current activities of the Centre.

(Subscription: Rs 150/US$30 per annum)

SOURCES: ET: The Economic Times; BS: Business Standard; BL: The Hindu Business Line; FT: Financial Times; FE: The Financial Express; TH: The Hindu; IPS: Inter Press Service; IOM: International Organisation for Migration

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