insert
CUTS-CITEE in Action

ECONOMIQUITY

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

No. 3, 2005

Doha Agenda before the Hong Kong Meeting

Pascal Lamy has a tough job in getting some movement on the World Trade Organisation's (WTO's) Doha Development Round. There is no stress on his face, in spite of a gruelling 16 hours plus shedule a day. He devotes every day of the week, including weekends. In a recent editorial, *The Financial Times* called upon Lamy to don the role of Zorro, the fictional sword-swishing masked bandit, who robbed the rich and helped the poor. Will he be able to do that?

"The perimeters are not precise, that it will be exactly possible to define whether progress will be made or not", Lamy admits. "What surprises me more is that many think that Hong Kong is the end of the road. It is not". The Doha Round will move on, while the exact date to settle it will be to meet the deadline of the US trade promotion authority, which expires in July 2007.

What happens if the US is out of the WTO? Will it matter, considering that the US has a share of only 11-12 percent of the world trade, and it is not a party to various international treaties, which continue to work for the rest of the world? The Kyoto Protocol on climate change or the International Criminal Court are the examples.

"It is not a feasible phenomenon, otherwise we will find the US Congress raising tariffs on everything, even if it will hurt them more than it does others. The problem with the US is that under their constitution it is the US Congress which has the ultimate authority over all international treaties on commerce, and hence, the rest of world has to live with it".

The crux of the matter is how the US and European Union (EU) agree on the three pillars of agriculture liberalisation. It is holding up all progress in moving the Doha agenda. All negotiations are mortgaged to what happens in agriculture. The US says that it is ready to move on farm goods, if the EU moves. The EU will not move because it is not too sure of what the US will do. "If we jump, whether the US will take a leap", says a European negotiator. "If US doesn't take the leap, we will be stuck on our jump".

This really means that Hong Kong will be another turning point in the road to further liberalisation, somewhat like Cancún. The only difference will be that countries will go to Hong Kong without an ambitious agenda.

Given such a hiatus, will Lamy, the former EU Trade Commissioner influence the EU? He is not so sure. The EU does listen to him now. Few days ago, speaking to the trade negotiations committee, which Lamy heads, he stressed upon the development dimension of the Doha agenda.


The Economic Times

Given the backdrop of the recent not-so-successful United Nations (UN) summit taking stock of the Millennium Development Goals (MDGs), Lamy believes that 'development' still remains the *leitmotif* of the Doha agenda. He believes that there are three bits to achieving the development package of the Doha agenda.

Firstly, nearly two-thirds to three-quarters of the issues under negotiations are for the benefit of the developing world. They can be pretty obscure and whether they will result in being development-friendly or developing country-friendly, is yet to be seen.

Secondly, there is forward movement on aid-for-trade, i.e. to enable developing countries, particularly least developed countries (LDCs) to be able to garner the benefits of trade liberalisation through extra assistance to enable them to do so. This includes putting some meat on the integrated framework for LDCs, which is being shepherded by six international agencies: the WTO, United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), International Trade Commission (ITC), the World Bank (WB), and the International Monetary Fund (IMF). Bilateral donors too are chipping in this arrangement, which was languishing.

Thirdly, on special & differential treatment (S&DT) and implementation issues, which are now back on the radar, and will need constant nudging.

Whatever may happen on the Doha agenda, and assuming that farm issues will be resolved to mutual satisfaction by 2007, the bigger problem, developing countries will face in the future are the increasing non-tariff barriers (NTBs).

In his *avatar* as the EU Trade Commissioner, Lamy had launched a discussion paper on 'collective preferences', which outlined that values will override commerce priorities in trade. Lamy continues to hold similar views that countries should be allowed to use value-based choices.

(Excerpts from an article written by Pradeep S Mehta, Secretary General of CUTS International and published in The Kathmandu Post, Nepal, 22.09.05)

INSIDE

Natural Disasters Caused Huge Economic Damage	3
Warning on Doha Talks	4
Tariffs Rows may Delay SAFTA	5
Warning Signal from UNCTAD	7
The Trade-and-Aid Myth	8
WTO Rejects EU Banana Proposal	9
Poverty Goals Likely to be Missed	10
US behind 'Beyond Kyoto'	12
Worker Remittances Top Aid	14

Political Will, Not Just Aid, can Lift Africa Out of Despair

*– Jagdish Bhagwati and Ibrahim Gambari**

Africa has been gaining a great deal of international prominence for some time now. Kofi Annan, the UN Secretary-General, attended the African Union (AU) Summit in Tripoli, Libya and the G-8 Summit featured Africa prominently on the agenda.

Writing in 1760, Adam Smith observed that a 'man of humanity' in Europe, while losing sleep over the loss of his little finger, would 'snore with the most profound security' through the ruin of a hundred million of his brethren in China since he had not seen them.

Today, this is impossible for the same European to avoid seeing the famine, the plague and the poverty. The deeply disturbing images that incessantly flash across the TV screens are from Africa: of slaughter in Darfur, the genocide in Rwanda, the civil wars in Ethiopia, Angola and Liberia, the collapse of governance and human rights in Zimbabwe, and the masses of malnourished and hapless refugees in camps.

As we witnessed the outpouring of public and private money for tsunami victims, the men and women, including children – have pushed governments and civil society organisations (CSOs) into asserting their common humanity in Africa.

This stands as the reason for the prominence that Africa is receiving. An examination of the facts points out that among continents in the post-war period, Africa has not progressed but has gone backwards in many ways. It contains 32 of the world's 48 poorest countries.

It has the lowest primary school completion rates comparing to any continent while life expectancy has declined from 50 to 46 years since 1990. Since the 1980s, per capita income has fallen by 13 percent and the number of people estimated to be living in 'extreme poverty' has doubled.

Princeton Lyman, a former US Ambassador to Nigeria, recently argued that there is "a growing recognition that you just can't leave an entire continent behind without a lot of problems that come back to harm us". The excellent report of the Commission on Africa is also titled 'Our Common Interest'. But these 'enlightened self-interest' arguments for extending a hand to Africa are the bit of an stretch.

They are similar to tenuous arguments used since the 1960s to sell the idea of aid to the electorates of rich countries – that communism would spread unless poverty were reduced. Today communism has been replaced by terrorism. Therefore, when we look at Africa of today, it is simply our common humanity that we must affirm.

But when we get down to the task of assisting Africa, the very afflictions that compel us to help are also likely to generate the pessimistic belief that nothing can be done to produce any viable results. We must transcend that despair by reminding ourselves of the ways Africa has changed for the better. We also must ensure that the policies we undertake are sensible, rather than ill-informed and ill-judged.

One way is the manner in which Africans manage their own affairs. Perhaps the greatest change in governance has come in the shape of the AU. African governments have established the African Peer Review Mechanism (APRM), signed by 23 countries and with three more in the queue, that provides for periodic and impartial reviews of governance in the member countries.

Many signatories are already under review. This transparency can help bring corruption into the light, thereby eradicating it. The AU has also created the Peace and Security Council aimed at the prevention, management and resolution of conflicts in the continent. It is also moving to double the number of its troops in Darfur to 7,000. In short, the problems of bad governance and raging conflicts are beginning to be addressed, replacing decades of neglect and despair.

Civil society has also grown in many countries; Wangari Maathai Nobel Peace Prize last year for her environmental work was possibly recognition of this important development.

But effort is still needed on many fronts. This does not mean that nothing can be done unless everything else is in place. Lots of things can be done however, a focus on a few strategic areas is necessary. Five areas are critical. First, debt relief for the very poor nations makes sense. It should be extended regardless of bad governance. Would you collect, for example, a pound of flesh from a dictator if the flesh is actually going to come from his emaciated and oppressed subjects?

Second, new aid must be used productively. Aid spent in Africa can be increased beyond its current levels in countries with good governance but a graduated – rather than substantially accelerated – increase to double current aid flows is prudent. This aid should be increased according to carefully devised projects and programmes.

Third, aid to Africa must stand firmly on two legs – the aid spent in Africa and that directed towards Africa but not spent there. Spending funds productively poses fewer problems in the latter case.

Several programmes can be thought of immediately. Given Africa's dire shortage of skilled labour, which handicaps all kinds of developmental efforts, a Grey Peace Corps has been suggested. This would enlist retired volunteers from a range of professions to work in Africa in the manner of the Peace Corps. A large sum of money could be spent on developing new vaccines and drugs against diseases particularly afflicting Africa.

Fourth, African nations need to reduce their own trade barriers while seeking the removal of the subsidies and tariffs of rich countries in products where they have demonstrated export advantage: cotton and sugar being principal examples. A country's own trade barriers discourage the development of its export industry; markets opened by the rich countries may then not be taken advantage of.

Finally, programmes to make the private sector the backbone of development are necessary. They include micro-credit institutions, which enable the poor to borrow without collateral. But more might be accomplished through establishing clear property rights that would turn the assets of the poor, often tenuous in their legal title, into effective collateral. Growing political will, favourable institutional changes and thoughtful policy prescriptions are changing the landscape for Africa's future. Despair must yield to hope and hope must lead to action.

(University Professor, Economics and Law, at Columbia University, USA and Under-Secretary-General at the UN and Special Adviser for Africa, respectively; FT, 05.07.05)*

Natural Disasters Caused Huge Economic Damage

Last year more than 242,000 people were killed, mostly in tsunami disaster; 158 million were injured in natural disasters like flooding in Bangladesh, hurricanes in the Caribbean, flash floods in the Philippines and Guyana, heavy snowfall in Afghanistan, Pakistan and Tajikistan and other calamities. All these caused a total economic damage of US$49bn, according to a report prepared by the UN.

Commenting on it, UN Secretary-General, Kofi Annan expressed that better planning, risk reduction and response could have mitigated the effects of disasters. He further said that disasters are determined by human actions, or lack of it, and noted that its severity increases due to climate change, environment degradation, inappropriate development patterns and inadequate mitigation and preparedness systems.

He criticised the fact that international response to many of these disasters did not come before the destruction was well underway. He lamented the lack of world reaction to small-scale disasters. He cited that 82 percent of the US$1.26bn needed for the recovery in the Indian ocean tsunami was provided by donors but only 5.3 percent of the US$7.5mn needed for the drought victims in Djibouti could be raised. *(FE, 29.09.05)*

Oil Prices and the Global Economy

International rating agency Fitch said that the world economic growth rate might fall down by on percent compared to the previous year if the oil price remains at US$70 a barrel. The growth rate of G7 group of countries, which spend 2 percent of the gross domestic product (GDP) on oil, is expected to fall by 1.5 percent, compared with Fitch's earlier estimate of 2.5 percent.

Although economic growth seemed resilient in the face of soaring energy costs, risk are there for volatility of global currency and other asset markets. Emerging oil-importing nations, having higher oil intensity than developed economies, are likely to see rising inflation, currencies coming under pressure fuelling the need for larger interest rate.

According to an estimate, the oil price will hit sub-Saharan Africa (SSA) the hardest in the short-term and push up food prices, cost of transportation and production. However Asia, Central and Eastern Europe will be less affected in the short-term.

(BS, 14.09.05, ET & FE, 27.09.05)

Impact of Graft on China

Researchers of the Organisation for Economic Cooperation and Development (OECD) in their comprehensive survey of Chinese economy has found out that severe and wide spread corruption in China is creating discontent, danger to legitimacy of the country and threat to the country's economic progress.

In China, corruption is highly complex. As the economy is growing, the incidence of corruption is also growing. There is a growing dissatisfaction with corrupt officials in the country, especially in the rural areas.

The Chinese Ministry almast of Commerce has estimated that 4,000 corrupt officials have fled the country with roughly US$50bn in the past two decades, mostly to countries with whom China did not have extradition treaties. *(FT, 28.09.05)*

Billions from Mobile Phones

Findings of different research studies on the linkage between high tax rates on mobile phone and tax revenue of respective countries has shown that the latter is inversely related to the former. Some of the poor countries impose special taxes, which make mobile phone connection expensive and hamper economic growth.

Research findings showed that developing countries could raise billions of dollars as additional revenue if government does not consider mobile phone as a luxury item and reduces the excessive luxury tax on the purchase of mobile phones.

70 to 80 percent of the world's population lives in areas already covered by mobile communication system, while only 25 percent use the services. It is also estimated that a 10 percent increase in the mobile phone user in a country will increase the GDP by 0.6 percent. *(BL, 27.09.05)*

BRIC Countries Leading the Way

Brazil, Russia, India and China (BRIC) are driving the world economic growth for the last one and half decade. Their contribution to the world GDP growth in purchasing power parity terms has tripled from 20 percent in 1990 to around 60 percent at present.

However, the risk of fluctuation in growth in Brazil and Russia in particular, and perhaps in India and China too, is higher than those in the advanced countries. The rising importance of the developing countries is expected to grow further as it offsets softer growth elsewhere.

In contrast, potential growth in Europe has declined dramatically over the past 15 years, falling from 2.7 to 1 percent in Germany and from 1.9 to 1.3 percent in Italy. *(BS, 26.09.05)*

About Economics

"…economics has become increasingly an arcane branch of mathematics rather than dealing with real economic problems" – *Milton Friedman*

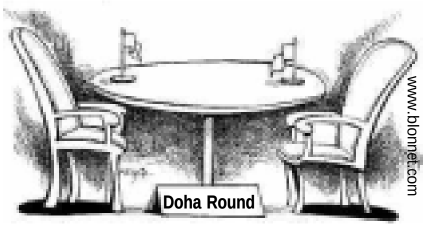
"(Economics as taught) in America's graduate schools…bears testimony to a triumph of ideology over science"
– *Joesph Stiglitz*

"Today if you ask a mainstream economist a question about almost any aspect of economic life, the response will be: suppose we model the situation and see what happens… modern mainstream economics consists of little else but examples of this process"
– *Robert Solow*

Warning on Doha Talks

The Doha Round of global trade talks may be 'on the verge of failure', an association of global business leaders warns. A statement from six business associations says delay in the agricultural talks is holding up progress in goods and services liberalisation. The statement is signed by the US Business Round-table, the Japanese Nippon Keidanren, the European Round-table of Industrialists and by business associations in Australia, Canada and Mexico.

"The great hopes for global economic growth and development promised by this trade round are now at serious risk", the statement says. It also says goods tariffs should be cut to zero in sectors where industry demands.



Businesses have been accused of directing too much of their lobbying effort into bilateral and regional trade deals rather than into the WTO talks. Recently, Peter Mandelson, EU Trade Commissioner, complained of a lack of business support for the Doha Round.

However, Guy Sebban, Secretary-General of the International Chamber of Commerce (ICC) said that governments, not businesses, had led the drive towards bilateral deals. "The sum of all bilaterals is nothing like as good as a far-reaching multilateral deal", he said.

(FT, 06.09.05)

Complete Exemption Demanded

Least developed country (LDC) members of the WTO have asked for complete exemption for LDCs from any reduction commitments. They have also asked for a moratorium on safeguard measures and anti-dumping actions against LDCs.

LDC trade ministers adopted a common agenda for the sixth WTO Ministerial conference, to be held in Hong Kong in December 2005, at a meeting in Livingstone, Zambia in July. The LDC Ministerial Declaration called for further strengthening of the existing preferential schemes and incorporation of provisions in the modalities (of negotiations) to address the erosion of preferences.

They stressed on the need for 'aid for trade' as an additional, substantial and predictable financial mechanism to strengthen supply-side and infrastructure capacity, diversification of trade and address adjustments challenges and costs for the effective integration of LDCs into the international trading system.

(FE, 09.07.05)

Exaggerated Fears on Outsourcing

Outsourcing of computer and information services to countries like India by developed countries is neither a harbinger of high levels of employment in host countries nor of massive loss of jobs in the latter. This was stated in an 'essay' on offshoring of services released as part of the WTO's Annual World Trade Report 2005.

It says that while the US and UK are the leading outsourcing countries, the success of India and Ireland in attracting offshoring business has been partly attributed to the English-speaking workforce. Outsourcing from the other leading industrial countries is much less extensive and largely restricted to countries closer home geographically and/or culturally.

In a related development, India has planned to aggressively seek a commitment from the US and EU on cross-border services as part of the Doha Round of trade talks. The move is to ensure that outsourcing to India is not prohibited.

(TH, 01.07.05 & FE, 16.09.05)

Services Opening Demanded

Other countries must lower barriers to US banking, insurance and other service industries as part of a new world trade agreement, the chief US trade negotiator said. "I have made clear that we cannot accept a final package on the (Doha) Round that does not have a meaningful services element", the US Trade Representative, Robert Portman said in a speech to the Coalition of Services Industries.

The US, which has many large, well-established service firms, is the world's largest exporter of services and would be one of the biggest beneficiaries of lower trade barriers. Norman Sorensen, Chairman of the Coalition of Services Industries, told the US Congress that the services talks were in 'crisis' because of the failure of many countries to make market-opening offers.

The US will focus on sectors such as financial services, telecommunications, express delivery, energy and computing, where market openings would make the biggest difference for US firms. Washington is targeting leading developing countries along with more traditional markets in the talks.

(BL, 22.09.05)

Experters' Concerns

The ongoing WTO negotiations on trade facilitation must address the concerns of exporters of developing countries since the current conditions suggest strong handicaps, stated Kamal Nath, India's Trade Minister.

He said that reduced transaction costs at borders would give a competitive edge to industry and also improve the country's attractiveness as a destination for foreign direct investment (FDI). "We look upon these negotiations as an opportunity to review our domestic procedures and bring about autonomous improvements, wherever necessary", he said.

India has decided to sign the revised Kyoto Convention on customs to follow standardised procedures. Also, India and US have submitted a joint proposal in the WTO to form a multilateral mechanism for the exchange of customs information among the members.

(FE, 04.08.05, BL, 19.08.05 & TH, 19.08.05)

Russia to Enter WTO Later

Russia will probably miss its end of the year deadline for joining the WTO. This is because it needs more time for talks with key members such as the US. "We will, of course, enter later. Even after we agree with all the members it takes about half a year to enter", Russian Finance Minister, Alexei Kudrin, said.

Russia, the biggest economy outside the 148-member WTO, wants to become a WTO member to increase its influence over world economic policies and to help sustain growth at home.

Russian officials say membership of the WTO may also help them join other clubs, such as the Group of Seven industrialised countries.

(FE, 27.09.05)

India for Look China Policy

India has begun a fresh exercise to explore the pros and cons of a free trade agreement (FTA) with China. A high-level taskforce would be set up to comprehensively assess how a Sino-India FTA would impact the Indian economy.

China has been consistently pushing for the FTA. During a visit to India earlier this year, Chinese Prime Minister Wen Jiabao had reiterated his country's desire to enter into such a pact. The bilateral trade between the two countries have increased by 650 percent over the past five years.

However, many sections of the Indian industry fear that the FTA could have serious negative fallout. The proposed taskforce would take on board the views of all stakeholders, including industry. *(FE, 19.08.05)*

Indo-Pak Talks on Bilateral Trade

India and Pakistan have renewed talks to take forward an agenda for bilateral cooperation set in the recent Indo-Pak talks on trade and economic cooperation. Both nations agreed on a whole gamut of issues.

The two sides formulated recommendations on non-tariff barriers and customs cooperation. They also agreed that requests for opening of bank branches would be processed expeditiously to facilitate bilateral trade relations.

According to the Federation of Indian Chamber of Commerce and Industry (FICCI) study, the annual trade between India and Pakistan could reach US$6bn from the present level of less than US$1bn if trade barriers were removed. Both the countries are also exploring possibilities of tie-ups in areas like civil aviation, shipping, petroleum and natural gas. *(FE, 19.09.05)*

Chile-China in Trade Pact

Chile and China could sign an FTA as early as November 2005. This tie would bring together the world's biggest producer and consumer of copper. "We want to be a bridge between Latin America and Asia, to position ourselves as a platform for Asia to reach Latin America", said Chilean President Ricardo Lagos.

Chile's economy is booming on the back of strong exports of products including copper, wood pulp and fertiliser. 25 percent of Chile's trade is with Asia. It already has an FTA with South Korea and is studying whether to begin talks on free trade with Japan. *(FT, 21.09.05)*

US-Egypt Trade Accords

The US is hoping to launch free trade talks with Egypt by the end of this year. It is part of a plan to build a web of trade deals covering the Middle East. The US trade officials are hoping that the push for new trade pacts in the Middle East will provide a critical economic pillar for Washington's efforts to promote democracy and economic liberalisation in the region.

In May 2003, US President George Bush called for the creation of a Middle East free trade area as a way of bringing the region into 'an expanding circle of opportunity'. Negotiations with Egypt, however, may prove the toughest so far.

"It's a big and complex economy, it's got remnants of old state programmes", said Shaun Donnelly, Assistant US Trade Representative for Europe and the Mediterranean. US officials are hoping for a clear signal from Egypt that a deal can be done before congressional 'fast track' authority for trade negotiations expires in July 2007. *(FT, 29.09.05)*

Border Barriers in SADC Trade

At the Southern African Development Community (SADC) leaders' summit, a protocol on the facilitation of free movement or people across the region was discussed. But only four countries, South Africa, Mozambique, Lesotho and Namibia, signed it. This is intended to help small traders.

The implementation of SADC protocol on trade began in the year 2000. It stipulates trade in goods and services and enhancement of cross-border investment as areas of cooperation among member states. But the situation in border posts is different, traders say.

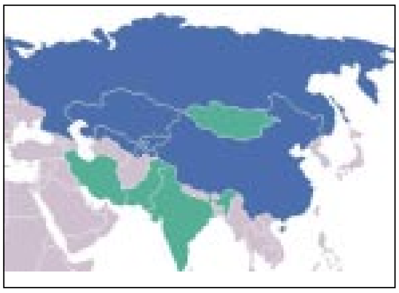
Given this situation, the need to re-enforce efforts towards SADC regional integration has been underscored by SADC officials. Fudzai Pamacheche, acting Director of SADC Committee of Trade, Finance and Investment, said that the next stage (of regional integration) would cover market access, rules of origin, trade facilitation and customs cooperation. *(Mmegi, Gaborone, 24.08.05)*

Tariffs Rows may Delay SAFTA

Even as the agreement on South Asian Free Trade Agreement (SAFTA) is scheduled to come into operation on January 1, 2006, Bangladesh, India and Pakistan continue to get locked in negotiations on tariff concessions, particularly on competing products such as textiles.

Strong domestic textiles & clothing (T&C) industry lobby in each of the three countries fear they would be wiped out if the tariff safeguard gets loosened. Officials are wrestling with contentious issues such as:

- preparing the sensitive or negative list on which exchange of tariff concession is forbidden;
- evolving rules of origin (RoO) to ensure value addition and prevention of third party from piggybacking on the preferential route; and
- resolving revenue loss compensation mechanism and technical assistance for LDCs. *(BL, 18.07.05)*



Seeking Multilateral Regional Cooperation

*– Alexander Yakovenko**

The Shanghai Cooperation Organisation (SCO) obviously occupies a special place among regional structures trying to implement the idea of multipolarity. Its predecessor until 2001, the Shanghai Five (comprising Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan), was initially set up to settle border issues under agreements on enhanced military trust, and mutual troop cuts in border areas. Over the years, it has turned into a dynamic and influential international organisation. Uzbekistan joined it in 2001, while Mongolia, India, Pakistan, and Iran now have observer status.

Sri Lanka, Japan, Association of Southeast Asian Nations (ASEAN), the US, and the EU have shown interest in the SCO, which is only natural because it is an open partnership aimed at maintaining regional peace and stability, and at developing broad international cooperation.

Using the successful experience accumulated by the SCO members in resolving difficult and even dramatic political and military issues, the mutual trust forged in earlier years, a tradition of intercultural respect, dialogue, and a search for common avenues of progress – in other words, what is sometimes referred to as the Shanghai spirit –- we have every right to expect common strategic achievement from our regional cooperation in diverse areas.

The SCO members began to realise when they were still the Shanghai Five that economic cooperation was a must for further progress. The first steps in this direction were taken in 1998. At their very first summit in September 2001, the SCO members signed a memo on the main goals and areas of regional economic cooperation, and on facilitating trade and investment.

The SCO took a major step in this direction in 2003 by adopting a programme for multilateral trade and economic cooperation. In the long term (until 2020), this programme aims to create the most favourable conditions for mutual trade and investment, the best possible use of regional resources, and a gradual transition to free movement of goods, money, services, and technologies.

The discussion at the SCO summit in Bishkek in 2004 produced a specific plan of action consisting of 127 points, out of which only about a quarter were institutional and legal issues.

Cooperation in fuel, energy, and transport may bring great benefits. Potentially, the SCO members can pool their efforts in geological prospecting, and jointly develop Central Asia's vast resources. There are plans to implement major oil and gas projects on laying pipelines, for instance, from Central Asia to China's Xinjiang Uigur autonomous region, and stipulating a thorough reconstruction of Kyrgyzstan's pipeline network.

Construction of a pipeline from Russia to China may be one of the projects of the century. It is not surprising that Russia's American partners are following these projects closely.

The SCO members are discussing the idea of a common transportation space. They are already working to upgrade auto-transport corridors, and studying possibilities of mapping out new itineraries, for instance, for trains from western China to Europe.

The strategic significance of new transport corridors that can create totally new possibilities in regional economies is obvious. There are reasons to believe that before long they will exert a beneficial influence not only in Central Asia but also in adjacent countries.

Eventually, this avenue of development will be the most reliable and effective instrument for overcoming current problems that have engendered and will engender, for a long time to come, intercultural suspicion and mistrust, extremism, separatism, and terrorism.

In this context, the SCO is a unique political opportunity, and a fundamentally new model of geopolitical integration. It embraces almost two-thirds of mainland Eurasia, uniting countries with different civilisation backgrounds.

Its magnitude and diversity of interests, its trans-regional status may bring many civilisations together which would be unprecedented. This new approach guarantees the future of the SCO.

*(*Deputy Foreign Minister of Russia; TH, 12.08.05)*

Reducing Children Malnourishment

Decisive action on trade and investment policies towards Africa could reduce the number of malnourished children on the continent from 33 million to about 9.4 million by 2025, a study by the International Food Policy Research Institute says. Pessimistic assumptions would see the number of malnourished children rise to 55 million.

A positive 'vision scenario' assumed a reform of agricultural and trade policies, increased investment in rural infrastructure and education, and better management of land, water and other resources. Trade liberalisation alone would benefit Africa to the tune of US$5.4bn a year, according to Mark Rosegrant, the report's lead author.

SSA is the only region in the world where food insecurity has increased in recent decades. Poor governance, inadequate funding for agriculture, and the neglect for research and development are among the root causes. *(FT, 12.08.05)*

No One Owes Africa

No one owes Africa her economic liberation, said outgoing Tanzanian President Benjamin Mkapa. "In the same way that no one owed us our political liberation, no one today owes us our economic liberation", he said while bidding farewell to members of the Commission of the AU.

"We have to fight our insignificance in world trade by restructuring the content and direction of Africa's trade regime and investment and by finding new ways to enhance South-South cooperation (SSC) as a means to develop capacity to relate as equal partners with countries of the North".

He urged the African CSOs to take up the mantle of leadership in the agitation and campaigning for trade, debt cancellation and qualitative foreign aid instead of waiting for civil societies outside Africa to lead the process.

(The Post, Lusaka, 05.09.05)

Trade Liberalisation and Poverty

Botswana should embrace trade liberalisation in order to fight poverty. This was recommended in a study to identify linkages between trade policy and poverty reduction. Howard Sigwele and Oupa Tsheko of University of Botswana carried out the study. They have recommended that 'reaping the gains from trade requires countries to change their production structures', as that would ultimately result in changed income distribution.

They argue that consumers of meat, cereals, pulses, oilseeds, vegetables, fruits, wheat and sugar products would benefit from global trade liberalisation. However, they said that poor people do not have adequate resources to benefit from global agricultural trade liberalisation.

"The reduction in import duties and subsidies to encourage sustainable agricultural production based on comparative advantage over time increases domestic supplies which in a competitive environment could lead to lower consumer prices", the report said.

(Mmegi, Gaborone, 06.09.05)

EU's Move on Sugar Criticised

Sugar-exporting countries lambasted the EU for offloading nearly two million tonnes of sugar on to the world market. They said that it would push down prices and undermine Europe's credibility on world trade talks.

Luis Morago, Head of Oxfam International's Brussels office, said: "Millions of poor farmers will suffer as a result of the EU manoeuvre. They are being selfish, short-sighted and unforgivably opportunistic".

The EU recently decided to 'declassify' (i.e. remove from its domestic quota system to sell on the world market) 1.9 million tonnes of sugar. The EU's sugar regime maintains an internal price three times the world level with a complex system of quotas and tariffs.

(FT, 28.09.05)

No Need for 'Aid for Trade' Fund

There is no need for a separate aid fund to compensate poor countries for the costs of liberalising trade. This was stated in a paper jointly prepared by the WB and IMF.

Trade officials are concerned that trade liberalisation will be of limited benefit to poor countries unless they have good infrastructure to take advantage of export opportunities.

And developing countries that benefit from special preference programmes also lose out as such schemes are reformed or their value eroded through trade liberalisation. A recent report from a group chaired by Ernesto Zedillo, the former Mexican President, suggested that such countries should directly be compensated by financial grants.

According to the WB and IMF paper, adjustment should rather be considered 'as part of an overall package of domestic policy reforms and economic planning'.

(FT, 21.09.05)

Warning Signal from UNCTAD

The UNCTAD has said that the world economy is expanding, but there are serious risks of a setback with the moderation in growth over the first half of 2005 serving as 'a warning'. In its 2005 Trade and Development Report, it said that the world economy grew by four percent in 2004, the best performance since 2000.

However, it contended that global current account imbalances, with the US deficit being counterpart to two-thirds of the global surplus, have to be tackled in 'a coordinated, multilateral way if recent progress towards achieving the millennium development goals is not to be squandered'.

It cautioned against correction, especially to the external deficit of the US through massive exchange rate appreciation in China and other Asian developing countries, which would have a deflationary impact on the world economy.

It also states that China's weight in the international markets might contribute to a decline in export prices of manufactured goods that are also produced and exported by other developing countries, such as clothing, footwear and certain types of information technology (IT) and communication products. *(BL, 03.09.05)*

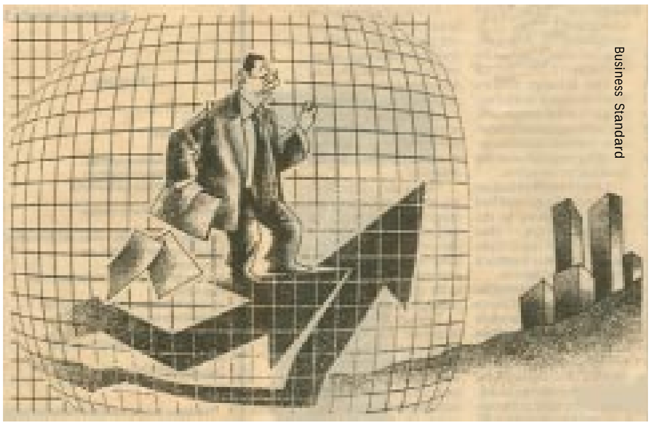
The Trade-and-Aid Myth

*– Dani Rodrik**

Trade and aid have become international buzzwords. More aid (including debt relief) and greater access to rich countries' markets for poor countries' products now appear to be at the top of the global agenda. Indeed, the debate nowadays is not about what to do, but how much to do, and how fast.

Lost in all this are the clear lessons of the last five decades of economic development. Foremost among these is that economic development is largely in the hands of poor nations themselves. Aid and market access have rarely played a critical role.

Consider a developing country that has free and preferential market access to its largest neighbour, which also happens to be the world's most powerful economy. Suppose also that this country is able to send millions of its citizens to work across the border, receives a huge volume of inward investment, and is totally integrated into international production chains. Also, the country's banking system is supported by its rich neighbour. Globalisation doesn't get much better than this, right?



Now consider a second country, which faces a trade embargo in the world's largest market, receives neither foreign aid nor any other kind of assistance from the West, is excluded from international bodies like the WTO, and is prevented from borrowing from the IMF and the WB. This economy also maintains its own high barriers on international trade (in the form of state trading, import tariffs, and quantitative restrictions).

As the reader may have guessed, these are real countries: Mexico and Vietnam. America maintained a trade embargo against Vietnam until 1994, established diplomatic relations only in 1995, and did not grant it most-favoured nation (MFN) treatment for years after that. Vietnam still remains outside the WTO.

Since North American Free Trade Agreement (NAFTA) was signed in December 1992, Mexico's economy has grown at an average annual rate of barely over 1 percent in per capita terms. This is not only far below the rates of Asia's economic superstars; it is also a fraction of Mexico's own growth performance during the decades that preceded the debt crisis of 1982 (3.6 percent per year between 1960 and 1981).

Vietnam, however, grew at an annual rate of 5.6 percent per capita between the onset of its economic reforms in 1988 and the establishment of diplomatic ties with the US in 1995, and has continued to grow at 4.5 percent since then. Vietnam witnessed a dramatic fall in poverty, while in Mexico real wages fell. Both countries experienced sharp increases in international trade and foreign investment, but the pictures are utterly different where it counts most: rising standards of living, particularly for the poor.

What these examples show is that domestic efforts trump everything else in determining a country's economic fortunes. All the opportunities that the US market presented to Mexico could not offset the consequences of policy mistakes at home. With none of Mexico's advantages, Vietnam pursued a strategy that focused on diversifying its economy and enhancing the productive capacity of domestic suppliers.

South Korea took off in the early 1960s not when foreign aid was at its apex, but when it was being phased out. Taiwan did not receive foreign aid or preferential market access. China and India have prospered largely through *sui generis* reform efforts. It is tempting to ascribe the rare African successes – Botswana and Mauritius – to foreign demand for their exports (diamonds and garments, respectively), but that story goes only so far. Obviously, both countries would be considerably poorer without access to foreign markets. But, as in other cases of successful development, what distinguishes them is not the external advantages they possess, but their ability to exploit these advantages.

Witness the mess that other countries made of their natural-resource endowments. The word 'diamond' hardly conjures images of peace and prosperity in Sierra Leone. Similarly, few of the export processing zones proliferating around the world have delivered the results observed in Mauritius.

None of this absolves rich countries of their responsibility to help. They can make the world less hospitable for corrupt dictators. Similarly, increasing the number of poor-country workers allowed to work in rich countries, and providing greater scope for growth-oriented policies by relaxing WTO rules and conditionality from the US, would help.

It is far from clear that expanding market access and boosting aid are the most productive use of valuable political capital in the North. Development should focus not on trade and aid, but on improving the policy environment in poor countries.

*(*Professor of Political Economy, John F. Kennedy School of Governance, Harvard University; ET, 05.08.05)*

Call for Strict Rules

Friends of anti-dumping, a seven-member group, requested the negotiating group on rules of the WTO to work towards clearly defining ‘product under consideration’ for better scoping of anti-dumping investigation in its very beginning.

This is because a clearly defined ‘product under consideration’ will not only enhance predictability and reduce costs for all interested parties, but also help solving problems throughout the investigation.

It further recommended that each investigation should encompass only products that are under the same conditions of competition. It suggested an insertion of an article with a provision that an investigation can be initiated, and subsequently, conducted only with a proper definition of the scope of the product under consideration, which can encompass only products that are under the same conditions of competition. *(FE, 08.07.05)*

Airbus-Boeing Inquiry Launched

The biggest dispute is to come before the world trade watchdog, WTO recently, which agreed to launch a formal investigation into the long-running trade dispute over subsidies to Europe’s Airbus and Boeing of the US.

Irrespective of number of attempts to reach a new agreement, recriminations continued as the twin dispute panels were established. While filing their respective complaints to WTO in October 2004, both sides accused each other of pumping illegal state aid into its respective aircraft champion.

The US says public financial aid worth US$15bn given to Airbus since its creation in 1970 to launch new aircraft is illegal, while the Europeans accuse Washington of subsidising Boeing through military contracts.

However, trade analysts believe that the dispute will be settled outside the WTO since probably the final outcome may find that both sides are in violation of subsidy rules.

(FT, 21.07.05)

EU Extends Anti-dumping Probe

The EU started an investigation into blank compact discs from China, Hong Kong and Malaysia following a similar probe of exports of recordable digital video discs (DVDs) from China, Hong Kong and Taiwan recently.

This was triggered by a complaint from an association of European manufacturers claiming that Asian rivals have been selling such goods in Europe below their cost of production.

According to a study published in June, by International Federation of the Phonographic Industry (IFPI), a body that represents the worldwide music recording industry, China is the world’s largest pirate market, with a piracy level of 85 percent and a pirate market worth US$411mn. The study found that China has a disc manufacturing capacity of 5.8 billion units, although domestic demand is about 1.1 billion units. *(FT, 09.08.05)*

WTO Finds US Wrong

WTO experts ruled against the US in a long-running row with EU over special US duties on carbon steel products from Britain and Spain. The three-man panel held that US amendments to the way Washington applied the duties to British and Spanish products did not comply fully with WTO rules.

However, the panel rejected the majority of the EC’s claims that the US failed to comply with the Dispute Settlement Body’s (DSB’s) ruling and recommedations. The case dates back to 2002 when the EU challenged the US in the WTO over duties Washington imposed on carbon steel goods.

Last year Brussels said changes in the application of the US duties still violated WTO rules and won agreement from other WTO members to set up the compliance panel.

(ET, 19.08.05)

WTO Haggling Open to Public View

WTO opened the legal proceeding of a dispute settlement panel for public viewing, in an attempt to increase transparency in its proceedings. Journalists, representatives of non-government organisation (NGOs) and scholars were allowed to watch the proceedings of a dispute settlement panel from a separate room at WTO headquarters.

The decision to allow public viewing was taken by the members of this panel after a request from the parties involved in the EC – hormones dispute, which include Canada, the EU and the US.

According to Ambassador Don Stephenson of Canada, ‘The closed process leaves the public, even parliamentarians and interested NGOs to imagine the worst of the process, and to question its legitimacy’. *(FE, 15.09.05)*

WTO Rejects EU Banana Proposal

The WTO recently rejected the EU new proposal on banana tariffs, prolonging a nine-year dispute. The WTO arbitration panel ruled against a proposed EU banana tariff of €230 (US$300) per tonne, saying it would ‘not maintain total market access’ for Latin American suppliers.

The Caribbean states see this rejection as yet another blow to an industry that has long been a key element of their economy. Guyana’s Trade Minister, Clement Rohee called the ruling ‘a terrible blow’.

On the other hand, Ronald Saborio, Costa Rica’s Ambassador to the WTO welcomed the ruling. “Bananas are a product where Latin America has improved its productivity but has got only very limited benefits from that because of the EU (import) regime”, he said.

The dispute has underlined the difficulties of opening trade in a sector that has pitted two sets of developing countries against each other. European import rules have been designed to favour former colonies from Africa and the Caribbean region rather than Latin America, where US companies control vast banana plantations. *(FT, 02.08.05 & IPS, 03.08.05)*

Promoting Equity and Equality

Equity is not the same as equality. The former is the quest for a situation where opportunities are equal irrespective of caste, race, gender, and background of people. The World Development Report (WDR) 2006 of the WB stresses that developing nations need appropriate policies to correct persistent inequalities.

It has recommended a three-pronged strategy of investing in people by providing healthcare, education, safety nets, access to justice, land, infrastructure and promoting fairness in markets such that poor have access to credit and jobs.

Equity is needed to be addressed since excluding people from the labour market was a waste of resources. High levels of inequality contribute in economic inefficiency, political conflict and weak institutions. Therefore, developing nations need to fight discrimination against the poor and provide them with equal access to education, health, credit and infrastructure.

These findings of the WDR 2006 highlighted that Asian nations, such as China, Korea, Taiwan have achieved high growth and poverty reduction by providing equality of opportunity. Most of Latin America and sub-Saharan Africa has been held back due to high levels of inequality, giving rise to 'inequality traps', a cycle of underachievement across generations. *(FE & FT, 21.09.05)*

Divided on Aid Promises

Tony Blair, the Prime Minister of UK, unveiled promises on aid to Africa at a summit of world leaders held in Gleneagles, in July, this year. Some campaigners regarded this as a historic achievement and others saw it as a moderate step forward. Rich nations have agreed to increase aid to US$50bn by 2010.

However, of this increase, only around US$15-20bn was new money rather than existing pledges, and some of that would be borrowed from future aid budgets. "While this aid increase is a step forward, it is far from the historic deal that millions around the world have been demanding", Make Poverty History said.

Reaction from Africa itself was mixed. "Intentions and actualisation are not the same thing. We would like to see a situation where there is money now", said David Mwiraria, Kenyan Finance Minister. *(FT, 09.07.05)*

Thailand Gives More Aid

Thailand gives more aid to the world's poorest nations than most rich countries do, if measured as a percentage of its income. This was stated in a report prepared by the UN.

"At least 93 percent of Thai development assistance goes to LDCs compared to a 2003 OECD average of 33 percent", the report said. Thailand gave at least US$167mn in development aid in 2003, mostly on infrastructure projects in Cambodia, Laos and Myanmar.

Thailand spends 0.12 percent of its gross national income on aid to the world's poorest countries, compared to 0.04 percent for Japan and the US. *(AFP, 15.09.05)*

Food Aid Less Efficient

Shipping food rather than cash to disaster-hit poor countries cuts the benefits of such aid by a third. This was stated in a report prepared by the OECD.

'Tied' food aid, shipped as surpluses from the donor country's farmers, often arrives too late and is more expensive than buying it locally. The report estimated that the US, the world's biggest food aid donor and a vociferous defender of the practice, spent 33 percent more by giving food grown by US farmers rather than money.

Edward Clay, the report's author and a Fellow at the London-based Overseas Development Institute (ODI), said that because of the time taken to buy and transport such food, it frequently arrived to relieve hunger and instead disrupted local markets by undercutting local farmers. *(FT, 27.09.05)*

Fresh Approach Urged

Stronger incentives to smaller biomedical companies rather than to large pharmaceutical groups could help boost the development of treatments for 'neglected' diseases of the developing world. Such diseases are malaria and tuberculosis, according to a report commissioned by the Welcome Trust, a London-based medical charity.

Neglected diseases kill three million people a year. The findings contradict the accepted wisdom of policy documents, which calls for fresh incentives to persuade pharmaceutical multinationals to do more for diseases in Africa.

The study identifies 60 neglected disease drug development projects underway, while stressing that nearly half involve collaboration with smaller drug companies. *(FT, 09.09.05)*

Poverty Goals Likely to be Missed

Infant death rate for African-Americans in Washington DC is higher than that in the cities of the Indian state of Kerala. The under five mortality rate of infants in Beijing, China is similar to US standards while that in its most underdeveloped Guizhou province is comparable to that of Namibia.

These are findings of the United Nations Human Development Report (HDR) 2005. It points to the fact that deep disparities based on ethnicity, region and wealth persist in developed nations, such as the US and well performing nations such as China and India. It also warns that most countries will miss most of the millennium development goals (MDGs) by epic margins, unless immediate and substantial developmental progress is made.

The HDR 2005 has recommended phasing out tied aid to supply of goods and services by 2008. This will enable recipient nations to buy them at globally competitive prices. It has also recommended various measures to increase the quantity and quality of aid.

For increasing the quantity of aid, it has exhorted developed nations to make commitments for allocating a minimum of 0.5 percent of their Gross National Income to aid, by 2010. For increasing its quality, 70 percent of aid should be allocated as budgetary support and 100 percent channelled through national procurement and public financial management. It recommended linking aid to achieving the MDGs by receipts and identification of more low-income nations for debt relief. *(FT & BS, 08.09.05)*

End of the Beginning of Ending Poverty

*– Joseph E. Stiglitz**

With President Bush at the table, the 'spin masters' who put a victorious gloss on all his actions had little need to lower expectations concerning the outcome of the G-8 meeting in Scotland. Any agreement would be seen as a major achievement. The write-off of multilateral debt for the world's poorest countries – thanks to Britain's leadership – is nonetheless, especially welcome.

Agreement by the G-8 to debt relief is a major event, but we should not be fooled by the seeming magnanimity of the gesture: much of the debt would not have been repaid in any case. More debt relief – encompassing more countries and more debt (including bilateral debt) – is needed.

But debt relief should be viewed as just a start. As Britain itself has pointed out, developing countries need more assistance and a fairer international trade regime.

Perhaps not surprisingly, the IMF has tried to pour cold water on international enthusiasm for its generosity. New studies, it warns, suggest that aid does not in general lead to faster growth. This came as a relief for the Bush administration, which claims to have given as much as its 'budgetary processes' allow.

The world's richest country, which blithely gave its richest citizens a series of tax cuts worth hundreds of billions of dollars, now says that it simply can not afford to spend much more on aid.

Even after the increases in annual assistance promised by Bush at the UN's meeting in Monterrey, Mexico, in 2002, the United States is still giving less than a quarter of its commitment of 0.7 percent of GDP. Now, the IMF offers the following reassurance: "You may be stingy, you may not be living up to your commitments, but the money probably wouldn't have made much difference anyway".

Of course, not all foreign-aid money is well spent. But the same is true of money spent on, say, national defense. Even if Americans have not been cheated by Defense Department suppliers like Halliburton, it is clear that the money spent in Iraq has not bought the promised peace and security in the Middle East. But no one argues that the US should cut off defense expenditures.

The objective should be to improve the efficiency of government, to make sure that we get the most value for what we spend. In this, surprisingly, there have been marked improvements in recent years.

The WB, for example, has been allocating more of its money to countries with a proven track record in spending money well. It has been exploring new ways of 'delivering' aid, sometimes using state and local governments where that appears more effective. Similarly, the so-called 'Social Funds', whereby communities design projects and compete for money, have enhanced participation and 'ownership' of development projects.

In one village, a bridge was built to connect two neighborhoods separated during the rainy season. A simple project like this can make an enormous difference to the life of a community. For instance, children who live on one side of the river can now attend school on the other side during the rainy season.

Likewise, micro-credit schemes throughout the developing world have provided finance for the poor to expand their economic enterprise, with repayment rates that are truly impressive. The IMF warns about 'Dutch disease' problems, when an influx of foreign exchange drives up the local currency's exchange rate, making it difficult to create jobs in the export sector or to protect jobs against an onslaught of cheaper foreign imports.

On this, the IMF is partly right. Countries need to rely on themselves and mobilise domestic resources (although the IMF's frequent insistence on tight monetary and fiscal policies often makes this more difficult.) But there continues to be an enormous need for imported goods – medicines to promote health, technology to reduce the knowledge gap between the developing countries and the rest of the world, and machines to enhance productivity.

In any case, not much weight, in my judgment, should be given to the IMF's statistical studies of the impact of foreign aid on growth, partly because the results do not appear to be very robust. Different studies, with slightly different data sets, different countries, different techniques, and different years yield markedly different results.

An earlier set of studies, for instance, showed that aid does make a difference in countries with good governance and sound macro-economic policies. Equally important, historically much foreign aid was provided not to promote development, but to purchase friendship, especially during the Cold War. When the West gave money to Mobutu, they knew that the funds were going to Swiss bank accounts rather than benefiting the people of Zaire (now Congo).

The money worked as intended - not to promote development, but to keep Zaire on the side of the West. Of course, Mobutu's boundless corruption challenges us to be thoughtful about foreign aid, both about how the money is spent and who is responsible for 'delivering' assistance.

Some governments have demonstrated a better capacity than others for using funds well. In countries where governments are deficient, there are often alternative ways of providing assistance, including NGO's. Global support for 'making poverty history' shows how the issue of Third-World poverty has finally struck a responsive chord. Debt relief is a good beginning. But that is all it is.

*(*Professor of Economics at Columbia University, USA; ET, 16.07.05)*

Children Urge World Leaders

Child environmental activists from across the globe congregated in Japan to urge world leaders to pay more attention to energy, biodiversity, water and recycling. The event was held as part of the United Nations Environment Programme (UNEP) Children's World Summit for Environment.

It is an effort to involve children and young people in environmental issues. The 600 delegates, representing 65 nations, mostly from the developing world, participated in workshops, presentations and field trips covering various environmental issues.

This has increased their knowledge of environmental solutions and has inspired them to continue working for greater awareness in their home countries.

(UNEP Press Release, 29.07.05)

Planes to Go Greener

Aircrafts can reduce their impact on global warming just by making small changes in altitude. The streams of water vapour and ice particles that form behind an aircraft are called contrails.

They trap heat radiating from the earth's surface and thus add to global warming. Until now, the only strategy to avoid contrails was for planes to reduce their altitudes from about 33,000 feet to as low as 24,000 feet. But this is not ideal.

Hermann Mannstein at the German Aerospace Centre has used balloon measurements of relative humidity in the atmosphere to show that the region of supersaturated air is only about 500 metres thick and can easily be avoided.

(Internetwork for Sustainability, 08.08.05)

From Plastics to Steel

Australian scientists have developed a technique to use waste plastic in steel making. This process could have implications for recycling scrap metal that accounts for 40 percent of steel production.

Veena Shajwalla of the University of New South Wales hopes that this research will turn an environmental headache into a valuable resource. She said many waste plastics, from shopping bags to drink bottles, contain high enough levels of carbon to be useful in steel making.

Sahajwalla won one of the Australian Museum's Eureka prizes for this work and she was speaking about its industrial applications. She said Polyvinyle Chloride (PVC) was one of the few plastics not suitable for the process because of potentially carcinogenic emissions when burnt.

(BS, 11.08.05)

Path Out of Poverty

A report that challenges conventional approaches is released at a critical moment in the battle against poverty. The report, World Resources 2005 of the World Resources Institute (WRI), stresses the urgent need to look beyond aid projects, debt relief and trade reform and focuses on local natural resources to address the crisis of poverty.

The report finds that environmental organisations have not addressed poverty and development groups have not considered the environment enough in the past. Dozens of case studies demonstrate how local stewardship of nature can be a powerful means of fighting poverty.

"The report addresses the stark reality of the poor: three-fourths of them live in rural areas; their environment is all they can depend on. Environmental resources are absolutely essential, rather than incidental, if we are to have any hope of meeting our goals of poverty reduction", said Jonathan Lash, President of the WRI.

(WRI Press Release, 31.08.05)

The Strategic Approach

Representatives of the world's governments, inter-governmental organisations and other stakeholder groups met in New York, in September to finalise arrangements for the launch of the Strategic Approach to International Chemicals Management.

The Strategic Approach will provide an overarching framework for global action on chemical hazards and enable governments and other stakeholders to collaborate more effectively on minimising potential risks.

"The production and use of chemicals will continue to grow over the coming decades. This new Strategic Approach will save lives and reduce environmental impact by minimising the hazards and risks that accompany the many benefits that chemicals bring", said Klaus Toepfer, Executive Director of the UNEP.

(UNEP Press Release, 19.09.05)

US behind 'Beyond Kyoto'

An alternative to the Kyoto Protocol is being envisaged by the world's greatest polluting nations such as US, China and other Kyoto signatory developing countries such as India. This agreement aims to cut greenhouse gases without compromising economic development.

It claims to complement and not contradict the Kyoto Protocol. Environmentalists are sceptical since there are no targets, cuts or monitoring emissions and nothing binding in the envisaged agreement known as the Asia Pacific Partnership on Clean Development and Climate (APPCDC). Its proposed six-member nations account for half the world's greenhouse emissions.

The APPCDC, the brainchild of US and Australia (the strongest opponents of the Kyoto Protocol), is seen as an attempt to sideline the Protocol. The Protocol exempts developing nations from cutting greenhouse emission until 2012, including highly polluting nations such as China and India and mandates developed nations to cut greenhouse gases.

This is seen as unacceptable by the US. The APPCDC aims to co-opt as many developing nations as possible on the pretext that they need to increase energy use to develop. On the other hand, proponents of the Kyoto Protocol (such as Japan, EU, Canada) are under pressure to get backing from poor nations in favour of the treaty.

(FE, 20.07.05, FT, 28.07.05)

The Gadfly Buzzing Around Big-Name Corporate Patents

*– Eli Kintisch**

In June 2005, the US Patent and Trademark Office (PTO) ruled that Pfizer's patent for Lipitor, a US$12bn-a-year cholesterol drug, might be invalid. Did the pharmaceutical company "get punked by a non-profit"? asked Stephen Albainy-Jenei, a patent lawyer and blogger.

The decision was the latest in a string of successful initial rulings won by Dan Ravicher, a 30-year-old lawyer and crusader against those patents that he says are bad for the public. He has also used PTO procedures to shoot holes in patents held by Microsoft and Columbia University. Part vigilante, part gadfly, Ravicher has quickly earned a reputation for being part of a new breed of patent lawyers, and one worth watching.

"The system has been created in a way that makes it difficult to see how it impacts people", Ravicher says. He believes patent busting could result in better consumer products by removing barriers to innovation. He hopes his efforts will inspire others to challenge the system by drawing attention to bad patents.

Two years ago, Ravicher set up the Public Patent Foundation (PubPat), a non-profit organisation. Its work has already received the attention of intellectual property insiders.

Hal Wegner of Foley & Lardner, a Wisconsin-based law firm, calls him a 'Robin Hood' for the patent world's have-nots. "What he's doing is important". says LesFuntleyder, a healthcare analyst at Miller Tabak, a New York brokerage. "Nobody's really kept an eye on what pharma's doing from a patent perspective".

His corporate opponents will not comment publicly on their new adversary. But critics say the current patent system serves the US economy well by rewarding innovation. They also warn that his efforts could backfire by making it harder for makers of low-cost generic drugs to get their products to market.

Ravicher did not plan to be a burr in the side of corporate America. After graduating from the University of South Florida with a degree in materials science and then the University of Virginia School of Law, he became a New York patent lawyer, with clients including Johnson & Johnson, the drug company. But as he watched small information technology companies wage expensive battles against what seemed bad patents, he became convinced that the current system 'more often than not treated the less-represented unfairly'. By living frugally off his six-figure income and winning a grant, he managed to raise US$90,000 to start the foundation.

As the foundation's executive director and only full-time employee, he supervises a handful of volunteer scientists, postgraduates and legal interns as they search for potential flaws in big-name patents. He targets them because he believes they 'are causing the most harm'. For example, he says, Pfizer's patent on Lipitor, in force until 2017, precludes other companies from developing alternatives that might have fewer side effects. Spurious software patents, he adds, reduce competition and drive up prices.

The Financial Express

The PTO's re-examination request system is Ravicher's tool of choice. He claims three recent successes support his argument that the PTO issues extremely lucrative patents based on ideas already in the public domain. His Columbia challenge involved a 2002 patent for a gene-inserting process used in making drugs. The university's fourth such patent, the technology, has netted it hundreds of millions of dollars.

Ravicher argued that all subsequent claims were identical to the school's 1980 patent. In that patent, he wrote, Columbia had described a process for 'generating DNA molecules' that was identical to a claim in the 2002 request for a way of 'producing the proteinaceous material'. Both would result in replicated DNA and translated proteins, he notes. Facing lawsuits, Columbia later agreed not to assert the patent.

In 2003, Microsoft sought to license a file-storage system called file allocation table (FAT), crucial to the operation of its Windows operating system. Months later, Ravicher filed a re-examination request on the company's 1996 patent, pointing to two prior software patents that he said should have prevented Microsoft's new application being granted. Neither one had been mentioned in paperwork by the examiner who approved Microsoft's patent. The company says its patent's file system goes beyond its predecessors.

The stakes are high: if successful with final rulings, Ravicher's moves could cost Microsoft millions in licensing revenue and bolster a campaign against Columbia's blockbuster patents. Investors expect generics to defeat the Lipitor patent before its 2017 expiration, says Jon LeCroy, pharmaceutical analyst at Natexis Bleichroeder, in New York. But Ravicher wants to speed up their progress.

PubPat's method has been taken up by the Electronic Frontier Foundation in San Francisco and the Washington-based Patients Not Profits is using similar tactics to scrutinise drug and software patents. But not everybody agrees with Ravicher's approach.

Sceptics note that lawsuits, although more costly, are much more effective than re-examinations, in which patentees may argue back and forth with examiners and challengers excluded. For its part, the PTO resents the implication that it does not represent the public's interest. Steven Lee, a lawyer at Kenyon Kenyon in New York City, says re-examination requests, such as Ravicher's can 'screw it up' for other patent challengers, including makers of generic drugs, if the government re-affirms the validity of the patent. Ravicher has a simple answer to that charge: bad patents pollute the system and generics merely seek duopolies.

*(*AAAS and Science; FT, 30.08.05)*

Keep Beating at West's Door

Twelve EU countries now bar citizens from eight central European countries that joined the EU in 2004 from taking new jobs without a work permit. Government's of these twelve EU countries invoked these restrictions just before enlargement, along with warnings from anti-immigration groups of a flood of cheap labour from the east.

New EU nations are pushing hard to get older members to drop labour restrictions, hoping that several European countries will abandon existing barriers. The moves caused surprise and anger in the new EU capitals, where governments have since argued that barriers distort the EU's internal market and deny fundamental liberties: free movement of people, goods, capital and services.

Governments may lift the barriers next May or renew restrictions for another three years. According to the EU Employment Commissioner it is a good idea to revise it in order to move proposals forward in a way that protects temporary workers while allowing enough flexibility to serve the market economy.

(FT, 16.08.05 & 25.09.05)

Improving Labour Standards

The UN has called on governments across Asia to improve their migrant labour policies, particularly as regards the living standards of foreign migrants. This will be part of a bid to alleviate social upheavals that could be caused by their improper treatment.

According to the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the poor treatment of migrant labour could affect bilateral or multilateral relations. A higher income in other countries was the main attraction for people wanting to work overseas.

The economic benefits, however, overshadowed the plight of female workers, who constituted high proportions of migrants, within the region. Female workers were more vulnerable to exploitation and abuse because of the nature of their jobs, concentrated mostly in the domestic help sector. *(The Jakarta Post, 25.08.05)*

Uganda Legalises Export of Labour

The President of Uganda, Yoweri Museveni, formalised Uganda's workforce by launching an employment law that seeks to promote full employment opportunities and uphold the dignity and rights of migrant workers.

"This *kyeyo* (migrant labour) being legalised is good but it is temporary medicine for fighting poverty… if it goes on for a long time, there would be a net transfer of brain resources to the benefit of the West. *Kyeyo* is better than nothing but not as a total solution. We need to build our own industries and employ people here…an economy that permanently exports people would have a very serious problem", he said.

He stated that South Korea and Japan had grown by developing their economies and employing most of their people at home, whereas countries with people all over the world had not reached such levels, such as Egypt. Labour Minister Zoe Bakoko Bakoru said, the legalised externalisation of Uganda's labour was to open wider opportunities for the unemployed.

(New Vision, Kampala, 22.08.05)

Workers Sue Wal-Mart

Workers in six countries have filed a class-action lawsuit against Wal-Mart stores, the world's largest retailer. 15 workers as plaintiffs in Bangladesh, Swaziland, Indonesia, China and Nicaragua filed the suit. They claimed that they were paid below minimum wage, forced to work unpaid overtime and in some cases even endured beatings by supervisors.

The mounting litigation has taken a toll on Wal-Mart's reputation. Investigation after investigation of Wal-Mart operations and suppliers reveal that the company is an unrepentant and recidivist violator of human rights. The plaintiffs allege that Wal-Mart's 'vast economic power' allows it to impose price and time requirements on supplier factories that result in sweatshop conditions.

Lawyers for the workers said their clients could not seek redress in their home countries because of corruption, the lack of independent judiciaries and for fear of reprisals.

(BL, 15.09.05)

Record Unemployment

According to the International Labour Office (ILO), unemployment was recorded high while job growth remained disappointing despite encouraging progress in poverty reduction and improving working lives of people in Asia. ILO data shows that three quarter of the world's poor or close to two billion people subsisting on less than the equivalent of US$2 a day, live in Asia.

ILO study provides analysis of a growing 'employment gap' in the Asian region and says that the creation of new jobs has failed to keep pace with the impressive economic growth. Between 2003-04, unemployment increased by 1.6 percent compared to strong economic growth rate over seven percent.

ILO estimates that halving youth unemployment would increase gross domestic product (GDP) by up to 2.5 percent in East Asia, by up to 6.7 percent in South Asia and up to 7.4 percent in South East Asia. More young women are unemployed than young men. *(TH, 13.09.05)*

Worker Remittances Top Aid

It has been estimated that migrant workers from developing countries sent US$200bn home last year, exceeding the amount of foreign aid and FDI received by these developing countries. Governments were challenged to channel this foreign exchange into local investments and development activities by the Asian Development Bank (ADB).

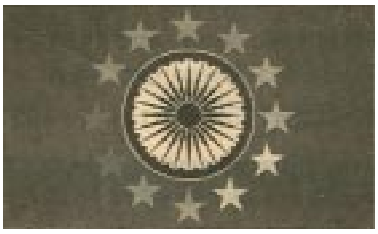
www.limitsgrowth.org

Robert Bestani, Director General of ADB's private sector operations department said, "Migrant remittances have been constantly fuelling economic growth in developing countries by providing foreign exchange resources…we need to capitalise on their impact in alleviating poverty and facilitating development".

India, Mexico and the Philippines have around 175 million people working overseas and hence are the top destinations for remittances. In Mexico 35 percent of small businesses were supported by remittances. At the same time money sent home fuelled domestic consumption in the Philippines that makes up 70 percent GDP. *(BS, 18.09.05)*

Partners in Trade and Progress

*– Peter Mandelson**



Today, on the birthday of *Ganesha*, Lord of knowledge, wisdom and wealth and destroyer of obstacles, the EU-India Summit will also be focusing on tearing down commercial barriers: between India and the EU, and between India and the world

Ten years ago, at the end of the Uruguay Round, India was insular and inward looking. A decade of economic reform and surging Indian entrepreneurialism has changed beyond recognition. Strong annual growth and rising national income is pushing prosperity and the benefits of global trade into almost all aspects of Indian life.

Indian exports have recently boomed, defying a wider global downturn. Indian companies have been competing successfully in foreign markets. In the last three months, there have been major Indian acquisitions in European companies, many in the pharma sector, such as those by Ranbaxy, Matrix Laboratories, Sun Pharma and Dishman Pharma. Infosys and Wipro are global brands, with IT operations and call centers from Mexico to Australia. The EU market for Indian software products is now hotter than the US.

Yet the Indian potential is still largely untapped, India's share of world trade accounts for only 1 percent of all trade in goods and 1.5 percent of trade in services. Although the EU is India's largest trading partner, India only ranks as Europe's twelfth largest, far behind China and Russia, and even South Korea.

Indian Government has recognised this untapped potential by affirming that India's recent growth will only be sustained through continued economic reform and a greater openness to foreign investment and trade. India has moved fast since the Uruguay Round to liberalise and to open its markets, to some extent the rest of the world has moved faster.

Despite cuts, India still has some of the highest applied tariffs in the world and the highest of all developing countries. As importantly, as tariff barriers have come down, non-tariff barriers have often replaced them. Indian technical regulations and sanitary requirements for imports often fall outside WTO rules.

For example, India requires mandatory import certifications for over 100 products – an impractical import hurdle, and never notified to the WTO. Import licensing sometimes turns into a *de facto* import ban on products, such as European paper or marble. All food imports require a mandatory testing, an excessive and discriminatory standard for foreign goods.

India has become one of the world's foremost users of trade defence measures, also not always consistent with WTO rules. In the service sector, there are still restrictions or bans on foreign investment in important sectors. As part of the WTO Doha Round, India has made only limited commitments on access to its services markets.

There is no understandable reason for this defensiveness. Indian companies are world-beaters that are increasingly active in overseas markets: there is no reason why it cannot compete in the same way on their own turf. India is denying itself the boost it needs from foreign capital by shutting those investors out.

If India's war on poverty and sustained investments in infrastructure, agriculture and industry are to be maintained in the long term, they will need to draw on foreign investment. India's investment rate needs to be over 30 percent just to maintain a growth rate of 7.8 percent. FDI is still only 5 percent of investment in India: it would need to be hosted to around 15 percent to make this possible.

India has said it wants to lower tariffs towards ASEAN levels, and open the door wider to FDI. But this needs to be translated into action. International investors still regard India with caution: witness the recent decision of Intel to put its US$4bn silicon chip factory in Israel rather than India. These are opportunities India should no longer be missing. As in Europe, global competition can help Indian companies strengthen and grow.

The EU and India will this week adopt an action plan at our annual summit designed to bring our economies closer together and break down many of the barriers that remain. We will be looking at concrete means to improve the way Europe and India do business.

India's ambitions for its economic future also need to extend to the Doha Round, where India has been a crucial player in the G-20 and an important contributor to the agriculture negotiations.

Now Europe is looking to her for a decisive contribution in the areas of services and industrial market access. If India chooses to tap its potential it will not only be an Asian powerhouse but a global economic giant. In the Doha Round, and in working to bring our changing and dynamic economies closer together, Europe and India should go forward as partners.

(EU Trade Commissioner; ET, 07.09.05)*

Newsletters

ReguLetter

(Volume 6, Issue 2/2005)

ReguLetter is the flagship newsletter of CUTS Centre for Competition, Investment & Economic Regulation (CUTS-CCIER), which reports and analyses competition-related issues from around the world. The latest issue discusses the inter-linkages between domestic regulation for a developing country and the General Agreement on Trade in Services (GATS) commitments. Given that services figure prominently on the economic profile of many growing economies, greater awareness on these issues and a strong hold over domestic policy are called for.

Zooming out geographically, a look at regional competition policy, in the 'Perspective' section, yields new insights into their essential dependence on the civil society for formulation and implementation. Though consumer organisations have a significant role to play in promoting a healthy competition culture, it is felt that the gravity of this need has not been appreciated.

It has special articles, such as 'Giving the Consumer a Voice in Competition Law' and 'Competition Policy and Developments in the Mauritian Banking Sector'. A special four-page 'Insert' details out the major projects that C-CIER has implemented, including important activities it has been involved in.

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

Making Things *Happen*

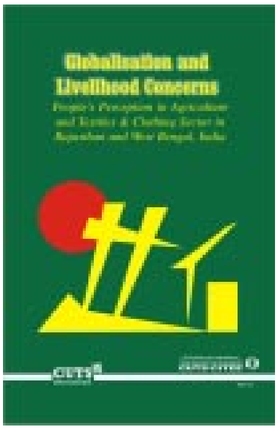
(No. 3/2005)

This issue of the newsletter of CUTS-CITEE on 'Grassroots Reachout & Networking in India on Trade & Economics (GRANITE)' presents a comprehensive review on the *Christian Aid's Report, India: Fields of Despair*, which focuses on the farmers' suicide. The review article analyses the report critically and points out its flaws, which has missed some vital issues while detailing farmer's suicide. On the one hand, it absolves the unfair subsidy regime in the developed countries by not touching upon its adverse effects on Indian agriculture. On the other hand, it provides political support to the protectionist politics in the country, which in the name of the poor, advance anti-poor politics.

Apart from the regular features, it has a special two-page 'Insert' covering the activities taken up by the GRANITE project partners.

Globalisation and Livelihood Concerns

People's Perception in Agricultural and Textiles & Clothing Sector in Rajasthan and West Bengal



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

Globalisation has become the dominant theme in our everyday existence. It is impacting our daily lives with unparalleled historical precedent. More importantly, the intermeshing of the local with global has led to increasing inter-linkages between the domestic sectors and the global economy, causing widespread changes in people's lives and livelihood. A large number of literature as well as varied opinions exist on the impact of globalisation, where some focus on the positive attributes while others decry and debunk the whole process as nothing more than a new form of hegemony.

Against the backdrop of globalisation, the perception assessment exercise in West Bengal and Rajasthan, India in the agriculture and textiles & clothing (T&C) sectors reveals people's struggle for survival. It is obvious that the benefits of globalisation have not always accrued to the people. Except for the agriculture sector in Rajasthan, the policies impacted by globalisation and WTO have, largely, had a negative impact on people's lives. While in Rajasthan, the opportunities provided by globalisation, such as communication and information revolution, have benefited farmers' interests, in West Bengal, the livelihood impacts are quite adverse. The T&C industry in both Rajasthan and West Bengal is in disarray and so are people's livelihoods linked to these industries.

This study aims to make an assessment of people's perception on the prospects, perils and pitfalls of globalisation, especially the impact of the WTO policies on agriculture and textile sectors in India in two states of India – Rajasthan and West Bengal.

SOURCES: AFP: Associated Free Press; 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

ECONOMIQUITY newsletter: Published and composed by CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE), D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India, Ph: 91.141.228 2821, Fx: 91.141.228 2485, Email: citee@cuts.org, Website: www.cuts-international.org, www.cuts-citee.org. Also at Delhi, Calcutta and Chittorgarh (India); Lusaka (Zambia); Nairobi (Kenya); London (UK). Printed by: Jaipur Printers P. Ltd., M.I. Road, Jaipur 302 001, India. Subscription: $20/Rs.100 p.a.

The news/stories in this Newsletter are compressed from several newspapers. The sources given are to be used as a reference for further information and do not indicate the literal transcript of a particular news/story.