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Ending Bali on a High


Mint

After months of intense negotiations in Geneva culminating in a ministerial conference, trade ministers finally delivered the Bali package. As India's Commerce Minister, Anand Sharma, said: "A historic day for the WTO. India's food security concerns are addressed." Despite intense political pressure, India stood its ground and helped the global trade community deliver a 'balanced' package incorporating a number of development issues.

It was a deal limited to three specific issues of the Doha Development Agenda (DDA), being negotiated since 2001. The Ministerial Conference in Bali, Indonesia, was extended by a day to sort out last minute issues related to trade facilitation.

At the last ministerial conference held in Geneva in December 2011, trade ministers decided that as the full package of the DDA was not making much progress, it would be wise to concentrate on select issues. With the global economy and international trade changing rapidly, there were too many pushes and pulls. Earlier in 2013, it became clear that the limited Bali package would consist of some aspects of agriculture negotiations such as public stockholding for food security purposes, further liberalisation in the administration of tariff rate quotas; trade facilitation; and a number of issues important for trade-related development and further integration of least developed countries (LDCs) into the global trading system.

Much of the ground work for this outcome was laid in Geneva, led by the immediate past Director-General of the WTO, Pascal Lamy. The new Director-General Roberto Azevedo pushed the cause after he took over this September. India played a constructive role in articulating its demands *vis-à-vis* the Bali package. Without making any political compromise to its food security concerns and with a commitment to reducing the cost of doing cross-border trade, India clearly demanded that it wanted a balanced Bali deal.

Given the amount of subsidies that India provides to the producers of staple foods through minimum support price programme, the country was at the risk of breaching its WTO-compatible limit of domestic subsidies to agriculture. The Bali Ministerial decision on 'Public stockholding for food security purposes' firmly established the need for and the modalities of arriving at that 'permanent solution' within a period of four years.

"In the interim, until a permanent solution is found, and provided that the conditions set out below are met, members shall refrain from challenging through the WTO Dispute Settlement Mechanism ..." This was the much talked-about 'peace clause'. What Next?

For a permanent solution, the best approach would be for trade negotiators to arrive at a formula for calculating such subsidies. In the process, this should not open the door for recalculation of other kinds and purposes of subsidies to agriculture.

Not only will India have to take lead in this, it also has to play a constructive role in ensuring 'delivery on development' of the Bali package as a whole. It must also help other poor countries to do so as the delivery on 'trade facilitation' has to be like that of a regional public good. Further, India must also help the LDCs get more and better benefits out of the implementation. India has always articulated its concerns and demands in a constructive manner. Bali has proved that, once again.

Articles

Highlights

Putting Out to Sea a New Vision

– Salman Khurshid*, Julie Bishop** and Marty Natalegawa***

As global economic power shifts to the east, maintaining prosperity and stability across the diverse Indian Ocean region has become imperative.

The 13th meeting of the Council of Ministers of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) was held on November 1 in Perth, Australia's Indian Ocean Capital. At this meeting, Australia took over as Chair of Association from India, which has been Chair since 2011. Indonesia became the new-Vice-Chair. We agreed on a new name for Association- the Indian Ocean Rim Association (IORA) – and charted out directions for the further development of cooperation.

Strategic

The Indian Ocean covers about 20 percent of water on the world's surface. It is the third largest of the world's five oceans. The Indian Ocean Rim countries have a population of approx. 2.6 billion, or 39 percent of the world's population.

The Indian Ocean accounts for 50 percent of the world's container traffic and Indian Ocean ports handle about 30 percent of global trade. Around 66 percent of the world's seaborne trade in oil transits the Indian Ocean. Roughly 55 percent of known oil reserves, and around 40 percent of gas reserves, are in the Indian Ocean region.

Reflecting diversity

IORA consists of 20 member-states. They reflect the remarkable diversity of Indian Ocean region. They range from small island-countries, such as Comoros and Seychelles, to G-20 members such as India, Indonesia and Australia. As global economic power increasingly shifts to the east, maintaining prosperity and stability across the Indian Ocean region becomes more important than ever.

At Bangalore in 2011, the Association agreed on six priority areas: maritime safety and security; trade and investment facilitation; fisheries management; disaster preparedness; academic, science and technology cooperation; tourism and cultural exchange. During meeting on November 01, IORA members committed to a range of initiatives to further develop cooperation in each of the priority areas.

Challenges

The member-states are also linked by common challenges- the need to keep shipping lanes open, keep fishery stocks viable, forecast and tackle disasters like the 2004 Indian Ocean tsunami, and promote trade, education and tourism links across the region.

Women's empowerment

The empowerment of women and girls in the region will be a high priority for IORA. During Australia's chairing of the organisation, the Ambassador for Women and Girls will have an important role in this. It should be ensured that, especially for those countries which rely heavily on the resources of the sea, that there are sustainable fisheries management practices in place.

Piracy

The common threat of piracy poses a considerable challenge to IORA's objectives. The World Bank estimates that piracy costs the global economy around US$18bn a year in increased costs- an amount that dwarfs the estimated US$53mn average annual ransom paid. In addition to combating piracy, there are challenges of ensuring maritime security and maritime safety across the region and preparing against the all too tragic consequences of natural disasters.

We are proud as foreign ministers of India, Australia and Indonesia, to have joined our colleagues from the 20 member-states and six dialogue partner countries to have declared our support for the Perth Principles for peaceful, productive and sustainable use of the Ocean and its resources.

We recognise the important contribution this will make to livelihoods and decent work around the region, while helping to sustain economic growth and food security.

India, Australia and Indonesia are committed to working with our fellow IORA members to harness the diverse strengths of our region. We are confident that Indian Ocean regional cooperation is entering a significant, and indeed exciting, new phase.

The commitment of member-states during the meeting, reflected in the attendance of foreign ministers from Australia, Comoros, India, Indonesia, Singapore, Madagascar, Malaysia, Mauritius, Seychelles, Sri Lanka and Yemen is perhaps the most significant demonstration of recognition that in the 21st century, the Indian Ocean region will play a vital strategic and economic role.

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* India's External Affairs Minister ** Australian Foreign Minister *** Foreign Minister of Indonesia

Excerpts from an article appeared in The Hindu on November 02, 2013

Not All Taxes are Good

Europe's planned financial transaction tax poses 'an enormous risk' to the countries involved and could threaten financial stability, France's central bank governor has warned.

He further adds on the commission's proposal posed 'an enormous risk in terms of the reduction of output in the FTT jurisdiction; increased cost of capital for governments and corporates; a significant relocation of trading activities and decreased liquidity in the markets'.

A key concern for French banks and the governor is that the planned broad scope of the tax would lead to an exodus of financial sector business from Paris, hitting its efforts to compete against London and other centres and ultimately weakening the local lending market.

(FT, 28.10.13)

Seeking a Debt Pact

The Paris Club of 'rich' sovereign creditors are meeting emerging market lenders for the first time in an effort to harmonise approaches to lending and restructuring.

"The challenge is to make sure collectively that the way we provide finance to low-income countries is not going to be unsustainable in the longer run", said Ramon Fernandez, head of the French Treasury and Chairman of the Paris club.

On the issue of fluctuating capital flows in the advanced economies, a communiqué by a group of 24 nations, a bloc of developing nations including India has shown their concerns 'We are concerned by the higher volatility in global financial markets following indications of exit from unconventional monetary policies'.

(FT, 24.10.13 & BS, 13.10.13)

Growth Talks

This year global expansion is set to be just 2.9 percent, the lowest in the post-crisis period and it is forecast to rise only to 3.6 percent in 2014, a rate the International Monetary Fund (IMF) thinks is a "subdued medium-term growth trajectory".

Olivier Blanchard, IMF chief economist, warned that 'If there was a problem lifting the debt ceiling in US, it could well be that what is now a recovery would turn into a recession or even worse'.

Outside the US, the IMF World Economic Outlook report showed advanced economies were getting momentum, and it predicted the end to eurozone contraction in 2014 by one percent.

On the other side global agencies are falling into consensus for India's growth predictions attributing it to changing political environment.

(FE, 21.10.13)

Matters of Legitimacy

"The delays in quota and governance reforms at the IMF and the World Bank are impacting their credibility, legitimacy and effectiveness" says Finance Minister, P. Chidambaram.

IMF's imbalanced representation once again was glaring clear: the emerging economies have complained for years that their relatively small voting rights in the institution insufficiently reflect their real power in the world economy.

The World Bank, the behemoth of development, is facing more pressing challenges. "The question it poses is crucial: How can it assure that it is more flexible without lowering quality standards? There's going to be lively debate among member countries," said Nicolas Mombrial of the Oxfam development group. *(Mint, 14.10.13)*

Food for Thought

The Food and Agriculture Organisation (FAO) price index, which measures monthly price changes for a basket of cereals, oilseeds, dairy and sugar, averaged 199.1 points in September; one percent below August's level and 5.4 percent since the beginning of the year.

The global rice hoard is forecast to rise 3 percent to 183 million tonnes in 2014 as China, Thailand and Vietnam are expected to increase their stockpiles, according to the FAO's twice-yearly review of global agricultural markets.

On the other hand, the situation for wheat is not so favourable where there are fears like; "should there be a weather shock or a sudden increase in demand, you could get a sudden sharp reaction in wheat prices" warned Abdolreza Abbassian, Senior Grains Economist at the FAO in Rome.

(FT, 08.11.13; BS, 16.10.13 & ET, 04.10.13)

How to Inflate the Inflation?

The biggest problem facing the rich world's central banks today is that inflation is too low. The average inflation rate in the mostly rich-world OECD is 1.5 percent, down from 2.2 percent in 2012 and well below central bank's official targets.

The drop is most perilous in the euro area: the underlying or 'core' inflation is 0.8 percent as low as it has ever been since the single currency began. In America the core rate has stubbornly stayed at 1.2 percent close to its low point.

However, things are improving in Japan, which seems to have escaped 15 years of falling prices, but even there underlying inflation is still only zero. The big rich economy with increasing inflation is Britain at 2.7 percent.

These are depressing numbers. The most obvious danger of too-low inflation is the risk of slipping into outright deflation, when prices persistently fall. Even without reaching that critical level, ultra-low inflation has costly side-effects. It tends to go with a weaker economy and higher-than-necessary joblessness.

(TE, 11.11.13)

Faking the Growth?

China's economy would be at least ¥3.7tn (US$610bn) bigger than Beijing thinks if the country's local government statistics were to be believed, state media reported.

The Economic Information Daily tailed up gross domestic product (GDP) data from 28 of mainland China's 31 provincial-level authorities, totalling ¥42.4tn for the first nine months of 2013.

The discrepancy which has been in place for more than two decades has been widening rapidly in recent years, the daily said.

"Some regions may have inflated the statistics due to their distorted perception of achievement given the fact that the performance assessment of local governments is often linked with GDP growth," the report quoted an unnamed National Bureau of Statistics official as saying. *(IE, 30.10.13)*

Nobel Americans

Three Americans won the Nobel Prize for economics for developing methods to study trends in stock, bond and house prices – work that has changed the way people invest.

Eugene Fama showed in the 1960s how hard it is to predict markets in the short run, while Robert Shiller two decades later showed how it can be done in the long run. Lars Peter Hansen developed a statistical method to test theories of asset pricing.

For their separate research, the three economists shared the US$2.1mn prize. "Their methods have shaped subsequent research in the field and their findings have been highly influential both academically and practically." The Royal Swedish Academy of Science said. *(FE, 14.10.13)*

Hopes High

After the financial slump in the year 2013, year 2014 is starting with much higher hopes and there are many efforts done to reach the expected outcome by the government. The government significantly relaxed the Foreign Direct Investment (FDI) guidelines and raised the limits of overseas investment in financial markets.

Although these steps did not provide immediate results, India did receive investment proposals from global companies like Tesco, Etithad, Singapore Airlines and AirAsia.

Big effort undertaken by the government to improve investment and growth was setting up of the Cabinet Committee on Investment to clear mega projects which were held up for some reason or the other.

The Competition Commission of India statistics is quite impressive as it has given green signal to over 280 held-up projects envisaging investment of ₹5.5 lakh crore and many more were in the offing.

However, the results of these initiatives will take time and fruits would be reaped by the new government which would be formed after the general elections next year. *(BT, 31.12.13)*

Challenging the Pursuit

India has built a reputation as a notoriously tough place to do business, one that has stymied even giants like Wal-Mart. And unlike Silicon Valley, where a decent idea can attract funding, investors in India are much more reluctant to risk their money on start-ups.

Despite such challenges, some American technology entrepreneurs are seeking to pursue the country's untapped opportunities, even without the clout of a multinational corporation backing them.

Some 42 venture capital firms based in the US, however, have either opened offices in India or opened Indian units since 2006, according to Venture Intelligence.

Despite the challenges, the sheer potential in a country of 1.2 billion people with a stable middle class is enough to tempt entrepreneurs and multinationals alike to explore opportunities. *(ET, 31.12.13)*

All Set for a Change

"External sector risks have been considerably reduced and the effect of the tapering on the economy is expected to be limited and short-lived," says the eighth Financial Stability Report from Reserve Bank of India.

It has said the country is ready for the US Federal Reserve's tapering, and has pegged the current account deficit at below three percent for this fiscal.

The high CAD, along with fears of tapering, was one of the reasons for the rupee touching a lifetime low of 68.85 against the dollar on August 28, 2013. The rupee improved since then, but is still 14 percent lower year-to-date.

The report, however, stresses that the long-term solution to the external sector problems for the country lies in increasing the productivity and the export competitiveness. *(TH, 30.12.13)*

World Bank Pledges More Funds for Poor

The World Bank President Jim Young Kim laid out a new strategy for the global development lender that includes a sharp increase in funds to help poor people in nations scarred by conflict, and a pledge to partner with the private sector.

US fiscal uncertainty "combined with other sources of volatility in the global economy could do great damage to emerging markets and developing countries in Africa, Asia, and Latin America that have lifted millions of people out of poverty in recent years," he said.

To meet its goals amid greater competition for development funds and a tight budget, the World Bank must focus on bold projects and technical solutions to countries, Kim added.

(BL, 02.10.13)


znb.india.com

Inside Investments

The aggressive move by Obama to pitch America as open for business reflects a growing realisation in Washington that the case for investing in the world's biggest economy is no longer self-evident. In 2000, the US held 37 percent of the worldwide inward stock of foreign investment. By 2012, that had dwindled to 17 percent.

The FDI push comes after October 2013, fiscal crisis- involving a 16-day government shutdown and a brush with debt default- that has raised eyebrows about the ability of the US to manage its economy.

The US federal government has generally shied away from any big initiatives to promote foreign investment. But that has changed, with the growth of emerging markets such as China, India and Brazil, which has heightened competition. *(FT, 28.10.13)*

Dents of the Crisis

Caribbean countries are lobbying for an extensive international debt relief and investment programme, as politicians become increasingly anxious over the social impact of the region's economic crisis.

Government debts of the Caribbean as a whole amounted to roughly 70 percent of the region's GDP in 2012, or US$47bn, according to the IMF.

Highly Indebted Poor Countries (HIPC) initiative established in 1996 by the IMF and World Bank has provided US$75bn of debt relief and concessional loans to 36 poor, mainly African countries in return for economic and political reforms.

But HIPC is available only to low-income countries, while most of the Caribbean is classified as middle-income or higher.

The Caribbean countries face an uphill battle. The IMF and World Bank acknowledge their vulnerability to the natural disasters and economic shocks, but officials privately predict there will be little appetite for debt relief for countries that are far from impoverished. *(FT, 17.12.13)*

Safeguarding the Investments

With Vodafone, and other matters in its mind, the Government of India proposes to include provisions in future Bilateral Investment Promotion and Protection Agreements (BIPAs) to ensure that only executive decisions are challenged. These provisions are also likely to be included in existing agreements once they are re-negotiated.

"This will be pitched in talks for around 10 BIPAs, including that with the US," a senior Finance Ministry official stated.

The proposed norms will ensure that companies invoke BIPA in case of executive decision and that too within stipulated time.

This will also provide a safeguard to the government against arbitration cases flied abroad due to any change in law by Parliament or due to any judicial pronouncement here. *(BL, 22.12.13)*

Virtual Currency: A Bit of a Concern

Bitcoins is a bubble, as it is showing signs of deflating. A rapid succession of moves by governments around the world has cast doubts on the legitimacy of the virtual currency. The most damaging news for the digital currency has come out of China, where the People's Bank of China ruled that Chinese banks should not process or insure Bitcoin transactions, in a step towards regulatory oversight of a currency.

On the same lines, European financial regulators have sounded the alarm over the risks consumers run by using virtual currencies such as Bitcoin, which has fluctuated between US$340 and US$1,240 in the past month.

While investors have enthusiastically adopted virtual currencies, authorities are worried the phenomenon is fostering criminality focused on hacking online platforms and accounts, bribery, money laundering, or the purchase of illicit drugs or weapons. *(FT, 13.12.13)*

Deeping the Ties

Economic issues set to dominate the PM's visit to Moscow. "The Focus of the annual summit will be on economics. We will seek Russian investments in Delhi-Mumbai Industrial Corridor Project. This project requires massive investments. Besides, we want to expand our presence in the Russian hydrocarbon sectors," said an MEA official.

In addition, India sought Russian cooperation for the plan to build a pipeline that would extend the proposed TAPI network to the later's oil-rich Altai region via Kazakhstan and Uzbekistan.

The proposed network would come in handy for OVL, the overseas arm of ONGC, which has acquired considerable hydrocarbon assets in the central Asian region. *(FE, 14.10.13 & ET, 03.10.13)*

Indo-China Brotherhood

China is keen on investing in India especially in agro-processing, tourism and manufacturing, and wants New Delhi to reciprocate. The two countries are targeting US$100bn in bilateral trade in 2015.

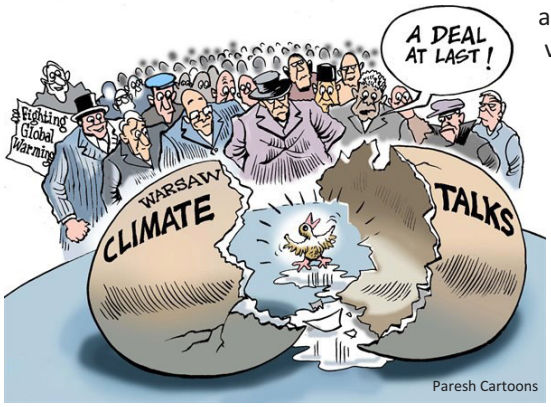
India's Department of Industrial Policy and Promotion, the nodal body for FDI policy, has identified sites in UP, Haryana and Andhra Pradesh where Chinese companies could set up such units.

The leaders, the statement said recognised that India and China are poised to enter a new stage of economic engagement based on pragmatic cooperation and mutually advantageous policies and practices.

The joint economic group, it said will continue to expand economic cooperation and promote a balanced growth of bilateral trade. *(BL, 23.10.13 & ET, 21.10.13)*

Rewarding or Crestfallen Outcomes? The Warsaw Meet, 2013

In a fight against global warming, diplomats and climate envoys from over 193 nations attended the meeting of the UN Framework Convention on Climate Change in Warsaw to devise mechanism to reduce Global House Gas emissions, with developing and developed countries contemplating on how to divide up responsibility for emissions cuts and how richer nations will meet their promise to channel US$100bn a year by 2020 in aid for climate projects.



Paresh Cartoons

But the drift between the developed and emerging nations was clearly visible as the group of G77+China walked out of the negotiations on account of concerns on loss and damage clause.

Finally, after gruelling hours of intense discussions on climate change, all the 193 nations laid down a tentative sketch and elements of a new climate change agreement that will be signed in Paris, 2015.

(BS & TH, 24.11.13; ET, 28.11.13)

Green Groups Create Chilly Murkiness

The Green Climate Fund of US$100bn, pledged by the rich countries for mitigating the impact of global warming in the poorer countries, still remains unfinanced as the Umbrella group (US, Japan, Australia, Canada, et al.).

It kept mum on providing a figure and a timeline for explicit financial commitments together for 2014-2020 and resolutely stated that the subject of loss and damage should be discussed only after 2015.

As a retaliatory move the G77+China walked out of the negotiations stating that the rich nations are blocking the loss and damage clause.

This has been a major downer in the Warsaw outcomes and developing countries (that hoped for a funding solution through the Warsaw meet) are left helpless without any concrete solutions on how to reduce GHG emissions without appropriate funding. *(FT, 22.11.13 & TH, 21.11.13)*

India Backs G77+ Walkout

Probing an explanation for the fallout of the meeting concerning the loss and damage clause, the developed nations remained mum and demanded to address this issue only after 2015.

India's Union Minister for Environment & Forests Jayanthi Natarajan supported the G77 walkout declaring that the draft on loss and damage is extremely diluted without any substantial commitment to the loss and damage clause.

Natarajan further added, as a short-term measure India supported creating a window under the existing Green Climate Fund to provide quick resources for loss and damage but in the long run India too was with the rest of the G77+ China countries to ask for a separate mechanism apart from the 'adaptation' mechanisms under the UN climate convention. *(TH, 21.11.13)*

Who is Cutting First?

Who will start first with the emissions cutting rates? As per India and China, the developed nations led by the US and EU should make the first move in cutting down their respective greenhouse gas (GHG) emissions because these highly industrialised nations have historic records of high emissions starting from the Industrial Revolution.

While on the other hand, the richer nations want all the countries to make the cuts together which in any case are not acceptable by India and China.

"We want to see what mitigation pledges of the developed nations are", Jayanthi Natarajan said. China also wants these nations to provide the world with a timetable of GHG emission reduction apart from being the first to cut down the emissions. *(FE, 21.11.13)*

Good News for Indian Farmers

India had been sincerely advocating over the past year that emission rates mitigation in agricultural sector will not find any space in the Warsaw negotiations. The country's stand on the matter was strongly supported by the entire G77+China bloc and, surprisingly, the US.

India was taken by surprise when emission cuts in agricultural sector was made a part of agenda but fearing that such negotiations will adversely impact the poor Indian farmers, India stood firm on its stand and with the support of many other countries ensured that the talks remained focused on adaptation rather than mitigation.

This news will not only benefit the Indian farmers but also farmers of other developing world, specifically in China and Africa. *(TH, 14.11.13)*

The Blame Game

Before the Warsaw Climate Change talks, developed and developing nations were having heated row over the responsibility of reducing GHG emissions and both the set of nations were blaming each other for the global change in temperature.

It was obvious that no major decisions were expected from the Warsaw meet but hopes were high atleast for the Philippines who recently got hit by Typhoon Haiyan that killed an estimated 10,000 people.

The Philippines climate change commissioner Yeb Sano's strongly advocated for pushing the global community towards decisive action to tackle climate change but to everyone's dismay nothing concrete came out from the negotiations. Such blame games will only evaporate hopes for a greener tomorrow. *(ET, 13.11.13 & FE, 10.11.13)*

Filthy Global Warming Quagmire

The disastrous impact of global warming has already warmed the earth by 2.5 degree Celsius and experts from Intergovernmental Panel on Climate Change (IPCC) notes that such an increase may lead to losses of as much as two of global economic output.

The report, still undisclosed by the IPCC, brings out startling outcomes with respect to global warming on economic output, food production, health risks and violence.

As per the report, the demand for food grains is expected to rise by 14 percent till 2050 but the cereal yields are predicted to reduce drastically owing to rising temperature.

The report has also impugned climate change for the likelihood of violent civil wars in the near future owing to food, water and energy scarcity. *(Mint & ET, 06.11.13)*

Asian Giants Highest CO_2 Emitters

India has not been able to substantially cut down its CO_2 emissions despite the falling growth rate of its GDP in 2012. Coal-based power production accounted for a major share (around 70 percent) of all India's carbon dioxide emissions which have grown by 13 percent in 2012.

Japan too notified the world that its will cross the threshold limit (fall in emissions by 25 percent was pledged by Japan in 2009) of its GHG emissions in 2013 on account of its resurrecting economic and social growth.

India and Japan are respectively the 3rd and 5th largest GHG emitters in the world, whereas China tops the list with 29 percent of global emissions. Globally, between 1990 and 2012, there has been a 32 percent increase in the earth's climate owing to GHG emissions. *(BL, 18.11.13 & FT, 16.11.13)*

Reduce Emissions or Coal Extraction?

In the wake of reducing GHG emissions, the coal investors managing assets worth about US$3tn have written letters to the world's largest oil, gas and coal companies explaining that coal extraction has to be stranded in order to drastically reduce GHG emissions.

The investors have urged the companies to carry out a "risk assessment" of the consequences of a global move to cut GHG emissions by 80 percent by 2050 and these investors already perceive that such a move will further deteriorate the coal sector (already investors have been burned by coal, because of the sudden drop in demand in the US).

To worsen their concerns, HSBC has estimated that oil and gas companies could lose 40-60 percent of their market capitalisation due to constrained emission levels. *(FT, 25.10.13)*

Emission Constrains for Airlines

The International Civil Aviation Organisation, which has 191 member countries, supported the need for a global mechanism that could cut airlines' carbon emissions from 2020.

In a blow to the European Union, envoys gathered in Montreal declined to validate its plan to include international airlines in the EU emissions trading system prior to the start of the global programme.

Russia, Argentina and others rejected the 28-nation EU's offer to scale back the scope of its carbon curbs in exchange for a global commitment to reduce pollution.

Before Europe suspended carbon curbs on foreign flights, President Barack Obama signed a bill shielding carriers including Delta Air Lines Inc. from the EU legislation. Russia announced it was considering limits on European flights over Siberia as part of possible retaliatory measures. *(BL & FT, 04.10.13)*

HFCs Hovering Clouds over UNFCCC

India stands firms like a mountain on its concern of not allowing phase-out of climate changing refrigerant gases to be dealt under the Montreal Protocol but dealing with the hydro fluorocarbons (HFCs) emission concerns under the UN Framework Convention on Climate Change.

The US pressed India to set up a 'contact group' on HFCs in the Montreal Protocol but looking at the financial implications of the transition, India asked the US to provide them with data and information on the economics of making the technological shift.

With the bilateral task force yet to decide on the way forward, the Indian government has decided to stick to its original stance without getting dismayed by the US pressure. *(TH, 24.11.13)*

Climate Change: India's 'Cereal' Killer

The report prepared by the 'National Initiative on Climate Resilient Agriculture' projects that rice yields in India will see a decline of four percent till 2020, seven percent till 2050 and 10 percent till 2080.

Wheat yield is projected to decline by six percent till 2020 and maize yield by 20 percent till 2020, 2050 and by 23 percent till 2080. The major cause for the decline in the yield of the country's staple cereals has been attributed to the rise in temperature.

"The eastern regions of India are predicted to be most impacted by increased temperatures and decreased radiation, resulting in relatively fewer grain and shorter grain-filling durations," a scientist with Central Rice Research Institute (CRRI) in India, noted.

On the other side, yields of potatoes, soybeans, groundnuts and chickpeas are projected to rise over the next decades. *(FE, 19.12.13 & BL, 18.10.13)*

Making Green Growth Possible

– Muthukumara Mani

Does growth have to come at the price of worsened air quality and other environmental degradation?

Environment at stake for economic growth

India's stellar economic performance during the past decade has brought immense benefits to its citizens. Employment opportunities have increased and millions have been allowed to emerge from poverty. But, rapid growth has been clouded by a degrading environment and a growing scarcity of natural resources.

Today, India ranks 125th among 132 countries on all measurable environmental indicators and dead last in terms of air pollution. In addition, more than half of the most polluted cities in G-20 countries are in India.

As the population grows and urbanises and consumption patterns change, pressure on the country's natural resources will steadily increase. In fact, in the coming years, pressure on India's environment, driven by both poverty and prosperity, is projected to become the highest in the world.

Green innovations

So, does growth have to come at the price of worsened air quality and other environmental degradation? Fortunately, the country does not have to choose between growth and the environment. The good news is that there are a number of low-cost policy options that could significantly curtail environmental damage without compromising future growth.

For example, there is now enough evidence to show that coal beneficiation, or the washing of coal, is not only an inexpensive way to reduce its ash content but also improves a coal-fired power plant's efficiency while cutting down significantly on operation and transport costs. Similarly, flue-gas desulfurisation technology is a cost-effective way to take care of particulate pollution from thermal power plants while delivering huge health benefits to the people.

Our new study, the first of its kind in India, shows that these policy options will cost the economy just 0.02 to 0.04 percent of average annual GDP growth. Compare this with the whopping cost of a deteriorating environment on the people's health and productivity or 5.7 percent of GDP.

Among these costs, outdoor air pollution exacts the highest toll mostly through an increase in cardiopulmonary diseases among the young and productive urban population. This is followed by indoor air pollution, at a cost 1.3 percent of GDP, which mostly affects the rural people.

The remaining costs stem from the depletion of the country's natural resources and from diseases caused by poor water supply, sanitation and hygiene which largely affect children under five. In fact, almost one in four child deaths in the country can be attributed to some form of environmental degradation. Clearly, given these enormous costs to all segments of India's population, grow now and clean up later is not an option for India.

Investing to keep our future safe

Since decisions taken today will lock the country into patterns of growth that will impact future generations, it is imperative to calculate green GDP by factoring in the environmental consequences of growth.

The Government of India has already set 2015 as the target to release green GDP data. And, the 12th Plan sets ambitious targets for reducing particulate emissions. The good news is that there are number of initiatives in planning or under way that look at cost-effective ways of reducing air pollution.

In order to meet the 12th Plan's ambitious targets, there is an urgent need for these efforts to be backed by a comprehensive regulatory framework, a clear implementation plan, as well as instruments and mechanisms to enforce it.

There is now enough evidence to show that environmental performance does not automatically improve with national income. Policy action and effective implementation will therefore be required to prevent and remedy obstacles to growth as well as to reduce the adverse impact upon the people from environmentally unsustainable practices.

Clearly, we cannot afford to delay. For, if we wait too long, it may be too expensive or too late to clean up. What's worse, failure to act now could also constrain India's long-term productivity and put a brake on the country's future prospects for growth.

– *Senior Environmental Economist, World Bank; Excerpts from an article appeared in the Mint on November 19, 2013*

WTO at Bali: Multilateralism vs. Regionalism in Trade

– Pradeep S Mehta

The spirit of multilateralism prevailed as the World Trade Organisation's Bali ministerial conference delivered the first ever trade liberalisation package.

It was touch and go over six intense days at Bali in early December. In the end, the WTO's Ninth Ministerial Conference delivered a trade liberalisation package – the first-ever deal that the WTO could craft since it came into being in 1995.

And this came after a 12-year-old DDA stalemate and a spaghetti bowl of regional trade agreements. Thus, the spirit of multilateralism prevailed. The seven-year Uruguay Round Agreement (URA) negotiations ended in the establishment of the WTO in 1995.

Getting the WTO itself was a big achievement in spite of opposition from the US. The WTO included a binding dispute-resolution system, and new disciplines on services, intellectual property, agriculture, textiles and so on.

Doha Development Agenda

Following the WTO agreement, the first full-scale negotiation, DDA was launched in Doha in 2001. Its remit was to address problems with the URAs that were negotiated in the 1980s when the developing world had little understanding of complex issues.

It was launched against the backdrop of the 9/11 tragedy to tell the world that the global community will not be cowed down by terror attacks. The DDA had to be labelled a development round as that was the only way to get poor countries to join the talks.

As negotiations on the DDA progressed, the poor countries realised that the rich wanted only better market access, while paying lip service to development.

That was the reason for the stalemate. On the other hand, western agriculture subsidies turned out to be the spoiler. Europe, *inter alia*, wanted new deals on investment, competition and transparency in government procurement and trade facilitation as a trade-off against reforms in their farm subsidy regime. However, many in the developing world were opposed to all the four issues and the Cancun Ministerial of 2003 collapsed without a conclusion.

Cancun Collapse

The Cancun collapse was salvaged in Geneva in July 2004 and it was agreed that DDA negotiations should continue, but retaining only trade facilitation among the four issues. Thus, WTO members have worked relentlessly on the DDA to arrive at a conclusion.

That came close in July 2008 when members agreed on 90 percent of the issues, but that too failed due to US' opposition to India and China's stand on special safeguards on farm product imports. Thus, India and China became the spoilsports. In fact, it was the US' reluctance to address its subsidy regime on cotton that was the deal breaker, as it affected many African countries.

Trade Facilitation

Among others, trade facilitation featured at the Bali Ministerial as part of the Doha Lite deal. It was a way forward to harvest the low-hanging fruits of the DDA and move forward. As expected, ambition levels between the rich and the poor are always at crossroads.

Consensus seemed elusive on the text on trade facilitation, but was finally sorted out. This was possible after the agreement on public stockholding of food grains breaching the 10 percent subsidy limit was crafted without tying it down to a four-year peace clause, but until a permanent solution is found.

The US was recalcitrant. It has little appetite for the DDA and has, therefore, been pursuing two mega regional deals. Miraculously, a deal was struck at Bali.

The US wanted the accord on trade facilitation badly. And that was the trade-off that India used for its demand on food security flexibility. However, trade facilitation is a win-win deal and has been welcomed by all. This deal is expected to generate about US$1tn gain to all countries, of which most will accrue to the developing world.

Multilateralism

In the end, multilateralism stood its ground, and that is the best way forward for all countries. The scene will now shift to Geneva, where negotiators will work out the nuts and bolts of what they have agreed at Bali, and tackle the unfinished agenda of the DDA over 2014 and beyond.

– *Secretary General, CUTS International; Excerpts from an article appeared in The Economic Times on December 23, 2013*

Bali Package Concluded

The initial draft which was subject to negotiations consisted of three items pertaining to agriculture, trade facilitation and development.

The successful deal may add US$1tn to the world economy. Cuba and other countries attempted to remove the trade embargo against Cuba, and in the process, agitated against arriving at a deal in Bali.

"A successful Bali buys the WTO time to prove that multilateral trade talks can be productive on a regular basis and in a timely manner", said Terence Stewart, a trade lawyer based in Washington.


The Economic Times

The current agreement only comprises of a small portion of the original Doha Development Agenda. The WTO was noted as having reached its first decision in 18 years. WTO Director General Robert Azevedo's negotiating skills have been rightfully lauded through the entire course of the negotiations.

(Mint & FT, 09.12.13)

Agreement on Food Stockholding

The earlier draft of the proposal on food stockholding stated "The permanent solution on food security and public stockholding must be acceptable to all members and put in place by the Eleventh Ministerial".

India made it very clear in its first public statement in the WTO Ministerial that it would not compromise on its position on food security.

On arriving at Bali, the Indian Commerce & Industry Minister Anand Sharma expressed his dissatisfaction with the manner in which sufficient work had not been done on developing a peace clause.

Currently, the WTO peace clause explicitly states that it will be in place until a permanent solution is found. Sharma also made it clear that the relations between India and the US would not suffer as a result of the disparate negotiating positions taken in Bali.

"This is a landmark. Today, we have taken a major step to correct historical distortions", he said.

(BS, 09.12.13 & FT 07.12.13)

Future Coalitions

The WTO is currently one of the only forums which represent an opportunity for developing countries to express themselves. "We have put the 'world' back in the WTO", said Robert Azevedo.

During the negotiations, the Indian Commerce & Industry Minister Anand Sharma discussed with representatives of Latin America, Africa and various other least developed countries (LDCs) and formed a coalition on the issue of food security.

More importantly, Sharma highlighted the role of large democracies, such as China and Brazil in maintaining their negotiating positions in such forums where the decisions which are concluded could have ramifications for the populace in developing nations.

However, the challenge currently facing the WTO is the proliferation of mega-regional pacts which could create deep divisions in the global trading landscape. *(FT, 09.12.13 & BL, 06.12.13)*

Package for LDCs

India stated that it will allow duty-free and quota-free import of over 96 percent of the goods from LDCs, a move that is aimed at embarrassing the US that has for years resisted allowing greater access for foods from poor countries to protect its domestic industry.

The US, the world's largest trading nation, allows 78 percent of goods to come duty-free and quota-free (DFQF), compared to 85 percent of goods covered by India.

The move before the Ministerial is seen as new-found aggression from India, aimed at cementing its ties with LDCs ahead of the ministerial meeting.

Traditionally, the US and the European Union have offered sops before a WTO meet to wean away support from the poor countries, while developing countries such as India have merely offered support and technical assistance in training negotiators.

(ToI, 30.11.13)

Trade Facilitation

It has been estimated that an agreement on trade facilitation could provide an impetus for trade by as much as US$22tn. The final negotiations were extended into midnight at Bali.

As per the International Chamber of Commerce, the trade facilitation agreement may result in lowering the cost of trade by as much as 10-15 percent and will still add US$1tn to the complete global output.

The objective of the trade facilitation agreement is to align customs standards and to ease the flow of goods through borders around the world. *(FT 07.12.13 & FE, 06.12.13)*

Decision on Export Competition

The rich countries were allowed to place their subsidies in the Green Box, and term them minimally trade-distorting. Ministers agreed that they would take steps to conclude steps on the operation of export subsidies to farmers.

The accord will also result in reducing the paperwork which has been undertaken in some borders. This was requested by FedExCorp and United Parcel Service.

(FT, 07.12.13 & FE, 05.10.13)

Liberalisation of Services in the WTO

"The agreement will result in regulatory cooperation that will deepen regulatory complementarities. When China realised it would benefit from the agreement, is India so different? India should not be left out in the cold," Aaditya Mattoo, World Bank, said.

While Rajiv Kher, Special Secretary, has noted that India is not opposed to joining the negotiations, they would not enter the negotiations without considering the advantages and disadvantages.

However, what is noteworthy is that joining the US led Trade in Services Agreement, might lock India into obligations to keep up with a pace of undertaking reforms.

However, as noted by Aaditya Mattoo, if India does not participate in these negotiations, the cost of exclusion will be high. *(BL, 23.12.13)*

China Prefers Plurilateral Agreements

"We are also open-minded towards other multilateral- and plurilateral negotiations", said Gao Hucheng, China's Commerce Minister. It has been observed that China may be dissatisfied with the pace of progress in WTO negotiations.

This is quite similar to the US and the European Union who are currently negotiating some of the strongest mega-regional agreements outside of the realm of the WTO.

China is currently considering joining the Trans-Pacific Partnership (which consists of 12 member countries). This is noteworthy because this agreement had earlier been considered to be the "US economic pivot to Asia and even an attempt to contain China economically". *(FT, 06.12.13)*

Growing Importance of Cyber Security

Pascal Lamy, Former Director General, WTO, and current Chair of the Oxford Martin Commission for Future Generation notes the growing importance of cyber security in today's world and advocates the creation of CyberEx, which is an early warning system to inform governments, corporates and individuals.

Abobe had been victimised by a cyber-attack owing to which it had lost information of 2.9 million customers. This desolate situation is worsened by the fact that four out of five companies are unprepared for cyber-attacks. This current state of vulnerability is made stark by the absence of regulation by government agencies.

This relies on an inadequate evidence base owing to inconsistent data, reporting and disharmonised rules across networks and systems. *(FT, 16.12.13)*

Increase in EU Customs Duty

The European Commission (EC) has terminated the preferential tariff system for India. The Generalised System of Preferences (GSP) is a scheme which operates despite it being an anomaly in the WTO owing to the salutary nature of its impact on trade by developing country members.

As a result of this termination, Indian goods will be rendered much more expensive, and exporters will have to pay anywhere between 6-12 percent. The items which are being removed from the GSP scheme are textiles, chemicals, minerals, leather goods and motor vehicles from India.

India will request the EC to reconsider this decision. The other products which may be impacted include bicycles, aircraft, spacecraft, ships and boats. The major sector which may be critically impacted is the textile industry. *(FE, 24.11.13)*

China to Join the GPA

Michael Froman, the US Trade Representative, noted that China has 'agreed to submit a revised offer in 2014 that would be commensurate on the whole with those of other WTO Agreement on Government Procurement (GPA) members'.

Interestingly, Chinese Vice-Financial Minister noted that China's bid for the GPA would be based on mutual respect and equality. Currently, of the 157 members of the WTO, 42 members have acceded to the WTO GPA.

The structure of public procurement in China is such that most of the procurement is undertaken at the sub-provincial level, and especially by the state-controlled enterprises.

If China did join the WTO GPA, the potential gains to accession would be as much as US$100bn world of government contracts which will be open to both domestic and foreign suppliers each year. *(FE, 20.12.13)*

Pakistan to Accord MFN Status to India

Pakistan may soon accord Most-Favoured Nation (MFN) status to India and allow the imports of specific products like pharmaceuticals and agriculture. Earlier India could export only 1,946 items including vegetables, meat products, animals, fruits, tea, spices, palm oil, crude oil, sugar, cotton and organic chemicals.

The Economic Times

The negative list which came into effect in March 2012, contains 1,209 items which India cannot export to Pakistan. Acknowledging the delay in providing MFN status, Zubir Ahmed Malik, President, Federation of Pakistan Chambers of Commerce and Industry, "MFN status must be given to India. We have exceeded the WTO stipulation. We must do it soon; there is no need to delay".

India will provide a reciprocal market access rate of 0-5 percent duty rate. *(BS, 15.11.13 & FE, 16.11.13)*

India-EU Trade Pact Stalled

The Broad-based Trade and Investment Agreement (BTIA), a bilateral dialogue taking place between India and the EU on a free trade agreement (FTA), is facing repeated delays despite being in negotiations for the last six years.

Blaming India for the delay, EU wants a better offering for insurance, government purchase and market access for automobiles and wines and spirits.

The EU is adamant on hiking FDI cap from 26 to 49 percent. It also seeks further duty rate cuts for automobiles, wines and spirits, dairy products and more stringent intellectual property rights reinforcement. Meanwhile India has been pressing its case for data secure nation status by the EU.

This is a significant label for Indian IT companies wanting to work in the EU market. India is also demanding liberalised visa norms for professionals and market access in services and pharmaceuticals sector.

(BL, 04.12.13 & ET, 05.12.13)

APEC Calls for Less Protectionism

Asia-Pacific Economic Cooperation (APEC) leaders are calling for less protectionism to combat the global recession which is affecting the growth prospects of the region.

All the Trans Pacific Partnership (TPP) countries are members of APEC. An economic slowdown in China and India is having repercussions on business across the region.

APEC leaders have urged members to safeguard themselves against protectionism which could be detrimental to the development of the region at this crucial juncture. There is also a need to boost the infrastructure of the region to make it more attractive for setting up of new business and investments.

The agency leaders called for reforms to aid free trade pacts in the region that accounts for 50 percent of the world gross domestic product and 45 percent of global commerce.

(FE, 06.10.13)

EU Slams Brazil on Protectionism

The EU has filed a trade case against Brazil, over what it claims are protectionist taxes levied on cars and other imports. The EU being the largest trading partner of Brazil has blamed the latter for becoming progressively more protectionist in recent years.

The move to request formal consultations in the WTO comes at a time when EU is attempting to rekindle its 14 year old trade negotiations with Mercosur, the regional economic bloc that Brazil anchors.

The EU officials believe the tax measures introduced by Brazil in recent years were incompatible with its WTO obligations and provided advantages to domestic industries, sheltering them from competition. *(FT, 20.12.13)*

MoU between India and Australian

Through the MoU between Australia-India Business Council and Overseas Indian Facilitation Centre the two organisations are going to work towards acquainting the Indian diaspora with trade and investment opportunities in India.

The two sides seek to bring benefits for the Indian diaspora and also improve trade relations between the two countries.

Both organisations will come together to aid the development of closer ties between their members by facilitating visits of delegations from both sides for conferences, programs and meetings.

And will also facilitate interaction between representatives of business and governments on both sides. The two organisations will also hold regular dialogue on issues of mutual benefit and interest. *(BL, 12.11.13)*

EU Stand-off on Data Privacy

The EU governing body has rejected a German proposal for data protection rules in an under discussion EU-US trade pact, saying it would be detrimental to European privacy rights.

Since there are no common transatlantic data protection standards, the EU fears that finding a middle ground with the US would only weaken overall EU privacy standards.

US technology lobbyists have been seeking to introduce data protection in the TTIP negotiations to have better chances to bypass the more stringent standards currently put in place by the EU and its law makers.

Since the Europeans and Americans have different approaches to data protection, privacy campaigners are against the inclusion of this issue in the wider trade talks as it would lead to the compromise of mutual recognition or interoperability.

This would give US groups power to operate under American privacy rules while doing business in Europe.

(FT, 05.11.13 & 04.11.13)

EU and Canada Rekindle Talks on Trade

The EU and Canada are back on the negotiating table for an overdue trade and investment pact after differences over dairy and beef exports were resolved.

This expected sizeable deal would bring together two economies that traded more than €84bn of goods and services in 2011.

This pact is also likely to have an impact on the Transatlantic Trade and Investment Partnership (TPIP), an EU-US trade agreement.

A final agreement requires approval from Canada's provinces as well as the EU's 28 member states along with the European Parliament. *(FT, 19.11.13 & 18.11.13)*

Russia-North Korea Open Rail Link

Russia, in September 2013, completed the first land link that North Korea's Stalinist regime has allowed to the outside world since 2003. Running between Khasan in Russia's southeastern corner and North Korea's rebuilt port of Rajin, the 54-kilometer rail link is part of a project Russian President Vladimir Putin is pushing that would reunite the railway systems of the two Koreas and tie them to the Trans-Siberian Railway.

OAO Mechel (MTLR), Russia's biggest supplier of steel-making coal, will be among the customers in the first stage of the North Korea project, sending shipments eastward to Asian consumers, according to Moscow-based Russian Railways.

The Rajin facility also can be refitted to move Asian goods westward to Europe. Shipments to and from western Europe and Rajin will be delivered in just 14 days, compared with 45 days by ship. *(FE, 16.10.13)*

Hunger Still a Chronic Problem

One in eight people around the world is chronically undernourished, the UN' food agencies said in October 2013, warning world leaders that some regions would fail in halving the number of hungry by 2015.

In their latest report on food insecurity, the UN agencies estimated that 842 million people were suffering chronic hunger in 2011-13, or 12 percent of the world's population, down 17 percent from 1990-92.

FAO, World Food Programme and International Fund for Agricultural Development define undernourishment, or hunger, in the State of Food Insecurity in the World 2013 report as 'not having enough food for an active and healthy life' and an inability to 'meet dietary energy requirements'. *(Reuters, 01.10.13)*

Germany Hires Indian Workers

Germany is looking to attract skilled talent from India. In the near future, the country would face a dearth of skilled human resources, especially in manufacturing and engineering sectors, its core strength.

Due to demographic issues, half the German population would be aged more than 60. That is why, Germany need at least 40,000 skilled employees for various sectors, especially engineering.

Initially, German companies are eying local talent for their Indian subsidiaries. They plan to relocate the hired lot to Germany for a few years, in due course of time.

The companies also have a similar policy for markets such as Poland and Brazil. A few German universities are attracting Indian students for research-based or doctoral studies.

However, Germany does want to turn itself into an education market like the UK or Australia. This is because it seeks to enroll only quality students.

(BS, 16.10.13)

India Brings Largest Remittances

India is expected to top the list of countries receiving remittances in 2013. According to World Bank estimates, the country is expected to receive US$71bn by way of remittances in 2013 against US$70bn in 2012.

In India, remittances are larger than the earnings from IT exports, according to the latest issue of the World Bank's Migration and Development Brief. With the weakening of the Indian rupee, a surge in remittances is expected as non-resident Indians take advantage of the cheaper goods, services and assets back home.

While remittance costs seem to have stabilised, banks in many countries have begun imposing additional 'lifting' fees on incoming transfers, including remittances. Such fees can be as high as 5 percent of the transaction value, the World Bank said. *(BL, 03.10.13)*

Short Speeches Preferable

Britain's UN Ambassador Mark Lyall Grant suggested a new tactic in October 2013 to stop diplomats at the UN from speaking for too long - turn off their microphone.

During a visit with the UN Security Council to the African Union Peace and Security Council in Ethiopia's capital Addis Ababa, Lyall Grant was impressed by its procedures.

Former Libyan leader Muammar Gaddafi addressed the UN General Assembly in 2009 for 1 hour and 35 minutes, while in 1960; Cuba's Fidel Castro took to the UN podium to blast US imperialism for about four hours.

The Security Council 'encourages' UN members to deliver statements at meetings in five minutes or less. During Britain's Presidency of the Council in June, Lyall Grant cut off several speakers, some of whom officially complained. *(Reuters, 30.10.13)*

Cracking on Illegal Immigrants

Saudi authorities rounded up thousands of illegal foreign workers at the start of a nationwide crackdown ultimately aimed at creating more jobs for locals.

Hundreds of thousands of workers have already left the kingdom following a grace period of seven months during which authorities told expatriates that if they did not fix their legal status they had to leave the country or face jail.

The government hopes that reducing the number of illegal workers will create opportunities for Saudi job-seekers. The official Saudi unemployment rate is 12 percent but excludes a large number of citizens who say they are not seeking a job.

However, the majority of the kingdom's nine million foreigners are unskilled labourers or domestic workers, jobs usually shunned by Saudis. *(Mint, 06.11.13)*

Generic Medicine Regulators Strict

Even as Indian drugmakers are looking for ways to wriggle out of the tightening regulatory noose of the US Food and Drug Administration (FDA), pharmaceutical companies have started facing a stringent environment in many other international markets.

With the rising reach of low-cost generic medicines, regulators across the globe have opted for stricter norms to focus on quality. For instance, regulators in emerging markets such as Brazil, Mexico, Russia and South Africa have changed various norms and guidelines for allowing the sale of generic medicines in their respective markets.

Not just in foreign markets, domestic makers are facing tighter scrutiny at home, too. Recently, the Drugs Controller General of India, had constituted several new drug advisory committees to oversee clinical trials, new drug approval processes, etc.

(BS, 19.10.13)

Pharma Cos. Sack Employees

Ranbaxy Laboratories Ltd and Wockhardt Ltd have fired a combined 65 employees, roughly five percent of their shopfloor workforce, and are likely to let go of more after being punished by the US drug regulator for non-compliance with prescribed manufacturing standards.

While Ranbaxy sacked 45 employees, Wockhardt axed 20. Those asked to leave include production heads, quality and sanitary control officers and operators who were found to be responsible for most of the shortcomings observed by the US FDA.

As the companies take corrective action and try to become compliant with FDA standards, more jobs are in the firing line at both Ranbaxy and Wockhardt.

Many technical and non-technical employees would also be put on specialised training suggested by consultants who advised them on the compliance process. *(Mint, 21.10.13)*

Decline in Sea Piracy

Piracy on the world's seas is at its lowest third-quarter level since 2006, but warns of the threat of continuing violent attacks off the East and West coasts of Africa.

The latest IMB Piracy Report shows 188 piracy incidents in the first nine months of 2013, down from 233 for the same period in 2012.

Attacks in seas around Somalia continued to fall dramatically, with just 10 incidents attributed to Somali pirates in 2013.

IMB attributes this improvement to the actions of naval forces engaged in anti-piracy operations, security teams on board vessels, ships complying with the industry's best management practices, and the stabilising influence of the Central Government of Somalia.

(Mint, 22.10.13)

Mining Industry at Risk

Indonesia's mining industry will collapse if the government moves ahead with a planned ban on the export of raw minerals.

The Southeast Asian nation, which is facing strong economic headwinds, is the biggest exporter of coal for power stations, nickel ore and tin, and a leading shipper of bauxite and copper.

But on January 01, 2014 it is set to implement a law prohibiting the export of unprocessed metals as part of a drive to refine the ores and potentially generate higher margins.

The report funded by the US Agency for International Development has argued that the push towards refining coupled with the ban would create few jobs and could lead to US$6.3bn of lost economic benefits annually by prioritising spending on refineries with 'poor commercial prospects' over other 'pressing needs' for capital investment.

(FT, 23.10.13)

US to Control Patent Regime

Just two years after the passage of the America Invents Act, the largest overhaul of the US patent system in half a century, lawmakers are set to roll out proposals to crack down on abusive practices by patent 'trolls' – entities that hold patents primarily for collecting revenue through licensing agreements and litigation.

The overhaul will seek to impose greater transparency requirements on entities bringing patent-infringement lawsuits, expand a post-grant review programme to challenge bad patents and reform discovery procedures and fee-awarding guidelines in defendants' favour.

The legislation is expected to receive bipartisan support on introduction into the House by Republican Bob Goodlatte and to gain momentum once headway is made on resolving the US government shutdown. *(FT, 21.10.13)*

Youth Unemployment High in Asia

Global slowdown has taken a heavy toll on jobs in most Asian nations with youth unemployment rising over 10 percent during 2013, International Labour Organisation said in a report.

While employment growth has remained below three percent in most parts in Asia Pacific region, unemployment rate was about five percent. In India, the employment grew by an annual average 1.5 percent to 472.9 million in 2011-12 from 459 million in 2009-10, according to the latest NSSO survey. Latest Labour Ministry data show unemployment rate was at 4.7 percent in 2012-13. The unemployment level may have worsened as the GDP growth slipped to 4.6 percent in April-September 2013-14 from 9.3 percent in 2010-11.

The situation is much gloomier in other nations such as Indonesia, Philippines and Pakistan, where unemployment rate is running at over six percent. *(FE, 20.12.13)*

The New "Two Indias"

– Madhukar Sabnavis

Forget urban vs rural: marketers need to start thinking about North and South

Two Indias

In the last two decades, there has been much written and said about "two Indias" - called India 1 and India 2 in the new millennium, and EMT and HMT India (English- and Hindi-medium) in the 1990s. One India was largely in the metros and large towns - the entry point for most multinational brands, and where the early adopters of new products were located.

The second India was where the early majority of the market exists, and the markets where scale could be achieved. India 2 was always seen to be looking up to India 1 and adopting things a 'bit' later. However, mixes needed to be somewhat adapted for the local conditions and communication needed to go beyond the brand to layers of emotion.

Scholar's view on Development

However, Amartya Sen and Jean Dreze's book *India: An Uncertain Glory* reveals the emergence of an interesting phenomenon. At one level, the greatest optimist about India's development can get depressed reading the book, as it reveals the economic and social inequality the growth model has bred. It clearly questions the 'Gujarat' model of development. A new "two India's" is emerging.

Nandan Nilekani did hint at this in his book *Imagining India* when he pointed out a double hump – a camel in India's demographics. He said: "By 2025, North India's population will be very young with a median age of just 26; but the median age in South India would be 34 – similar to Europe's in the late 1980s."

The statistics in *An Uncertain Glory* make for interesting observations. Just as an indication, let's compare numbers for the four "Bimaru" states (Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh) representing North India and the four South Indian states of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. The Bimaru states account for about 450 million people, and the four South Indian states, about 250 million.

The difference on social indicators is just as stark. The fertility rate in 2011 - births per woman - on an all India basis is 2.4. For the northern states, it's between three and 3.6; for the southern states it's 1.7 to 1.9 - perhaps explaining Nandan Nilekani's age divide observation for 2025. The percentage of women in the 20-24 age bracket married by 18 in India overall was 47.4 per cent in 2005-06. The comparative rates for the four north Indian states range from 57 to 69, and for the south Indian states 15.4 to 54.8.

North and South

The numbers may not be definitive but indicate that the North and South are evolving as two different economies, and could be treated as different countries. It's already well known that modern trade is more evolved in the South than the North. And basic infrastructure is also superior in South India vs North.

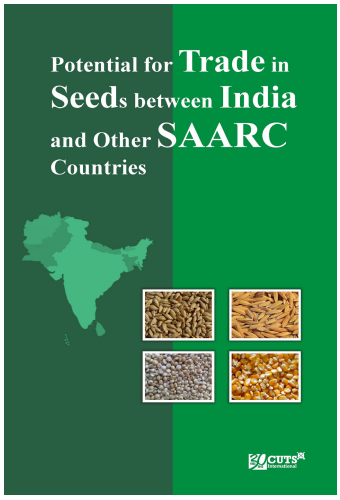
However, it may be interesting to consider different tasks in these markets and develop both marketing mixes and communication palettes accordingly. This recognises that the two markets could be at different stages of evolution for the same category. There could be a penetration task in the North and a consumption task in the South; it could be a transactional task in the North and brand affinity-building in the South.

Even the tonality of communication and the role of larger purposes assigned to brands could be different. As the South is older, brands should be less irreverent, yet able to stand for larger purposes including social causes given the market is more evolved, especially educationally. The greater presence of modern trade in the South means different shopper behaviour, at least for a core segment, and hence different media opportunities to drive brand-building.

Conclusion

This thinking is still nascent and could take firmer shape in the times to come. The evolution of India's demographic, economic and social indicators shows that there is another way to unbundle India in the future to extract greater value for brands and businesses. Something worth thinking about.

– *Vice-chairman of Ogilvy and Mather India; Excerpts from an article appeared in the Business Standard on December 05, 2013*



Potential for Trade in Seeds between India and Other SAARC Countries

This paper explores potential for trade in seeds. It identifies nine important seeds that are directly or indirectly related to food security and livelihood in the region. These include vegetables, fruits, oil, maize, wheat, rice, barley, grain sorghum and buckwheat.

www.cuts-citee.org/RISTE/pdf/Potential_for_Trade_in_Seeds_between_India_and_Other_SAARC_Countries.pdf

Should India Join the WTO GPA?

The Briefing Paper suggests that India may consider two premises before acceding to the WTO Government Procurement Agreement (GPA): firstly, the indicative market access figures that member-countries of the WTO GPA posit to provide are, in practice, whittled down through Carve-outs for specific goods, sectors, non-tariff barriers and through exceptions; and secondly, the WTO GPA while regulating transparency in procurement does not adequately address socio-economic facets of the responsibility of procuring entities, neither does the text of the agreement contains provisions/waivers for developing countries.

www.cuts-citee.org/GP/pdf/Briefing_Paper13-Should_India_Join_the_WTO_GPA.pdf

Consumers' Attitudes towards Eco-labels

This Briefing Paper is based on the information drawn from consumers' perception perceptions of and attitudes towards environmental standards and eco-labels in the textiles and clothing (T&C) industry. The survey was undertaken in five European countries: Germany, England, France, Sweden and Norway. It deals with consumer practices and attitude towards environmental standards and eco-labels in T&C sector.

www.cuts-citee.org/SESTI/pdf/Briefing_Paper13-Consumers_Attitudes_towards_Eco-labels.pdf

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Please e-mail your comments and suggestions to **citee@cuts.org**

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