

Human Rights and International Trade: Right Cause with Wrong Intentions!

Controversies continue to dog the debate on the issues of linking labour standards with international trade. Some countries are pushing for the inclusion of social clause into the rules-based multilateral trading under the aegis of the World Trade Organisation (WTO). Some others, mainly developing countries, are opposing the move very strongly. Their fear is that labour standards could be used as disguised protectionism, thus denying market access for their products.

Moreover, demands have been emanating from a section of the civil society to link international trade with the larger rubric of human rights, which include workers' rights. While adherence to fundamental human rights, including workers' rights, is of a matter of concern, the international civil society is divided over the issue of linking them with international trade. According to many Southern civil society organisations, human rights are essentially non-trade issues and should be dealt with at the national levels and if there is a requirement for being addressed at the international level, then it should be done at the appropriate UN bodies and not at the WTO.

Human Rights and Development

Realisation of fundamental human rights is essential for the development of a society. Fundamental human rights include civic, cultural, economic, political and social rights, i.e. comprehensive rights to live with dignity.

The right to live with dignity emphasises issues of self-determination, popular participation in the process of development, access to natural resources for the fulfilment of the right to basic needs, etc.

And, given the current social, economic and political challenges facing the world, the fulfilment of the right to live with dignity is the greatest challenge faced by the international community.

At the same time, it is to be understood



The Economic Times

that there is much diversity in the perception on human rights. Different parts of the world, having different cultures, traditions and lifestyles, have different views on fundamental human rights.

Trade and Human Rights

The moot point is whether linking human rights with trade will be beneficial for the humanity, as a whole, or not. Trade rules cannot guarantee the protection of human rights in the broader sense because they cover all the aspects of the functioning of a society.

Secondly, the threat of trade sanctions may have the potentiality to defeat the very cause of protecting fundamental human rights. Sanctions can backfire and are in no way a mechanism to achieve social objectives. Contrarily, they can go against the very objectives of protecting fundamental human rights.

It is true that even in an affluent society, human rights situations are different for different sections of people. It is also true there is a clear positive linkage between economic development and human rights situation in a society. In other words, the lesser the deprivation and poverty, the better the living conditions.

Furthermore, there is no conclusive proof that human rights situation can be improved through the use of trade sanctions. The concept of fundamental human rights cannot be seen through smoked glasses either. It's neither oriental nor occidental, but has to be pluralistic by taking into account cultural diversity, democratic development, economic conditions, etc.

Thus, the bottom line is that the international community needs to have the political will to pull the poor out of their poverty. The commitment by the Organisation for Economic Co-operation and Development (OECD) and its members to halve world poverty by the year 2015, through various means, including development aid, needs to be monitored and the civil society needs to oversee its implementation and see that commitments are adhered to.

Human rights are linked to sustainable development of the society and sanctions can act against its very principle. "Sustainable development seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future. Far from requiring the cessation of economic growth, it recognises that the problems of poverty and under-development cannot be solved unless we have a new era of growth in which developing countries play a larger role and reap larger benefits": Our Common Future, the Brundtland's Commission's report.

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Following CUTS Activities

I have been following the activities of CUTS ever since I met your Secretary General, Mr. Pradeep S. Mehta, at the WTO Seminar of the Catalyst Trust at Chennai last year. I felt privileged to receive your kind invitation to join your happy team at the ceremonies marking your move to new premises.

My intention to suitably respond was triggered to action by your article in Economic Times (March 20, 2000) "Do rich countries take UNCTAD seriously". It effectively highlights the tragedy of impotence that afflicts UNCTAD. This is true, as you have pointed out elsewhere, of just about every other UN agency as well. I support your view that the WTO should not usurp functions which fall within the ambit of established international agencies, mainly the UN.

Nevertheless, the track record of such organisations is not satisfying. The expansion of WTO interest from trade – defined narrowly – to linkages like the environment, labour standards and the like is wrong of course, but it does seem to me that it is a case of 'Nature abhorring a vacuum'. The UN has come to this state because it has allowed itself to become a talk shop, allowing the agenda for discussion to be determined by diplomats, politicians and bureaucrats; all these players always accord the highest priority to their captive domestic audiences. It is hardly surprising, therefore, that the WTO has gained strength, given its mechanisms for enforcement of internationally agreed rules. It is another matter that its methods of arriving at decisions are Byzantine, at best.

To bring order to this anarchy, I feel that the core issues which need to be determined are:

- The international agencies best equipped to act as think tanks and to generate framework documents on issues of global interest, for each case.
- The agencies which can craft international agreements and treaties on such issues.
- The organisations that can advise individual states on the advantages of adherence (non-adherence), and provide the related administrative and technical assistance.
- The forum for formulating regulations arising from the agreements, and their enforcement.

I doubt if such issues can be calmly debated unless there is some agreement on the degree to which nations would be prepared to surrender their sovereign rights. They would need to delegate them to the agencies selected and designated to conceptualise, nurture, and administer global topics. Most important, it would be necessary to empower and respect the decisions of such agencies. It is, perhaps, worth remembering that the UN itself was originally conceived as such a supra-national body (admittedly, with membership limited to the victors of the Second World War), but its subsequent staff expansion by quota, its universality of membership, and the impact of third world rhetoric combined with the cold war has eroded both idealism and pragmatism.

The Civil Society, whose frustrations are regularly on public display at international gatherings – Rio, Beijing, Cario, Seattle, Bangkok: the list keeps growing – should, perhaps, be encouraged to arrive at appropriate answers, and then set about advocating them to their own Governments in the first place. The growing reputation of NGOs for juvenile, disorderly and disruptive behaviour will progressively deny them public space, once the novelty of attention grabbing packaging wears off. There is clearly an urgent need to transform frustrations into productive ideas.

Given its growing credibility for unbiased work, I do hope that CUTS will spearhead this crusade in the years ahead. Perhaps the move to your new building would be an appropriate marker to start this new thrust.

*Mohan Raman
Rear Admiral (Ret'd)
Chennai, India*

Good Gesture

Thank you very much for sending me a copy of the most recent study published by your Organisation, particularly the analysis of the interaction between trade and competition policy. Four monographs on competition issues also make interesting reading.



*R. V. Kanoria
Kanoria Chemicals & Industries Ltd.
New Delhi, India*

Useful Publications

We, the students of S. P. Jain Institute of Management and Research (SP JIMR), would like to inquire about the "Unpacking the GATT" published by Consumer Unity & Trust Society (CUTS). Many of us are interested in the book. We would also be interested in various briefing papers published by CUTS on various issues vis-à-vis the GATT/WTO. We would be glad if you could offer us some bulk discounts. Please send us the details of same.

We also look forward to your publication list.

*Ashok Karania
SP JIMR, Mumbai, India*

Full Text Please

I am much interested in the thesis titled "Trade, Labour, Global Competition and the Social Clause" (Briefing Paper, June 1998, No. 5). The note at the bottom informs that the briefing paper is based upon the report by Phillip Evans.

I would like to read this full text by Phillip Evans. Could I get it? If possible, please let me know how I can get it.

*Nobuji Kasuya
Tokyo, Japan*

Excellent Paper

We very much appreciate the excellent paper written by Ujjwal Kumar on Bio-safety Protocol: Sweet N Sour (Nr. 6/2000). It was exceptionally well written and the analysis was lucid and relevant, especially in regard to potential WTO conflict.

Do you have a similar type paper on WTO Services and WTO Traditional Knowledge? Also, have you looked into the emerging sub-sector of Service, meaning GATS-Educational Services? If so, please send us a copy. Many thanks in advance.

We also appreciate the informative and easy to read newsletter "Economicity". Thanks for sending us future issues as well.

*Raymond Saner
Director, Centre for Socio-
Economic Development (CSEND)
Mont Blanc, Geneva, Switzerland*

New Mantra on New Round

The European Union (EU) and the United States of America (US) pledged to work jointly towards launching a new round of multilateral negotiations.

In a statement at the recently held EU-US Summit in Washington DC, USA, summarising highlights of EU-US co-operation under the new Transatlantic Agenda, they emphasised that they enjoyed the biggest trade and investment relationship in the world. Disputes concerned a small proportion of the relationship, and their resolution was a high priority.

Elaborating its position, the EU Trade Commissioner, Pascal Lamy, said he thought the time had come for the European Union to consider reformulating its position if a new round of multilateral trade negotiations is to be launched.

"I believe the time has come to think about a new formulation for our position" he said.

Failure in Seattle

Lamy argued that the failure in Seattle was due to three main factors:

- less developed countries' perception that their interests were not properly taken into account;
- lack of responsiveness to concerns expressed via civil society in industrialised countries; and
- shortcomings in the WTO itself.

However, his statement 'missed' one important reason behind the failure to launch the so-called 'new' round of world trade talks at the WTO during the Seattle meeting that is the contradictory position of the EU and the US on the questions of further liberalisation in trade in agriculture. While the US was for more 'free' trade, the EU wanted to maintain its relatively 'rigid' position.

'New' Trade-offs

Since the failure in Seattle the EU position on agricultural negotiations has changed a little bit: "It (the new EU positions as stated in its submission to the review committee on the WTO Agreement on Agriculture) will also facilitate broader WTO negotiations which are of interest to all WTO members". It's new position on trade in agriculture

is relatively less stringent on the issue of market access (into the EU market) for the developing countries' agricultural products.

The trade-off could be that the EU would push for the inclusion of new issues, like investment, competition, government procurement, as well as for the inclusion of trade and the environment into the WTO in a more direct manner, while relenting on its position on trade in agriculture a little further (if necessary).

And, this is what exactly reflected in its latest discussion paper on pushing for a new round of trade negotiations.

However, the paper did not say much on two (out of three) issues that Lamy cited as the reasons for the failure of Seattle meeting.

First, while it did talk about taking developing (particularly least developed) countries' interests ("Everything But Arms" market access policy) but little was said about the mechanism to overcome supply-side constraints these countries are facing and no mention was made on issues relating to tariff escalation and tariff peaks, which are seriously affecting market access potentialities of the developing countries.

Secondly, it did not spell out the role of the civil society organisations vis-à-vis world trade talks.



Some Thoughts

Without going into the merits and demerits of launching a new round now (that's another issue), it can be said that developing countries should carefully spell out its positions and put forward a proactive agenda for improving the rules-based system as a whole. That might give flexibility in stating its positions at times of need.

It is useful to iterate that in the long run, the developing world, as a whole, is going to gain from a rules-based multilateral trading system. This is despite certain setbacks, which may occur, in the short term, and they have to be tackled politically, both domestic as well as international.

What they could do at this point of time is to clear their position on strengthening the WTO, in terms of its analytical capacity to handle large number of disputes that are coming up.

Developing countries should play more pro-active roles in the rules-based trading system. And, once that happens, they are going to get involved with more and more disputes. Thus, there is the need to have more analytical capacity for the WTO Secretariat itself to understand the human effects of trade and development.

World Currency Proposed

A Nobel-Prize winning economist, Prof. Robert Mundell, has sketched out a rough blueprint for an effective, single world currency encompassing the US dollar, Europe's single currency Euro and Japan's Yen, saying there was no major obstacle to its management. Given the politics, national pride, euro's clumsy first steps, Japan's sluggish economy and America's paternal protectiveness of its monetary policy, the idea may seem bizarre to many. However, to Mundell, the plan is as simple as one, two, and three.



The renowned academic proposed that the three regions (the euro area, the dollar area and the yen area) fix their exchange rates at convenient levels. For the sake of simplicity, he suggested parity between the dollar and euro and a rate of 100 yen to the dollar. Maintaining the three currencies, while fixing exchange rates, would overcome the initial concerns about sovereignty and allay nationalistic opposition by letting citizens keep the currency they are accustomed to, he said.

However, Mundell conceded that the US, as today's *de facto* economic superpower, is unlikely ever to go along with such a plan unless it is forced to do so. (ET, 11.11.00)

Rising Tax Revenue

Tax revenues have risen to an all-time high in the developed world, according to the new figures released by the Organisation for Economic Co-operation and Development (OECD).

The proportion of OECD's GDP taken in taxes rose from 34.9 percent in 1997 to 37 percent in 1998. Tax rates have generally not been raised but strong economic growth in most developed countries has given governments increased revenues.

Since tax base erosion due to harmful tax practices could be a particularly serious peril to the economies of developing countries, OECD is implementing a project by instituting a framework for global tax co-operation.

The project is about ensuring that the burden of taxation is fairly shared and that tax should not be the dominant factor in making capital allocations.

It also ensures OECD's co-operative framework contributes to emerging international norms of transparency, fairness and disclosure. For India, the co-operative framework would be an opportunity to associate itself with financial centres. (BL, 03.10.00 & FT, 29.10.00)

Support to Globalisation Urged

Finance Ministers from the world's 20 most powerful countries (G20) were set to throw their political weight behind a renewed drive for economic globalisation at their summit in Montreal.

The group includes pivotal emerging-market nations such as Brazil and South Korea. Paul Martin,

the Canadian Finance Minister, chairing the group, has asked it to declare its support for making globalisation work easier for all the countries.

Ministers are surprised by the strength of opposition to economic liberalisation. The street protests at the WTO and IMF meetings and discontent from the governments of some poor countries have convinced them that the creation of a liberalised economic order is under threat.

By putting the broad issue of globalisation on the agenda, the Canadians hope to build up the G20 as a political counterpart to the other, more technocratic groupings. (FT, 23.10.00)

Revamp for GDP Calculations

The Japanese Government has planned to announce the first significant revamp for several years to its system for calculating Gross Domestic Product (GDP) data. The move comes after widespread criticism from economists, and even some politicians, that the prevailing GDP figures are inaccurate.

These perceived inaccuracies have triggered particular frustration, since the economy has been at a delicate turning point, making it essential to have good data for policy making and investment decisions.

The Economic Planning Agency (EPA), the main statistical body, indicated that the changes were likely to lead to upward revisions in fiscal 1997 and 1998. Taichi Sakaiya, head of the EPA, said this would mean that Japan grew by 0.2 percent in fiscal 1997, instead of contracting by 0.1

percent and contracted by 0.7 percent in fiscal 1998, compared with previous estimate of a 1.9 percent decline. (FT, 25.10.00)

Global Insolvency Accord

The World Bank has backed global action aimed at increasing co-operation between creditors of companies that run into trouble. An initiative launched by Insol, the international body representing insolvency professionals, is aimed at giving potentially viable companies a better chance of survival. It involves more than 150 institutions.

Neil Cooper, president of Insol, said international co-ordination was essential in a world in which a growing number of insolvencies had a cross-border element. Insolvencies involve an increasing number of interest groups, including institutional shareholders, joint venture partners and intermediate investors.

In cases such as the demise of Polly Peck International, the UK based conglomerate, returns to creditors have been held up by differences between legal systems and insolvency laws.

While Insol's initiative has no statutory force, Cooper said it had the support of influential bodies such as the World Bank and the International Monetary Fund. (FT, 26.10.00)

Wobbling Stability

Just as corporate Brazil was beginning to reap the benefits of the country's regained economic stability, high oil prices and turmoil in international financial markets, particularly in neighbouring Argentina, are once again threatening to sour its access to capital.

At least half a dozen companies have put their plans to raise more than \$2bn on 'stand-by', analysts say. "I don't see anybody that's planning to go to the market," said Carlos Castanho, the Managing Director of capital markets.

International market volatility has also put pressure on domestic interest rates. The one-year forward rate jumped from 16.7 percent to 19.2 percent. At present, few analysts are forecasting an immediate impact on the growth prospects of those companies unable to raise capital in the coming period. Many had already secured their financing earlier in the year when market conditions were more favourable. (FT, 15.11.00)

Dollar as Local Currency

El Salvador plans to allow the US dollar to circulate freely alongside its own currency in 2001, under a monetary law sent to the Congress by the President. The legislation would fix the exchange rate between the dollar and the colón at 8.75 and allow its use as a unit of account in all transactions.

The President, Francisco Flores, said that the measure stopped short of full dollarisation, as introduced in Ecuador, but would ensure "that El Salvador has a world-class medium of payment that facilitates the commercial and financial integration of the country".

El Salvador would be the third Latin American economy formally to adopt the dollar, after Panama and Ecuador. The US has made it clear that it will not change its monetary or exchange rate policies for the benefit of economies that have adopted the dollar, nor would the Federal Reserve stand behind their banking systems.

(FT, 24.11.00)

Facing Rough Roads

New confrontations between Argentina's President, Fernando de la Rúa, and the opposition-controlled Congress are stoking fears that the Government could be unable to implement reforms aimed at bringing its foreign debt load under control. The government has announced a broad series of reforms aimed at putting the country's accounts back in the black by 2005.

But, despite the urgency of the situation, the Government has largely been unable to build bridges with Congress, which has threatened to block virtually every item in the international rescue package totalling \$39.7bn. The result is that Fernando de la Rúa now has to use the broad powers granted to the president in periods of emergency – the veto and the decree.

Finally, the Government is planning to pass social security and pension reform by decree because of strong opposition from its own legislators, which is necessary for the IMF to keep disbursing funds under its programme.

(FT, 29.12.00)

Submit to Debt Revamp

Three of Indonesia's biggest tycoons, Anthony Salim of the Salim Group, Syamsul Nursalim of Gajah Tunggal and Bob Hasan of the Kiani group, agreed to co-operate with a Government order to surrender assets worth billions of dollars to cover their debts to the state.

Edwin Gerungan, Chairman of the Indonesian Bank Restructuring Agency (IBRA), said that the three of them "had been very co-operative to hand over additional assets". Neither of the official offered any further details, saying only that the valuation process of the new assets would take some months.



The three businessmen signed the debt agreements – known as MSAAs – in late 1998 to cover billions of dollars in liquidity support lent by the central bank to support their banks, which were ruined by the Asian financial crisis of 1997. The agreement committed them to pledge assets equivalent in value to their multi-billion dollar debts. *(FT, 16.11.00)*

Facing Budget Defeat

Jorge Sampaio, the Portuguese President, has begun consulting party leaders in an effort to avert a political crisis as the minority Socialist government faces the possible defeat of its 2001 budget proposals. The government is one seat short of a majority in the parliament and needs the support of at least one opposition deputy to ensure the passage of the budget.

Negotiations with the opponents on the right and left have so far failed to produce an agreement ahead of the Parliamentary debate on the budget. Defeat of the budget could lead to an election in May 2001. Antonio Guterres, the Prime Minister, has said the Government would choose to "die by the sword" rather than comply with the opposition

demands for alterations to its budget proposals.

The Government defends the budget proposals of increasing spending on education, health and other social areas, cutting tax for the lower paid and cracking down on tax evasion.

(FT, 26.10.00)

Meeting Strict IMF Targets

Witnessing potential market financial crisis with loss of confidence in the banking system combined with liquidity crunch, Turkey has promised the International Monetary Fund (IMF) that it will meet a number of stringent economic targets as part of a deal that gives it \$7.5bn to help the country get over a banking crisis.

In a letter of intent, the Government promised to speed up the sale of state owned assets and clean up its banks. It also commits itself to strict fiscal discipline and an exchange rate policy aimed at squeezing inflation out. Turkey promised it would maintain pre-announced exchange rates in the first half of 2001 and gradually widen trading brands for the lira in the second half of 2001.

In a statement released by the French Finance Ministry in its capacity as president of the Ecofin Council, euro-zone Finance Ministers lent their support to Turkey saying they welcomed the reforms. *(FT, 23.12.00)*

Seeking Economic Stabilisation

The Economic Policy makers from Mexico, Canada and the United States have decided to review the economic situation in their respective nations and commit themselves to working for international economic stability during the G-20 summit in Montreal.

The representatives of the three countries that constitute the North American Free Trade Agreement also discussed "the impact that current conditions in the oil market can have on the global economy. The Finance and Economy Ministers and central bank governors from each nation said they were pleased with the "very favourable" last year's economic development.

The officials noted that their countries' economies are experiencing a "strong economic growth with declining inflation and Canada's economy grew by 4.5 percent in 1999 and that average growth for the first two quarters of the current year was 4.9 percent.

Need for Far Reaching Reforms

The economies of Eastern Europe and the former Soviet Union are set to grow at 5 percent in the year 2000, their highest rate since the collapse of the Berlin Wall, according to a report published by the European Bank for Reconstruction and Development (EBRD). However, the authors have warned that economic progress will not be sustained without further far-reaching reforms, especially in the former Soviet Union.

The EBRD, the multilateral bank for the former Communist bloc, forecasts that economic growth would sharply rise to 4.8 percent in 2000 from 2.5 percent in 1999 and a 1.1 percent decline in 1998 when the Russian economic crisis casts a long shadow.

In spite of the over-all growth in all the sectors, EBRD warns that institutional change is lagging behind market liberalisation. While new laws are being introduced, they are not always being effectively implemented. Thus, the report urges more on-the-job-training. Willem Buiter, the bank's chief economist, said: "Don't assume these former rocket scientists can easily find jobs. They must adapt. (FT, 15.11.00)

Economies Simmering Down

A Reuters regional economic survey has revealed that a slowdown in imports to Asia as domestic demand cools and economies simmer down from their immediate post crisis boil would see trade surpluses around the region continue to look healthy.

Slower global demand for the region's exports, mainly because of the Federal Reserve engineered economic slowdown in the US, would be pulling down the other way. However, for many countries the slow down in imports would have more of an impact on the overall trade position.

For example, South Korea is seen

posting a trade surplus of \$14.1bn in the current year and \$11.2bn in the following year. According to the survey, both went up substantially from the \$10.0bn and \$4.8bn forecast in a similar poll a few months ago.

(BL, 23.12.00)

Slow GDP Growth

South Korea's GDP is expected to grow 5.1 percent in the year 2001, compared with a growth of 9.2 percent in the year 2000, as per the Korea Development Institute. Continued financial instability and the faster-than-expected decline in domestic-demand growth

Real GDP growth

Annual % change

	1998	1999*	2000**
Hungary	4.9	4.5	6.0
Poland	4.8	4.1	5.0
Czech Republic	-2.2	-0.2	2.0
Romania	-5.4	-3.2	1.5
Russia	-4.6	3.2	6.5
Ukraine	-1.9	-0.4	3.0
Kazakhstan	-1.9	1.7	1.5
Uzbekistan	4.4	4.1	8.2
Whole region	-1.1	2.5	4.8

Source: EBRO * preliminary **projections

contributed to the forecast. Other expected outcomes are a rise in consumer prices by 3.4 percent and growth in private consumption by 4 percent.

Corporate capital investment is likely to remain unchanged, whereas construction investment is forecast to register a small positive growth. Export growth for the fourth quarter is expected to slow down to 12.6 percent, compared with 23.6 percent growth estimated for the third quarter. Imports are expected to increase 9.7 percent for the fourth quarter, compared with 23.4 percent increase in the third quarter.

The Institute's recommendations included focus on financial and corporate restructuring, expansion of country's foreign reserves, etc.

(WSJ, 28.12.00)

Declining Growth Rates

With a suddenness that has surprised economists and corporate hieftains, the world's leading economies like are slowing down in concert. Few economists believe that the downturn will be severe or that the world economy is entering recession. The latest projections by the World Bank say world growth will slow to a respectable 3.4 percent in 2001 from 4.1 percent in 2000. However, some economists believe a healthy dose of interest-rate cuts and lower oil prices can quickly get world growth back on the track.

For many companies around the world, the pressing problem may not be the depth of the global downturn but its width: a reflection of the increasing ties across global markets and the greater likelihood that what affects one will affect all.

The risk the world's economy faces "right now would fall slightly short of a full-blown recession," says Roach of Morgan Stanley. However, Pacific Rim economies will expand more slowly in 2001 as US growth moderates but the long-term prospects for the region are good, particularly for developing nations, the Asia-Pacific Economic Co-operation (APEC) said. It also stated that its 21 economies would grow by a weighted-average of 3.5 percent in 2001.

(WSJ, 22.12.00 & BL, 12.11.00)

Increase in GDP

Vietnam's gross domestic product has expanded 6.7 percent in 2000, a significant increase over its 4.8 percent growth in 1999, the General Statistics Office said. According to official figures, Vietnam's GDP grew 6.4 percent in the first nine months in 2000 from the relevant period in 1999.

Analysts say Vietnam's increased economic activity is the result of improved trade – mainly with regional countries in 2000 that has helped it to recover from Asia's financial crisis – and a rise in private sector business following moves in the early 2000 to develop non-state companies.

(WSJ, 28.12.00)

Fresh Sales Strategy

Some of the world's largest car-makers are drawing up detailed contingency plans for the possible end of the European block exemption on new car sales, which has enabled manufacturers to avoid normal competition law for the past 15 years, in September 2002.

Car-makers like Ford Motor Company, General Motors (GM), Daimler-Chrysler and Renault are arguing publicly for a continuation of the old regime. However, in private they are preparing strategies for a new retailing and distribution system.

Ford and GM have already opened new retail channels by developing direct Internet sales, notably in UK, which threaten to sideline traditional dealers. Mike Burns, Chairman of GM, Europe, said, "...e-commerce is something to change this business."

The present exemption allows car-makers to distribute and sell new cars only through captive dealers in selected territories. Consumer groups have complained that it has been abused to create an elaborate price-fixing cartel. *(FT, 23.10.00)*

Alliance with Non-life Groups

Nippon Life, Japan's largest life insurer and one of the global giants in the sector, with assets worth \$395bn, is negotiating with two Japanese non-life insurance companies, Mitsui Marine and Fire Insurance and Sumitomo Marine and Fire Insurance, with the aim of forming one of the largest comprehensive insurance groups in Japan.

The talks between the three highlight the consolidation gathering pace in the industry as a result of the tough trading environment, the advent of foreign competition and high IT investment costs, which are forcing wide-ranging cost cuts.

The sluggish market environment and unprecedentedly low interest rates have battered the life insurance sector, with many companies suffering from a negative spread in which their promised returns to policy holders exceed the returns they could make on their assets. *(FT, 23.10.00)*

Surge in Anti-competition Cases

The Office of Fair Trading (OFT), UK, the regulator, is investigating more than 15 cases of allegations of serious anti-competitive behaviour, including at least two suspected cartels, after a surge of complaints by businesses about rivals or suppliers. The level of

complaints has risen from about 1,000 a year to between 2,000 and 3,000 since the OFT's enforcement powers were strengthened in March, according to Margaret Bloom, its director of competition policy.

Two companies have been granted immunity from prosecution for blowing the whistle on fellow members of alleged cartels. This new OFT power is modelled on the success of the US regulators, where a similar leniency clause triggered a spate of prosecutions and a twenty-fold increase in fines in the six years to 1999.

At least some of the 15 investigations are likely to lead to a prohibition decision, the OFT believes. The fines can be up to 30 percent of the UK turnover. John Bridgeman, the previous director-general, said the fines would be "eye watering". *(FT, 23.10.00)*

Urge to Uphold Decision

A coalition that includes AOL Time Warner Inc. urged the US Court of Appeals to uphold a decision that would break-up Microsoft Corp. The brief followed the one filed by the Government earlier.

The coalition, which includes, in addition to AOL, three technology trade associations whose members include Microsoft competitors, warned that any lesser remedy would not constrain Microsoft, a "monopolist demonstrably committed to widespread anti-competitive actions."

"Microsoft simply did not care about the requirements of the Federal Antitrust Law," the brief said. The company "believed it could outlast and outspend any governmental adversary. To reward Microsoft by freeing it from antitrust liability and a meaningful structural remedy would contravene clear Supreme Court precedents and send an extraordinarily harmful message to the business community."

The Justice Department in its brief, told a Federal Appeals court that Judge Jackson wasn't biased as Microsoft had alleged. *(WSJ, 15.01.00)*

Alarming Merger

Pesticide Action Network Asia and the Pacific (PAN AP), a coalition of over 150 groups in 18 countries, is alarmed by the merger of Novartis and AstraZeneca, creating the world's largest agrochemical corporation, Syngenta.

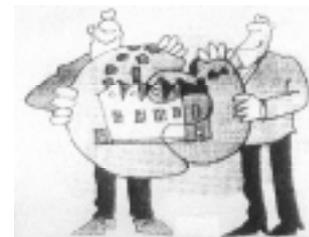
Reportedly, Syngenta will possess more than 40 percent of the

world's patents on genetic engineering technologies that can restrict plant reproduction, growth and development. These technologies either render crops, sterile or control their genetic traits via chemicals and their use is against previous commitments made by these companies.

"Farmers around the world are being pushed into planting genetically engineered crops, with all their human health and environmental risks, with no guarantee as to the future market of genetically engineered food products", commented Sarojini Rengam, Executive Director of PAN AP. To alert millions of farmers, consumers and producers of these developments, various NGOs, farmers groups and anti-genetic engineering advocates decided to hold a People's Caravan "Citizens on the Move for Land and Food Without Poisons!" from the 13th to the 30th November, 2000.

Mergers and Acquisitions Hit Record

Mergers and acquisitions among US securities and investment companies hit \$66.9bn last year, the biggest year ever for the sector, research firm SNL Securities said. The firm said, despite a flattening in merger and acquisition activity in some financial sectors, the 2000 total for securities and investment companies topped the deal value for the previous four years combined.



The Economic Times

The total was propelled by two third-quarter deals; Credit Suisse Group announced it would buy Donaldson Lufkin & Jenrette for \$13.6bn and UBS AG said it would put up \$12.2bn to get PaineWebber Group Inc.

Deals among banks totalled \$89.9bn; key among them the \$34.4bn merger of J.P.Morgan & Co. and Chase Manhattan Corp., now known as J.P.Morgan Chase & Co. Inc. Announced insurance deals totalled \$21.5bn and those among thrifts hit \$4.3bn. Deals among specialty finance companies totalled \$38.4bn, with Citigroup Inc.'s \$31.1bn bid for Associates First Capital Corp.

Central Counterparty for Europe

A group of the world's biggest banks plans to build a central clearing house for Europe's securities market. The members of the European Securities Forum (ESF), who are lobbying for consolidation of securities markets, have agreed to create a central counterparty or automatic system which would allow them to make big savings by netting transactions across markets such as equities, derivatives and bonds.

The US markets already work this way. However, Europe's fragmented structure of multiple markets, currencies and trading systems is seen as a big barrier to cutting the cost of dealing.

The independent central counterparty was the brainchild of five banks. However, a series of meetings in Zurich and London persuaded them to make the initiative industry-wide. *(FT, 23.10.00)*

New Disclosure Rule

US financial markets have adopted a new and long-awaited rule against selective disclosure leaks. It attempts to eliminate some of the advantages enjoyed by securities analysts and institutional investors, by attacking the root of the problem – company executives who give large investors special status over small ones on important issues.

What is clear is that the old ways in which analysts, large investors and companies did business on Wall Street are changing fast. However, the new rule has also created some unintended consequences, even prior to its passage.

Some feel this will add tremendous volatility to the system. According to this view, stocks will swing widely because Wall Street professionals will be sufficiently informed when a stock is suddenly on the move around earnings-season time. *(FT, 23.10.00)*

Scandinavia: Best Business Climate

A scoreboard of 31 indicators prepared by the European Commission revealed Scandinavian countries offer the best business climate for entrepreneurs and small companies in the European Union (EU). The scoreboard shows Finland and Sweden outstrip the US and the rest of the EU in applying for patents for high-tech applications.

These two countries also score highest on business expenditure on research and development as a percentage of the gross domestic production.

Austria and Germany have the most small companies using the Internet for commercial purposes. France ranks highest as the country with the biggest administrative burden on small companies. Ireland tops for infrastructure constraints on small companies' business. *(FT, 10.11.00)*

Sound Policies No Guarantee

Foreign investors in Southern Africa are more interested in rich mineral resources and political stability than sound economic policies or good infrastructure, according to a survey of investors and government policymakers conducted by BusinessMap, a Johannesburg based consultancy group.

In the case of Angola, investors are prepared to tolerate civil war and official corruption because of the high value of country's undeveloped oil reserves.

Elsewhere in the region, political risk is the most important consideration for foreign investors, outweighing incentives such as tax breaks and export processing zones.

Other concerns for investors in the region include the shortage of skills, the AIDS epidemic, hidden transaction costs resulting from bureaucracy, corruption and demand on foreign investors for the "empowerment" of the local people. *(FT, 07.11.00)*

Swiss Firm on Bank Secrecy

Abolishing bank secrecy is politically impossible. However, Switzerland will work towards solutions with the European Union on tax issues, the Swiss Finance Minister, Kaspar Villiger said in an interview.



The EU Finance Ministers sealed a deal to make it harder for residents to avoid tax at home by moving money into accounts abroad. Similar arrangements are supposed to be reached with non-EU countries including Switzerland, Europe's tiny principalities and the US.

Under the EU deal, members like Luxembourg and Austria, who have bank secrecy policies, would have the option during the transition of collecting a withholding tax on interest earned by non-residents on savings and investment fund deposits.

Switzerland cherishes its bank secrecy as central to its continued success as a financial centre. Bank employees and others who disclose account information can be punished by fines or jail terms. *(BL, 02.12.00)*

Global Investment Meet

A conference on "Investment in developing countries: Increasing opportunities" was organised in Dhaka on November 10 and 11, 2000, by the International Chamber of Commerce. It has its headquarters in Paris with a network in 137 countries.

The discussion modules in the conference included oil and gas, hidden treasures of Asia, IT and telecom, discovering the potentials in the region and beyond, manufacturing, growing horizon for profitable investment, electronic commerce, etc. *(BL, 04.11.00)*

Corruption – A Barrier

Corruption acts as a strong deterrent to foreign direct investment and forces investors to form joint ventures with local companies. A study by economists from the World Bank and the Brookings Institute, published by the US National Bureau of Economic Research, argues that corruption may be as important as variations in labour costs or corporate tax rates.

Businesses are more likely to form joint ventures with local companies when investing in corrupt countries, since corruption places a premium on local knowledge and the ability to bypass local bureaucracy.

The US companies are less likely than those from other countries to form joint ventures as the US Foreign Corrupt Practices Act makes US foreign investors legally liable if their partners pay bribes. *(FT, 17.10.00)*

SEC Ruling

The ruling from the US Securities and Exchange Commission (SEC) is likely to dismay many in accounting profession by prohibiting firms offering consulting services deemed to cause a conflict of interest with audit work.

One of the main planks of the SEC document is likely to be a rule to outlaw firms from offering a range of specific service lines to audit clients. These would include book-keeping, head-hunting and many aspects of internal audit work. Many of these limits are uncontroversial: seven of the nine areas are already subject to severe restrictions.

A notable exception – and one of the biggest obstacles to compromise – is a proposal to cut back the scope of information technology services that firms are allowed to offer.

The SEC wants to prevent firms working on design and implementation of systems used in the preparation of financial information for the client's published accounts. A number of firms argue that this is unduly harsh and tackles a conflict of interest that simply does not exist.

There are, of course, chances of reconciliation and the SEC has spoken favourably about an alternative proposal put forward by two of the firms to make the rule less restrictive. *(FT, 14.11.00)*

Fiscal Crisis

Political problems facing several Asian countries will prove to be temporary and are unlikely to lead to a 1997-style fiscal crisis in the region. This view was expressed by Hubert Neiss, the former IMF Asia-Pacific Director.

However, he observed, "Such a political crisis, or difficulty, has the risk that economic policy-making is slowed down because attention is diverted to other issues, and that of course triggers negative market sentiment."

He emphasised the need for a supportive monetary policy in Asia, in view of the extent of restructuring that remains to be carried out in the region, noting, in particular, corporate restructuring in South Korea.

He said elections in Thailand were causing some uncertainty in an economy that has restructured broadly in line with the advice of various stability programmes, although at a slow pace. Once the elections are over, and the new

Government has announced its policy aims, there will be more certainty and the recovery in Thailand has a good chance of continuing. *(BL, 16.11.00)*

Basle Accord Changes

The banking authorities aim to complete sweeping changes to the Basle Accord, the global standards governing banks' capital requirement, next year.

Drawn up in 1988 under the former Bank of England official, Peter Cooke, it aimed to increase the capital which banks held. The present formula calls for banks to hold eight percent of capital against risk on a weighted basis with 100 percent of weighting (eight percent) for most loans.

A major revision prior to the present one let banks set aside capital to cover market risks, in addition to credit risks. The latest review is likely to bring new aspects into the accord and have three main pillars:

- Minimum capital requirements – resembles the original in that it calls for banks to set aside specific amounts of capital, but it aims to be more sensitive and also raises the minimum capital required.
- Supervisory review – a new aspect in the accord, although most supervisors in various countries already use some form of it. It calls for supervisors to review banks,

allowing them to force banks to set aside more than the minimum capital.

- Market discipline – a new provision requiring more disclosures by banks to allow their peers to evaluate risk. *(BL, 08.12.00)*

Making a 'Quantum Leap'

The European Commission has highlighted 10 urgent financial services proposals as it calls for countries to make a 'quantum' leap by agreeing measures to complete the single financial market by 2005. EU heads of governments have set the integration of capital markets as a priority in the drive to improve competitiveness.

However, John Mogg, Director-General for the internal market, said that unless the EU's decision-making could be speeded up, "everything being said about the benefits of the euro, the challenges of technology and the importance of financial services will just be empty words."

The Commission has set up a special working group to work out the best way of speeding up the approval of financial services measures by the EU's institutions.

To take into account new ways of doing business in the securities markets, the Commission, in the next few months, plans to come out with radical proposals to upgrade its rules on investment services. *(FT, 08.11.00)*

Increase in Foreign Investment

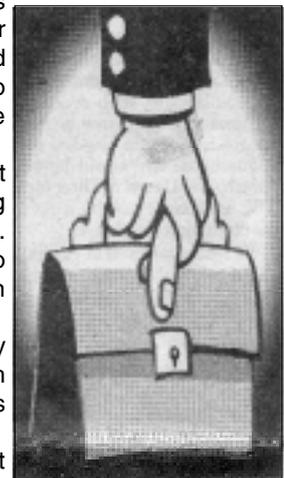
Global foreign investment is expected to cross \$1.1tn in 2000, a five-fold increase over 1990. More than four-fifths of the money is invested in developing countries and most of it is due to cross-border mergers and acquisitions, said the UNCTAD.

Western Europe continues to be the largest host region to foreign direct investment, receiving an estimated \$597bn, said an UNCTAD statement. It also added that a significant part of it was due to the \$180bn takeover of Germany's Mannesmann by Britain's Vodafone AirTouch.

The US remains to be the single largest country for cross-border mergers and acquisitions, with sales of the US assets to foreign concerns expected to cross \$300bn.

Despite the dramatic overall rise, investment in developing countries will be the same as last year, at about \$190bn. That means, these countries' share of the world total will fall to 17 percent, with China and Brazil taking the lion's share.

Increases in investment are expected in Egypt, Tunisia, Mexico, Venezuela, Malaysia and Taiwan, while the largest slump is expected in Argentina. *(TOI, 10.12.00)*



Business Standard

Implementation Issues at WTO

Many member countries have emphasised that the implementation issues relating to the perceived asymmetries and imbalances in the existing agreements of the World Trade Organisation (WTO) should be referred to the subsidiary bodies of WTO only when it is absolutely necessary.

The General Council, in its special session in December, had taken decisions on 9 tirets out of a total of 54 tirets of para 21 of the Draft Ministerial Text (DMT), as were under consideration

These 9 tirets relate to Agreement on Agriculture, Agreement on the Application of Sanitary and Phytosanitary Measures, Agreement on Technical Barriers to Trade, Agreement on the Implementation of Article VII of the GATT 1994, Agreement on Rules of Origin and Agreement on Subsidies and Countervailing Measures.

The implementation issues and concerns were first reflected in paras 8 and 9 of the Geneva Ministerial Declaration relating to the preparatory process for the third ministerial conference and have also figured prominently in paras 21 and 22 of the DMT dated October 19, 1999.



(BL, 21.12.00)

World Trade to Grow

Spurred by stronger economic activity in Western Europe and Latin America and continued high demand growth in North America and Asia, world merchandise trade would grow by about 10 percent in 2000. This was revealed by a report, 'International Trade Statistics 2000' released by the World Trade Organisation (WTO).

This is just twice the rate registered in 1999 and one of the highest in the last decade. Though the volume of world trade growth in 1999 was five percent, unchanged from the preceding year, the dollar value of world merchandise exports recovered by 3.5 percent to \$5.47tn.

The report said developing country merchandise exports rose by nine percent, increasing their share in world exports to 27.5 percent.

Stating that international capital flows – in particular foreign direct investment – was once again a major determinant of international trade, WTO said large capital inflows into the US sustained the large increase of US imports lifting the US' share to 18.5 percent of world merchandise imports.

(BL, 02.12.00)

Talks with New Optimism

Chile and the European Union (EU) launched their third round of trade talks in Santiago with new optimism after the EU Commissioner for External Relations, Christopher Patten, toured the Southern Cone region.

The EU is reconsidering its original position that any eventual agreements with Mercosur and Chile should be subordinated to the accords adopted by the WTO in the new Millennium Round of multilateral trade negotiations, Patten stated in Santiago.

The WTO's delay in launching the new round of trade talks, due to the collapse of its December 1999 ministerial meeting at Seattle, made it necessary to change the time-

tables for the projected accords with South America.

The mandate approved by the European Commission originally stated that the talks with the Mercosur and Chile could not be finalised before the WTO reached a new global trade treaty.

Demand for Market Access

The Cairns Group, the bloc of 18 countries that follow a policy of limited or zero subsidies for agriculture, presented the WTO with a proposal to improve market access for farm products.

The proposal includes "deep cuts to all tariffs using a formula approach which delivers greater reductions on higher-level tariffs."

It also covers tariff peaks and elimination of tariff escalation that imposes higher import taxes on products with greater added value.

As one of the key actors in agricultural trade talks, the US has already submitted a proposal that includes the problem of market access in terms nearly equal to those of Cairns.

The EU, considered to be a leader among protectionist governments and trade blocs – alongside Japan, South Korea, Norway and Switzerland – has not proposed any initiative before the WTO on the matter.

EU Rules to Cause Loss

EU food safety standards, estimated to save not even one life a year, are likely to cost African countries some \$700mn in lost exports, according to a new study by World Bank researchers.

The study raises questions about the consequences of the European approach to food safety. This is based on the so-called precautionary principle, whereby restrictions and regulations on food imports are justified while the scientific risks to health remain unproven.

Critics of the approach argue that import restrictions – such as that imposed in Europe on hormone treated beef – have been employed without sufficient support in international science. However, the cost of such regulation can be too high, especially for poor countries trying to reach rich markets.

Trade barriers imposed by developed countries under various guises cause a loss of over 4,00bn every year. This was stated by World Bank chief economist Nick Stern at a press conference at Washington while unveiling "Global economic prospects and the developing countries 2001," on 6th December.

It may be noted that the loss due to trade barriers is almost twice the amount that the developed countries give as aid.

It is certainly hypocrisy on the part of the developed countries to give lectures to developing countries on the virtues of trade liberalisation, while at the same time erecting barriers against them.

Stern emphasised that while environmentalism and labour rights are highly desirable goals, they should not be thrust down the throats of the developing nations by economic sanctions.

(FT, 26.10.00 & ET, 07.12.00)

US Trade Deficit Hits Record

The US trade deficit widened to a record \$34.26bn in September as the country continued to absorb high levels of imports despite slowing economic growth.

Imports of goods and services rose to \$126.62bn, up almost \$4bn from the previous month and a 20 percent year-on-year gain. Exports fell from \$93bn to \$92.36bn.

The overall monthly trade deficit was up \$4.5bn from a revised \$29.8bn in August, continuing a trend of rising deficits that reaches back to the 1998 Asian financial crisis.

Unlike other recent months, higher oil prices were not the main reasons for rising import bill in September, although there was a marginal increase. The big increase came from imports of industrial supplies and material, which were up \$1.4bn and capital goods, which rose to \$800mn. *(FT, 22.11.00)*

East Asian Free Trade Zone

The Asian Governments have agreed to consider an East Asian free trade zone that could rival the European Union and the North American Free Trade Agreement (NAFTA)

Leaders of the 10 members of the Association of South East Asian Nation (ASEAN) commissioned a one-year feasibility study of a proposal to link their economies with China, Japan and South Korea.

Observers, however, feel that the proposal faces severe obstacles. Asean members are divided over how quickly to liberalise trade and are struggling to implement existing plans to lower import barriers in the face of Malaysia's refusal to cut its prohibitive tariffs on vehicle imports.

China is expected to have its hands full for several years in coping with the demands of World Trade Organisation (WTO) membership. Japan and South Korea remain strongly opposed to opening their protected agricultural markets. *(FT, 25.11.00)*

Services Negotiation

Japan has submitted its set of proposals for negotiations starting next year on liberalisation of services under the WTO. The proposals encompass nine services sectors, with emphasis on finance, telecommunications and transport services.

Japan urged the WTO to resume maritime transport services negotiations, which were suspended in 1996, as soon as possible.

According to the Japanese proposals, telecommunication services are showing a remarkable and rapid development of cross-border transactions. Therefore, the members, including the developing countries, need to encourage foreign service providers to participate in their domestic markets if they are to maintain the technology of their telecommunication services at the latest international level.

On financial services, it said it is necessary to establish a system where all types of banking and securities services are provided in all the member countries.

The other six services included in the proposals are professional, business, audiovisual, construction and related engineering, distribution and tourism services.

Support for Agricultural Negotiations

Australia has sought India's support in the on-going negotiations on agriculture in the WTO to ensure liberalisation of trade in agriculture and removal of export subsidies by the developed countries.

During his meeting with the Indian Minister of Commerce and Industry, Murasoli Maran, the Australian Minister for Trade, Mark Vaile, indicated that liberalisation of world trade in agriculture under the WTO agreement would provide better market access for Indian farmers.

Maran also reiterated India's concern regarding implementation issues in the WTO and highlighted the need for confidence-building measures by addressing specific concerns of developing countries before launching a new round of multilateral trade negotiations.

Record China-US Trade

The two-way trade between China and the US should reach a record \$73.5bn this year. The estimate was based on statistics of the first 10 months of the year, which showed that the countries exchanged goods and services worth \$61.3bn.

According to the statistics, the balance of trade still remains overwhelmingly in China's favour. The US bought \$43.4bn worth of

Urge to Reduce Trade Round Demands

Supachai Panitchpakdi, the next head of the WTO, called on the European Union and Japan to scale back their proposals for the agenda for a world trade round, calling some of their demands "impractical."

The EU and Japan are



pressing WTO members to commit themselves, before the launch of a trade round, to a comprehensive agenda that would include negotiation on issues such as competition, investment and environment policy.

However, according to Supachai, the approach is unlikely to succeed. He preferred the proposals by the US and Australia to launch a new round that focussed initially on agriculture, services and industrial tariffs and to expand its agenda incrementally as negotiations developed. *(FT, 15.11.00)*

Chinese goods in the first 10 months, up by 27 percent over the same period last year. During the same period, China spent \$18bn on US goods.

China is now poised to pass Japan as the country running up the largest trade surpluses with the US. *(ET, 25.12.00)*

Solving Trade Problems

The President of the European Commission, Romano Prodi, has expressed his desire to meet President-elect George Bush to solve trade war problems involving bitter disputes, fierce tensions and billions of dollars in trade sanctions.

From the point of view of the the US negotiators, the most fractious issue is based on EU regulations that effectively favour each EU member's purchase of bananas from former European colonies. From the EU point of view, the US gives unfair tax breaks to US steel makers and imposes fines against sales by EU steel makers to the US.

Trade Pact Sparks Fears

The comprehensive free trade agreement (FTA) between Singapore and New Zealand has prompted fears that bilateral deals may undermine the authority of the WTO.

After last year's debacle in Seattle, when the WTO failed to launch a new global trade round, the trend towards bilaterals has gathered momentum with Singapore as one of the countries leading the way.

Despite insistence by the Prime Ministers of both the countries that the deal complemented the multilateral trading system, doubts remain. The issue may be taken up by the leaders of the Asia-Pacific Economic Co-operation (Apec) forum who meet in Brunei.

Recently, the Japanese Government also announced plans to conclude a free trade agreement with Singapore next year. The deal would be Japan's first bilateral trade agreement.

Tokyo's decision to start creating bilateral trade deals has dismayed some of its trading partners, such as the EU, which fears this will undermine efforts to relaunch the WTO. Japanese diplomats also admit that the shift in policy was partly triggered by the WTO's failure in Seattle.

Japan is now likely to seek more trade agreements, particularly in Asia.

(FT, 23.10.00 & 15.11.00)

Free Trade Area in Africa

Nine African Heads of State launched the first ever free trade area in Africa in the Zambian capital of Lusaka. The Common Market for Eastern and Southern Africa Free Trade Area (COMESA-FTA) aims at promoting economic growth in Africa by removing tariff and non-tariff

barriers. It also hopes to create a single currency by 2025.

But, only nine members of COMESA signed the pact, with 11 others abstaining. Altogether, 12 Heads of State attended the meet, with three observing but not signing up. The nine countries that signed the agreement are Zambia, Sudan, Kenya, Mauritius, Djibouti, Egypt, Madagascar, Malawi and Zimbabwe.

Five other countries promised to join the pact next year after studying the details of the agreement. The notable absentee was South Africa, the continent's largest economy and also a member of another group, the Southern African Development Community.

China's Entry into WTO

Charlene Barshefsky, the chief US trade negotiator, visited Beijing to persuade China to finalise its accession protocol, a key legal document that sets out the rights and obligations of WTO membership.

Pascal Lamy, the European Union Trade Commissioner, is also expected in Beijing very soon. The broad problem that the US and the EU negotiators are facing is that China insists that its trading partners are seeking concessions beyond those already agreed in bilateral negotiations which it is not ready to concede.

The US, for instance, wants a specific commitment that its motor vehicle makers be granted a large share of the \$6bn import quota for foreign vehicles that China will offer when it accedes to the WTO.

The US has also been pressing for a more rapid elimination of agricultural export subsidies, while the EU wants a faster opening of the Chinese insurance market. *(FT, 12.10.00)*

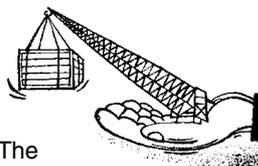
Pledge to Open Market

Leaders of the Pacific Rim kicked off their annual summit on November 15, 2000

with pledges to open markets and make the region safer. The

summit, an intensive but fairly informal gathering, will discuss ways to ease barriers to trade and investment and share the benefits of the New Economy offered by the information technology revolution.

However, defence and security



issues overshadowed trade and economics ahead of the summit in a series of bilateral meetings of the leaders.

The APEC was set up in 1989 to press for trade liberalisation but is now out of step with some of its people who distrust the rhetoric of free trade and fear it brings little to the poor and the marginalised. A draft of the final statement of the APEC leaders called for a restart of trade talks after the collapse of the WTO's meeting in Seattle last year. *(ET, 16.11.00)*

Joint Protest

The Japanese, Canadian and European Union Ambassadors to the US sent a joint letter to President Bill Clinton urging him to veto a bill that would subsidise US steel makers and other firms from antidumping revenues.

It is rare for ambassadors from different countries and regions to send a joint letter to the US President.

The controversial measure, which was attached as an amendment to a comprehensive agricultural spending bill, sailed through the US Senate by 86 votes, far exceeding the two-third majority needed to sustain a presidential veto.

Japan and other major trading partners have claimed that payments of subsidies from anti-dumping revenues are inconsistent with WTO rules.

Joint Effort Needed

The Asean Federation of Textiles Industry (AFTEX) re-affirmed its commitment towards greater intra-Asean trade and co-operative activities in view of the challenges ahead with the liberalisation of the international trade of textiles and apparels.

This is to ensure that the Asean textiles and apparels industry would be able to maintain and expand on its international market share.

The foremost challenge for the AFTEX members, according to Yap Fung Kong, the incoming AFTEX president and also the vice-chairman of the Malaysian Textile Manufacturers Association (MTMA), was how to maintain and improve upon their current global market share in the face of increasing competition from various regional groupings such as the North American Free Trade Agreement (NAFTA) and the Caribbean Basin Economic Recovery Act (CBERA), which applied to African countries.

EU to Fight Punitive Duties

The European Union (EU) plans to take the first step to launching a WTO challenge against punitive US duties on a wide range of exports by formerly state-owned European steel producers.

The EU action, which may be followed by one or more formal WTO complaints, is intended to put pressure on the US to curb its use of anti-subsidy measures. The decision comes at a time when tension with the US is already increasing over steel issues and the US steel industry is urging the Government to restrict a surge of low-cost imports.

The EU intends to build on its successful WTO complaint against US countervailing duties on exports by British steel. The WTO ruled against the measures, saying British Steel ceased to benefit from subsidies after it was privatised. The US has agreed to repay the duties to British steel, now part of the Anglo-Dutch Corus group. However, US officials said the ruling did not set a precedent for other cases.

Lawyers for the US steel industry said the EU could be setting a dangerous precedent by insisting that companies should automatically be considered free of subsidies if they were privatised. (FT, 31.10.00)

WTO Nod to Canada

The WTO granted Canada the authority to impose retaliatory trade measures against Brazil valued at (Can.)\$344.2mn per year. The sanctions came in response to Brazil's failure to implement dispute panel rulings requiring it to scrap illegal export subsidies to jet aircraft manufacturers.

The go-ahead was granted during a tense session of the WTO's Dispute Settlement Body (DSB), which was marked by strong and less than diplomatic exchanges between the Canadian and Brazilian delegations.

Canada now has the authority to slap punitive import duties of up to 100 percent on a list of Brazilian products, which could include: fruits

and nuts, coffee, cereals, cocoa, sugar, plastics, cotton, aircraft and toys, among others.

Canada's Ambassador to the WTO, Sergio Marchi, told the delegates to a packed DSB session that the sanctions constitute an "appropriate counter-measure" in response to Brazil's failures to comply with its binding obligations.

Trade Rules Violated

The WTO, acting on charges made by Australia and New Zealand, ruled that US tariffs on lamb imports violate global trade rules. The finding of the three-



member WTO dispute panel, which in most cases has been upheld on appeal, was considered a blow for US lamb producers, but a major victory for their counterparts in Australia and New Zealand.

The US measures, enacted on July 22, 1999, for a three-year period, included average tariff hikes of 6 percent on imports of lamb for approved quota volumes. The measures included out-of-quota supplies duty hikes of an average of 32 percent over the period.

Hailing the ruling, the Australian Trade Minister, Mark Vaile, said in a statement, "This is a significant victory for Australia, and a significant victory for the case in favour of a stronger rules based trading system."

WTO to Assess Sanctions

The WTO has set up a panel of arbitrators to judge the EU claim for trade sanctions against the US worth more than \$4bn annually in their dispute over tax breaks for the US exporters.

However, a final verdict on the claim, the biggest ever lodged with the WTO, is not expected until the middle of the next year.

The US lost its appeal earlier this year against a WTO dispute ruling that tax break for exporters through off-shore foreign sales corporations (FSCs) constituted an illegal export subsidy. Though the US Congress rushed through legislation to scrap FSCs, Pascal Lamy, the EU Trade Commissioner, said the revised law was even worse and still has elements contrary to the WTO rules.

The EU told a special session of the WTO's dispute settlement body that its claim for sanctions of \$4.04bn, its estimate of the annual illegal export subsidy, was the "appropriate amount" to induce compliance by the US.

(FT, 29.11.00)

Gluten Ruling Upheld

The WTO upheld on appeal a panel ruling that the US violated WTO rules in restricting imports of wheat gluten from the European Union. Welcoming the decision, the European Commission warned it would go ahead with the early retaliation unless the US took immediate steps to remove the quotas on wheat gluten, a product widely used in foods such as bakery products, pasta and processed meats.

President Clinton imposed a three-year quota on wheat gluten in 1998 following a doubling of imports from the EU to take a 30-percent share of the US market.

The appellate body changed some of the legal reasoning used by the panel report, issued last July, but upheld the basic finding that the US restrictions were inconsistent with WTO rules.

The appellate body said the US had not demonstrated the causal link between increased imports and serious injury to the domestic industry.

(FT, 24.12.00)

China Denounces US Quota Reduction

China denounced a US decision to reduce its quota on the import of Chinese textiles by \$9mn. According to China, the reduction is seriously violating bilateral agreements and urged Washington to drop it entirely. The quota reduction is in response to alleged trans-shipment of Chinese textiles. The US accuses Chinese businesses of shipping textiles through a third country to get around China's quota.

The US said it has found that Chinese textiles worth \$10mn were attributed to the quotas of other countries, therefore resulting in a roughly equivalent reduction to the country's \$6bn annual quota.



The Economic Times

The Chinese official said that rethinking the decision is the only way to avert potential damage to China-US trade relations.

A US diplomat said Washington informed Beijing in June that it had strong evidence of trans-shipments, including confessions from companies involved in fudging the accounts.

China is, however, particularly sensitive about protecting access to overseas textile markets, since the labour-intensive industry is one where China has an advantage over other producing nations.

Argentina-Brazil Trade Dispute

The Presidents of Argentina and Brazil issued a joint statement expressing Mercosur's spirit of unity in an effort to calm investors concerned about recent trade disputes between the trade bloc's major partners.

The Argentine economy, mired in a recession that has lasted more than two years, took a turn for the worse last week as the stock market plunged. The repercussions of the economic measures adopted in Argentina to solve the crisis were then felt in Brazil.

The Brazilian President, Fernando Henrique Cardoso, and the Argentine President, Fernando de la Rúa, met in Madrid and resolved to solve the pending issues with a spirit of unity, co-operation and integration. The two South American leaders also made in-roads with respect to bilateral relations between Mercosur and the European Union.

Avoiding Trade War

The European Union (EU) hopes to settle disputes with Japan over telecommunications market through regular consultations before taking it to the WTO. The EU is currently examining different options to try to resolve problems that exist. It may also include the possibility of taking Japan to the WTO. However, it is not something that the EU is considering for the time being.

Usually, the EU's first step would be to hold consultations with Japan if it did invoke the WTO dispute settlement procedure. If the dialogue failed, a concerned case could be decided by a WTO dispute panel.

In talks on regulatory reform in Tokyo last month, the European Commission, the EU's executive

body, pressed Japan to improve the investment environment, create an independent telecom regulator and strictly enforce competition policy.

EU Warned on Airbus

The US President, Bill Clinton, warned the EU that a new trans-Atlantic trade war could erupt over government funding for Airbus' A3XX superjumbo-jet project. He stressed his concern that if the issue is not taken seriously, it could be a difficult issue between the US and the EU in trade in the future.

Industry sources said Airbus was scheduled to announce the launch of its A3XX project on December 12, which will cost \$12bn. The Clinton administration has been under increasing pressure from Boeing to challenge European Government financing of the A3XX, which is seen as Airbus' biggest threat yet to Boeing in the commercial jet market.

US officials said they have not ruled out filing a complaint in the WTO over the plans by Germany, Britain and France to help finance the project.

EU Subsidy Protest

The EU looks likely to take action against South Korea in the WTO after European shipbuilders yesterday filed a complaint over state aid to the Korean industry. Cesa, representing the European steel industry, says Korean subsidies breach international trade obligations and have facilitated unfair price-cutting.

It says its competitive position will be eroded further if the European Commission goes ahead with plans to outlaw state aid from EU governments to the shipbuilding industry after the end of this year.

The EU complained its anti-dumping inspectors had been refused information on real costs by one large shipbuilder, breaching a Korean commitment on transparency.

Following yesterday's complaint, an essential precursor for a WTO complaint, the Commission has 45 days to examine the EU shipbuilders' case under trade barrier legislation. If it decides the complaint is valid, it will launch an investigation of up to five months prior to a potential WTO complaint. *(FT, 25.10.00)*

Resolving Dispute over Beef

The US and the EU may be close to resolving a long-running dispute over a European ban on hormone-treated beef. Under a proposal being considered, the US would reduce sanctions it has imposed on \$117mn of luxury European products if the EU agrees to expand access into its market for high-quality US beef that has not been treated with hormones.

The US has been unable to fill a small existing quota for hormone-free beef because it is subject to a 20 percent European tariff. Both sides are working against a November 18 deadline by which they are scheduled to come up with a new list of sanctions in both the beef and banana disputes.

In an effort to increase the pressure for a settlement, Congress this year passed a law requiring the administration to rotate the target list periodically. While the lists have been delayed for months, the administration has said it will produce a new set of sanction targets by November 18.

Concerning both banana and beef, the WTO ruled that the EU restrictions violated WTO rules.

Lacking Basic Services

According to a report by the World Health Organisation and the UN Children's Fund (Unicef), a fifth of the world's population has no access to improved water supplies and two-fifths have no acceptable means of sanitation. Though efforts have been made over the past two decades to improve these services in developing countries, 2.4 billion people still lack sanitation and 1.1 billion are without a fixed source of water supply.

Moreover, relatively few developing countries treat waste water, which leads to the pollution of rivers, lakes and coastal waters. And, though urban the communities are better served than rural ones, delivering affordable services to the growing urban poor is a formidable challenge.

This UN report came before a meeting in Brazil on how to implement ambitious global targets to halve the number of people lacking safe water and sanitation by 2015 and bring these services to all by 2025.

(FT, 23.11.00)

Ambitious Rescue Plan

The South African President, Thabo Mbeki, said African leaders would present an ambitious programme to the developed countries, tentatively called the Millennium Africa Recovery Plan (Map), to rescue the continent from poverty. The plan is being prepared by South Africa, Nigeria and Algeria, three of the continent's biggest economies. This plan would be supported by the US, the EU and Japan would be launched next year.

The plan aims to link hitherto unco-ordinated efforts to promote foreign investment, trade concessions and aid – and to push for more debt relief. Mbeki emphasised that African governments would be expected to show support for peace and democracy and to fight corruption if they wanted to benefit from the plan. African leaders themselves would impose the conditionality in the plan. Mbeki said that as Africans they must credibly demonstrate their determination to deal with these questions of peace, stability and democracy.

(FT, 27.11.00)

Hunger Rate to be Reduced

More than 800 million people go hungry each day, including one in three sub-Saharan Africans,

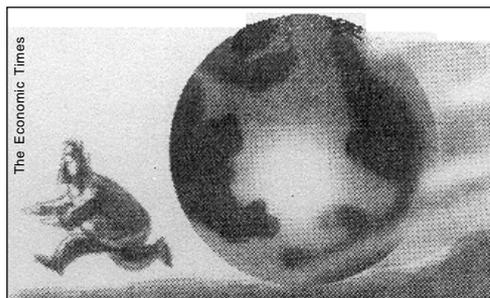
Linking Loans with Rights

The World Bank and the International Monetary Fund should integrate human rights considerations into their loan packages, says the Human Rights Watch, a US based advocacy group.

In its 2001 report, the group said institutions should condition loans on the creation of national institutions to enforce human rights and a progressive improvement in respect for them. Under the leadership of their president, James Wolfensohn, the World Bank had "begun to change this sorry legacy". Under the new leadership of Horst Kohler, the IMF had slowly begun to change too.

However, the institutions had not been uniform in their attention to rights – particularly in continuing loans to Russia in the face of atrocities in Chechnya and China, in the face of corruption and restrictions on basic freedom.

(FT, 08.12.00)



according to a report by the Rome based Food and Agriculture Organisation. At the 1996 world food summit in Rome, leaders of 186 countries pledged to reduce by half the number of hungry people in the world by 2015. While a reduction of 8 million has been achieved, an annual reduction of 20 million is necessary to achieve the target.

Reducing hunger not only has a humanitarian justification but a strong economic rationale. "The economic cost of hunger and malnutrition, as reflected in lost productivity, illness and death is extremely high," says the FAO.

Four factors together offer possible solutions to hunger – stable political conditions, more investment, social safety nets for vulnerable groups, agricultural research aimed at improving output and debt relief, the report argues.

(FT, 17.10.00)

Promoting Global Change

World business leaders were urged to join new "partnerships of self-interest" between the private sector, non-government organisations and governments at both global and national levels.

"There is a real opportunity for business to play an important role in coalitions for global change on a range of pressing issues...from working together to persuade richer countries to dismantle protectionist barriers to confronting shared challenges in areas like global warming, pollution and energy efficiency," Mark Malloch Brown, the

administrator of the United Nations Development Programme, told a business audience in London.

Brown said UNDP and other UN agencies could work with business in many areas. They could develop standards for "good corporate citizenship". Partnerships should be forged between UNDP, corporates and human rights groups and businesses should explore the huge, but largely untapped market, comprising consumers in the developing world.

(FT, 07.11.00)

Unhealthy Rise in Danger

Travel to developing countries is increasingly perilous, according to the annual global assessment from overseas security consultancy Control Risks Group (CRG). It reports a marked increase in the number of countries where crime has risen, or is thought likely to increase, during the next twelve months.

The number of destinations that CRG deems to pose an extreme risk (such as Afghanistan) has grown from five to twelve since 1997, while those designated as high risk (such as Papua New Guinea) have increased from 39 to 47.

CRG attributes these rising crime rates to "poverty, drug abuse, access to illegal firearms and the breakdown of family ties caused by migration to the cities." CRG also draws a strong link between crime and the Aids pandemic, which has undermined traditional values and left tens of thousands of abandoned orphans.

(FT, 21.11.00)

Eradicating Diseases

Globalisation should be used to eradicate the diseases of poverty, said Clare Short, UK Secretary of State for International Development, in an address in Geneva.

The "key obstacle" to eradicating communicable diseases in developing countries, where close to 3 million people die each year from malaria and tuberculosis had not been cost, she contended, "but the failure of governments and health systems in being available and accessible to the poor". What was needed, according to her was greater commitment from the global pharmaceutical industry to transparency on pricing and the costs of drug development.

She also called for the introduction of equity pricing to enable companies to sell innovative drugs at near cost in poor countries while preventing their import to the industrialised world where prices would be higher. She advocated voluntary licensing of patented products to local manufacturers in developing countries to produce cheap quality drugs. At the same time, developing countries should remove barriers and delays that raise the costs of essential drugs.

Winning Public Opinion Battle

Non-government organisations such as Amnesty International and Greenpeace command far greater trust among the public in industrialised countries than do governments, companies and the media according to a survey by Edelman Public Relations.

Among individual NGOs, 63 percent of Europeans trusted Amnesty, while more than half trusted Greenpeace and the World Wide Fund for Nature. The World Trade Organisation and Monsanto, the US biotech company – both recent

targets of NGO campaigns – scored 14 and three percent, respectively.

Edelman said NGOs were winning the battle for public opinion because confidence in governments was low and business talked more about science than human issues. NGOs were particularly trusted on issues concerning the environment, health and human rights. They scored more highly in Europe than in the US.

(FT, 06.12.00)

Policy Shift Embarked

The United Nations Industrial Development Organisation (UNIDO) has embarked on a policy shift to delegate more authority and emphasis to the field, implying the need for more funds to support more personnel and technical assistance to strengthen field activities. Poverty alleviation would be one good result.

The real issue is the imbalance between operational field activities and the normative (governing) activities at the headquarters. UNIDO's Managing Director, N.Mohanty, explained that operational activities deal with technical assistance to field projects. Normative activities cover study, analysis, document preparations, organising seminars and experts meetings on development issues.

UNIDO's current proposals are quite positive: 1) Expansion of field offices and the present 10 regional bureaux, 2) New recruitment and/or redeployment of HQ's staff who should make themselves relevant and useful in the field.

(TH, 02.11.00)

Big Dam Projects Questioned

A draft report by the World Commission on Dams (WCD) is sharply critical of large dams in developing countries, saying that they often fail to deliver promised benefits and have large human and environmental costs. It also says

large dams, of which there are over 45,000 worldwide, generally fail to provide the promised irrigation benefits and frequently involve mass resettlement of poor people, with inadequate compensation. The report adds that the negative social impact and large capital investment were neither assessed nor properly accounted for.

The full report is expected to single out for criticism the World Bank (WB), which has often been involved in funding these projects.

The WCD was set up in 1998 after prompting by James Wolfensohn, the WB's President. Its report will diminish enthusiasm within the bank and other development agencies, including western countries' export credit guarantee departments, for backing large projects.

(FT, 14.11.00)

Globalisation a Must

Globalisation is necessary, with the inputs of social and community participation, for the development of a country, World Bank President, James D. Wolfensohn, said on a visit to Lucknow. He added that India had initiated the process of globalisation thousands of years ago through its trade and technology transfer to the West and stated that opposing globalisation would lead to isolation.

But, Wolfensohn warned first there must be a level playing field, followed by a feeling of competitiveness without losing the identity of the nation. There must be a social programme to help small and medium-scale units compete with the multi-national companies, he added.

As far as India was concerned, the services sector was important. The country had made tremendous contribution to the information technology sector and Indian IT professionals were ruling the world, he also said.

(FT, 12.11.00)

Investors who consider themselves and their strategies to be socially responsible may be taking more risks with their own financial futures than more diversified investors, according to a study by Morningstar. That's because "socially responsible" investors tend to avoid companies that pollute, have unenlightened labour practices or sell alcohol, guns, tobacco, nuclear products, gambling or weapons. That leaves just technology stocks that are very volatile.

The two major socially responsible

Taking More Risks

The Economic Times

index funds, the Domini Social Equity Index and the Citizens Index, are losing 12.68 percent and 6.08 percent, respectively, on a year-to-date basis, while the average large cap fund is eking out positive returns.

"Ethical" investors can balance their volatile fund investments by having a slightly lower portion of their money in stock funds and investing more in government bonds and money funds issued by the fund companies specialising in social investment.

(BL, 10.11.00)

Poverty Through the Eyes of the Poor

The World Development Report 2000-01 has done a yeoman service by giving a structural analysis of poverty. According to the report: "Poverty is the result of economic, political and social processes that interact with each other and frequently each other in ways that exacerbate the deprivation in which poor people live". The report is concerned with "The experience of multiple deprivations," as experienced by the poor themselves.

The report says: "Poor people live without fundamental freedoms of action and choice that the better-off take for granted. They often lack adequate food, shelter, education health Deprivations keep them from leading the kind of life that every one values.

"They also face extreme vulnerability to ill health, economic dislocation, and natural disasters. And, they are often exposed to ill-treatment by institutions of state and society and are the powerless to influence key decisions affecting their lives. These are all dimensions of poverty."

The report bases its analysis of the structure of poverty on the voices of the poor themselves – surveys on how the poor view the state of poverty they are in – and not on the theoretical constructs of economists. The results of the surveys show that poverty is a uni-dimensional phenomenon.

The Voices of the Poor study, based on the realities of more than 60,000 poor women and men in 60 countries, was conducted as background for the World Development Report 2000-01.

These surveys are participatory and designed to learn how individuals from various social groups assess their own poverty and the poverty-reduction strategies. The findings are meant to refocus, elaborate or validate conclusions drawn from conventional poverty assessments. At the same time, participatory poverty assessments

pay special attention to process with the aim of engaging a range of stakeholders, generating involvement, maximising local ownership and local partnership with the Government machinery and building commitment to change.

The study shows that poor people are active agents in their lives, but are often powerless to influence the social and economic factors that determine their well being.

Although expressed in many different ways, two aspects of poverty

and detailed study about the underlying causes of poverty across different regions and communities. Manifestations of poverty may seem to be quite the same across the regions or communities but they are not so in actuality, since the underlying causes of poverty vary from one region to another and from one community to another. These differences have to be taken into account.

For achieving this, a thorough census of poverty-stricken people of a country may be based on some cut-off income line and rooted firmly in the participatory approach so that broad poverty profiles of regions and communities within regions can be prepared.

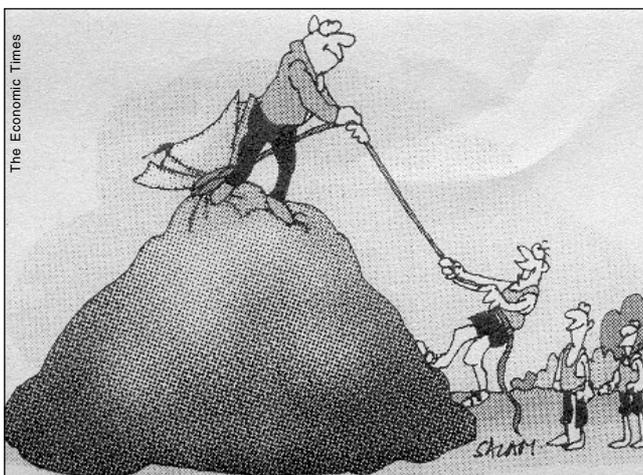
These poverty profiles will help the Government and various NGOs identify the local and regional needs for social and other infrastructural facilities, the absence of which is the reason behind the state of poverty prevalent in that locality or region.

The implementation should be done through a meaningful partnership with the people themselves at the grassroots level. This partnership at the grassroots level is required since the local and community-specific variations in the factors governing the complex phenomenon of poverty are known to the local people.

There may be a common element in the proposed blueprint for implementation that would be applicable throughout the length and the breadth of the country, but the local realities and demands made by the local poor also will have to be reflected in that blueprint. No stereotyped and uniform strategy can be relied upon to solve the problem of poverty in a vast country such as India.

(BL, 06.11.00)

(The author, Santanu Mitra, is the Deputy Director, Directorate-General of Commercial Intelligence and Statistics, Ministry of Commerce and Industry, Calcutta. The views expressed are personal.)



that emerge from the participatory assessments seem especially important. One is the concern with risk and volatility of incomes, often expressed as a feeling of vulnerability.

The lack of voice and political rights, described as a sense of powerlessness, is the second dimension of poverty revealed by participatory assessments and is described by some as the most fundamental characteristic of poverty.

The report builds on the earlier strategies in the light of the cumulative evidence and experience of the past decade – and in the light of the changed global context. It proposes a strategy for attacking poverty in three ways:

- Promoting opportunity;
- Facilitating empowerment; and
- Enhancing security.

Before any blueprint for implementing this strategy is formulated, there should be a proper

Dropping Regulation Objections

The powerful trade union organisations of Spain, Germany, Ireland and Britain have joined forces to press their respective governments to drop their objections to proposed EU regulations that would force companies to consult workers on plant closures and job losses. The EU directive, if implemented in law, would give all European workers in companies with more than 50 employees the right to be consulted on major changes at work.

While France has indicated it wants to make the directive a priority during its EU presidency, the four other governments are opposed, saying it is an unnecessary burden on multinational business.

Many European countries, including Germany, already have legal commitments on workplace consultation through works councils. However, the chances of getting this new EU directive approved are not very bright. *(FT, 13.10.00)*

Encouraging Immigration

Developed countries facing a greying of native populations which could leave them short of workers to support an army of pensioners should encourage immigration to fill the gap, according to a document entitled "Demographic Manifesto" issued by a leading investment bank in Barcelona. It suggested measures of integrating emerging economies with richer nations.

In July, a document suggesting that the bloc should admit upto 75 million immigrants over the next 50 years to top up its working population was discussed by EUM.

"The pensions time-bomb can't be looked at in isolation. There has been a surge in population in the emerging nations, which now have much younger populations," said a spokesperson of the Credit Suisse First Boston, the bank mentioned earlier. Immigration has been widely cited alongside new technology as one of the factors underpinning the long 1990s economic boom in the United States. *(BL, 09.12.00)*

Racial Bias: Case Settled

Coca-Cola Co, the world's largest soft-drink maker, will pay a record \$192.5mn to settle a racial bias case covering hundreds of black workers who said they lost out on pay and promotion. The settlement includes future pay adjustments and training

and oversight programmes to improve working conditions for minority employees. It also calls for the Atlanta Company to undergo a full-scale review of its employment norms by an outside taskforce.

Analysts said settling the lawsuit, which could have dragged through the courts for years, helps Coca-Cola remove the taint of discrimination, which could have hurt the Coke name and, consequently, sales. They said that it was a worldwide company and the last thing they needed was any issue relating to discrimination because they sold to everyone.

The monetary settlement covers back pay and damages for salaried blacks who worked for the company between April 22, 1995 and June 14, 2000. *(FT, 18.11.00)*

Immigration Policy on Election Agenda

The once taboo issue of immigration could become a central background in Germany's next general elections in 2002 after the opposition Christian Democratic Union (CDU) unveiled a controversial working paper on the subject which contains references to a "guiding culture" to be respected by immigrants coming to Germany. The use of the phrase triggered disputes between the party's liberals and right-wingers and opened the CDU to attack from immigrant leaders and other politicians for alleged racism.

Immigration has gained prominence after Chancellor Gerhard Schröder decided to issue "green cards" to specialist workers

from outside the EU to cover skill shortages in Germany. Fritz Kuhn, a Greens party leader and part of the governing coalition, said, "Germany really is a multicultural society. I think it is a really serious error for a broadly based party such as the CDU to use an expression that excludes so many people." *(FT, 07.11.00)*

Fair Norms on Visa

India is spearheading a campaign in the World Trade Organisation (WTO) services negotiations to sort out what the developing countries feel are the imbalances in the employment and issuance of visas to professionals where the developed countries do not provide a level playing field. India has, therefore, proposed to the WTO that there should be a delinking of the commitments already made for mode 4 of GATS (General Agreement on Trade and Services) from those of mode 3.

There should be a standard-setting and broad-based equivalence of qualifications and bridging mechanisms should be established in case of divergence of requirements and existing standards between the host and home countries.

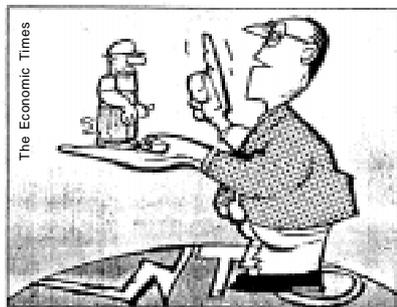
Professionals from developing countries face unfair barriers from developed countries in getting their working visas. Some of the limitations and administrative hurdles come in the form of immigration and labour market policies, wage parity and economic needs test. *(FT, 13.12.00)*

Promoting Labour Standards

India and China have expressed concern at attempts to promote labour standards through the trade route. The two countries agreed to continue co-operation in various matters under discussion at the International Labour Organisation when a high-level Chinese delegation called on the Indian Labour Minister, Dr. Satyanarayan Jatiya.

Both sides shared the view that training and re-training of workers should be done on a continuous basis to increase the employability of the workforce in the fast moving labour market. The need for multi-skilling was also emphasised.

The two sides also discussed ways of promoting co-operation in areas identified during Dr. Jatiya's recent visit to China. These are labour and social security legislations, measures and policies on employment promotion, labour relations, policies in vocational training and social security system. *(BL, 24.10.00)*



Preventing Job Discrimination

Employers will be prevented from discriminating against older workers, gays, disabled people and members of religious and ethnic groups under the proposals approved by European Union (EU) governments. The measures will markedly improve the rights of the elderly and minorities for jobs and promotions and protect the working conditions of potentially disabled employees.

The deal requires governments to set up a system of legal sanctions to protect employees against discrimination. Sanctions will vary from country to country. However, in most cases, they are likely to include financial compensation and reinstatement. The discrimination directive will complement similar legislation set up in 1976 to tackle sexual discrimination in the workplace.

Anna Diamantopoulou, the EU Employment Commissioner, said the adoption of the directive sent a strong signal that the EU was not just about economics. "It is a community of values." *(FT, 18.10.00)*

Stress Related Crack-up

Everyday there is one message that is reinforced in a hundred different ways. It makes good business sense to be a generous employer. And, this is not just talking about better compensation. Paying better and destroying people with the burden of meeting unrealistic targets is also proving to be an unintelligent proposition. Either the person leaves or simply goes crazy. Either way, the costs to the company are huge.

Studies show turnover costs range from one-half to over three times the departed employees' annual pay and that with stress-related disorders on the rise, employers are going to lose millions of dollars in sick leaves and lost working times of people in their productive years.

Dr. Sandeep Vohra, psychiatrist, explains, "Globalisation has led to higher work targets, unrealistic deadlines and rapid changes in technology and a further breakdown in family values. Poor and insensitive management fuels the stress this causes." *(ET, 28.12.00)*

Guidelines for Human Rights

A group of energy and mining companies and human-rights organisations, backed by the U.S. and Britain, announced a set of voluntary

guidelines for respecting human rights while protecting operations overseas. Officials hope the measures will form the basis for a global standard for preventing the abuses often linked to energy and mining operations.

"The best-run companies realise that they must pay attention...to universal standards of human rights, and that in addressing these needs and standards, there is no necessary conflict between profit and principle," the U.S. Secretary of State, Madeleine Albright, said in announcing the guidelines. Around the globe, oil and mining companies find themselves ensnared in controversies over the government forces and private security personnel they rely on to protect their employees and physical assets in troubled regions. The question is how far can companies go before legitimate security measures become human-rights abuses? *(WSJ, 22.12.00)*

Weak Job Growth

Job growth in the US was weak, the Labour Department said. However, job losses in government and construction were more than offset by gains in wages and private sector employment in retail, healthcare, computing, telecommunications, finance, consulting and other services.

The report showed that the pace of job creation in the US has decelerated to its slowest rate in almost five years, a symptom of persistent labour shortages as well as an economic slowdown. Payrolls outside the agricultural sector rose by 94,000 last month. However, estimates of growth in October were revised sharply downward to 77,000 from 137,000. While the figures are anaemic by recent historical standards (job growth has averaged 200,000 a month over the past two years), the report did not suggest an economy on the brink of recession, said Stuart Hoffman, chief economist at PNC bank. *(FT, 09.12.00)*

Workplace Rights Move Rejected

British ministers plan to reject moves to extend legislation on a range of workplace rights at the EU talks on employment before the Nice summit. Britain says that the Social Policy Agenda for Nice would prevent the EU meeting employment targets set at the Lisbon summit.

The Social Policy Agenda is a five-year action programme to implement

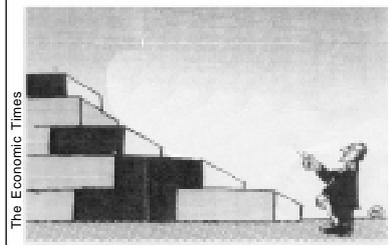
the Lisbon agreement. The summit adopted a programme of economic and social reforms aimed at creating 20mn jobs, annual growth of 3 percent and the "most competitive and dynamic knowledge-based economy in the world".

The ministers will argue that proposals for common standards on individual cases of dismissal, wage levels and workplace consultation would hamper employment growth. Spain, Sweden, Ireland, the Netherlands, Portugal and Denmark have lined up with the UK to oppose the measures and ministers say they will refuse to agree to the text, if necessary. That would mean France would be forced to send social policy conclusions to the Nice summit that have been opposed by almost half the members of the council.

(FT, 28.11.00)

Full Employment Achievable

Evidence from around Europe shows that the goal of full employment is achievable, according to Geoff Mulgan, director of the performance and innovation unit in Britain's Cabinet Office, and Professor Richard Layard of the London School of Economics. It requires, however, a mixture of more active help for the unemployed tied to tougher requirements for them to seek and take work.



Denmark, the Netherlands and the UK are all approaching a form of full employment, Mulgan and Professor Layard argue, while others such as France, Germany and Belgium still face high levels of unemployment. The more successful countries have provided more active help, while applying tighter conditions to the granting of unemployment benefit, Professor Layard said.

The goal of ensuring that everyone who wants to work can work and no one in work has to be poor "is achievable". *(FT, 06.12.00)*

Cyber Squatting Wave

Internet names in Asian languages ending in the coveted “.com” were criticised at a meeting of the Internet’s governing board for being technically premature and encouraging a new wave of cyber-squatting by cyber-squatters – people who buy up Web-site names in the hopes of auctioning them off later for high prices.

VeriSign Inc.’s Global Registry Services, which oversees all Internet addresses such as “.net and .org”, except those ending in country codes, began accepting registrations using Chinese, Japanese and Korean characters. Proponents say VeriSign’s system will speed the take-up of the Web outside the English-literate world.

But, opponents of VeriSign’s system say introducing Asian-language domain names now could prove disruptive to an increasingly-overburdened domain name system, be confusing to users, lead to misdirected E-mail and disappearing Web sites, etc. *(FE, 15.11.00)*

Tackling Internet Crime

A network of specialist law enforcement officers trained in investigating cybercrime is being set up as part of a \$35.5bn programme aimed at curbing criminal use of the internet. Jack Straw, Home Secretary, said the government was committed to action against high-tech crime in line with it’s objective of making the UK “the best and safest place in the world to conduct and engage in e-commerce”.

The growing threat of cybercrime – from paedophiles through to organised fraudsters – was discussed at a recent G8 meeting and the Ministers agreed increased resources were needed to deal with an issue that has been more forcefully addressed by the private security

Frankfurt is slated to be invaded by green-card waving Indian IT experts. According to the labour office at Frankfurt, 498 green cards were granted by December 1, of which 164 went to Indian applicants. Thus, Indians formed the largest national group getting green cards. A German newspaper, Frankfurter Allgemeine Zeitung, reported that of the 164 German green-card holders, 104 have an IT-related degree and 138 work in companies of up to 100 employees.

In keeping with the Indian image of

industry. This cyberforce plans to use it’s newly acquired powers to intercept and decrypt e-mails.

According to the Confederation of British Industry estimates, annual business losses through Internet fraud range from 3 million pounds to as high as 5 billion pounds. *(FT, 14.11.00)*

Tough Rules for Internet News

China has issued new rules controlling content on the Internet that require websites to gain top-level government approval before posting news. The regulations are designed to push the mainland’s big portals to use news generated by official newspapers such as the People’s Daily.

China’s main privately-owned portals already carefully monitor content on their bulletin boards and say these new rules contained no surprises. However, these regulations will not help restore investor-confidence in these companies whose share prices are all off by more than 50 percent since their listings earlier this year.

But, the regulations do contain a loophole of sorts – they do not define news. In practice, the websites have taken this ambiguity to mean that sporting and business news is permitted but politics is not. The regulations also specifically target foreign news, saying permission is needed from the State Council, China’s cabinet, before it can be posted. *(FT, 08.11.00)*

Soaring Internet Users

The number of Internet users in Asia will reach 188 million by the end of 2004, a jump of almost five-fold over a five-year period, according to the international technology consultancy firm, Gartner. There would be 72 million Internet subscribers by the end of this year in Asia, including Japan, up from 41.8 million at the end

of 1999. The projection said China, Japan, India and Korea would be the main countries bringing large numbers of people online.

Of the predicted 188 million Internet subscribers in 2004, 51million, or 27 percent, would be in China while 10.1million, or 5.37 percent, would be from India. Gartner cited improved infrastructure, cheaper access and increased local language content as the main driving force behind the rapid growth of Internet use.

The company said most Internet users would still be relying on dial-up modems to access the Internet by 2004, although broadband connections would become more and more widespread. *(BL, 23.12.00)*

Y2K Revisited

Saving the world can be good for business. That’s the conclusion of many executives who directed heavy spending last year preparing for the Y2K computer glitch, an event that never came but which at first seemed to threaten an infrastructure breakdown. Nothing of the like occurred, of course, after what the US federal government estimates at \$200bn in readiness spending worldwide. Others put the figure as high as \$600bn.

Paul Connolly, chief operating officer of the Federal Reserve Bank of Boston, said heavy pre-Y2K spending contributed to the economic growth through much of 2000.

Earlier Connolly suggested several lessons might be taken from the successful planning for Y2K. He said, “the ‘just-in-time’ focus of so much business activity today may, on occasion, not be in the public interest because it encourages companies to put off long-term investments. Issues like global warming and urban sprawl might be difficult to solve for similar reasons”.

quality at a reasonable price, it is estimated that of the 498 card holders in Frankfurt, almost 120 got the cards with a minimum income stipulation; hinting that Indian and foreign experts come cheaper than German and European experts with the same capabilities.

Companies of all sizes from multinationals to start-ups are hungry for IT experts from abroad. Presently, Europe needs 1.9mn IT-specialists and by 2003, the demand will increase to 3.8mn. The green card is only a temporary relief of this demand. *(ET, 12.12.00)*

Invaded by Green Indians



Losing Benefits of E-business

About four-fifths of the organisations cannot reap the benefits of e-business because their purchasing and distribution systems are inadequate, according to a study by British Telecommunications (BT). Instead, the rapid development of websites that promisemuch, but delivers little, is storing up futures logistical disasters, says the study by Warwick Business School.

The study found that while traditional companies were desperate to establish a web presence, they did not set up the information technology and stock handling systems to ensure orders could be fulfilled.

According to Chris Downing, an e-commerce strategist at BT, instead of building robust, compatible systems linking all parts of the supply chain, companies had attempted to establish cutting-edge credentials on the web, believing that fulfilment would automatically fall into place.

(FT, 05.12.00)



Small Fry Beating US Cos.

When Chevron and Texaco put the final touches to their \$43bn merger last week, they apparently forgot one small detail – registering their new Internet domain name. The new oil company, putatively named Chevron-Texaco Corp., has had dozens of permutations of its new name occupied by outsiders, a practice known as “cyber-squatting”.

Until last year, cyber-squatting was legal in the US, forcing companies and individuals who wanted to regain domain names to negotiate with the land-grabbers, who frequently exacted large payments for the rights to the site. Last November, however, the former US President, Bill Clinton, signed a law that allows parties to sue in court over a domain name and to seek up to \$100,000 in damages.

To avoid the problem, many web-savvy companies will register a name just in advance of a merger announcement, since the information does not show up on official lists for between 12 and 24 hours. (FT, 24.10.00)

Facing Global Challenges

Cybercrime is a scourge that by one estimate costs global businesses \$1.5bn annually. Although almost all crimes potentially have international links, computer-based crimes have become almost exclusively global in nature, whether because of offshore “hop sites” used by criminals to confuse investigators or because computer security can be more lax in developing countries.

But, the global nature of cyber-crime has raised some unique problems for the Federal Bureau of Investigations (FBI) and it’s law enforcement partners in industrial countries. At the most basic level, some developing nations do not have laws making cybercrime illegal.

According to Ron Dick, head of computer investigations at the FBI’s National Infrastructure Protection Centre, having laws on paper is not enough because very few countries have the technological expertise to deal with the problem. (FT, 25.10.00)

Peaked Internet Use

Internet usage in the US has almost peaked, or at least plateaued, as consumers spend less time on the web, according to a report by consultants at PwC, the professional services group. The report shows that more US consumers access the internet from home than in the other four countries surveyed.

PwC’s fourth annual technology study found that 44 per cent of Americans access the internet compared with 38 per cent in Australia, 31 in the UK, 31 in Germany and 16 in France. However, in 1999, US internet penetration stood at 43 per cent. Robert Boyle, PwC’s director of European media, said: “In the US usage went down from 5.3 hours a week to 4.2 hours compared with a rise from 2.4 hours to 3.2 hours in Europe.”

It would take another year or two to establish whether this was a trend. PwC’s report concluded that nine out

of ten homes use the internet mainly for research or to send e-mail.

(FT, 01.11.00)

Conquering Cyber Shelf

Selling goods online is tough, especially when it comes to clothing. Internet malls are littered with so many failed apparel retailers that even investors quite comfortable with risks are now staying away. So, the dotcom world was surprised to see a little store called eStyle (<http://www.estyle.com>) raise a sizable amount of money for it’s business.

The Los-Angeles based eStyle sells clothing for infants, children and pregnant women and offers services like online gift registry and private label merchandise. The chief Executive, Ms. Laurie McCartney, understood the value of keeping the client and tried to present a whole lifestyle site that caters to all the needs of young mothers short on time.

One huge advantage, maintains Laurie McCartney, is that her shoppers rarely return goods. Another merit of eStyle is in its flexibility in mixing an online and an offline business model. As McCartney says, “Being in touch with the customer means being multi-pronged.”

(BL, 08.12.00)

Seeking Tighter Security

The world’s internet industry should select national representatives to help authorities in the fight against cybercrime, say Internet experts from the leading industrial nations. Government and industry representatives of the Group of Eight (G8) countries stepped up calls in a meeting in Berlin for an international agreement on minimum-security standards on the internet. Cybercrime has been estimated to cost \$43bn damage annually.

The G8 and other countries already operate a round-the-clock communication system for combating cybercrime. But, there was widespread agreement that representatives in industry could further aid crime prevention. Michael Rotert, the Chairman of the German Electronic Commerce Forum, suggested an agreement could cover issues such as which data were held and for how long by service providers and the use of “firewalls” to prevent unauthorised access to internal networks.

(FT, 27.10.00)

High Costing Piracy

Computer software piracy in West Asia costs US industry giant Microsoft Corp. \$100mn a year, although piracy has declined in some parts of the region, according to a senior company official.

"Software piracy is costing the company yearly about \$100mn in the Middle East and \$12bn worldwide," said Bahram Mohazzebi, Microsoft's general manager for the Gulf and Eastern Mediterranean. He said the level of piracy was declining in some regional states, including the United Arab Emirates, Jordan and Lebanon. "The piracy rate in the UAE dropped in the last four years from the high nineties to the low forties," he said.

The US-based Business Software Alliance estimated this year that total industry losses from piracy in West Asia in 1999 increased by 78 percent to \$245mn. *(BL, 12.12.00)*

Access to Nazi Sites Blocked

A Paris court ordered Yahoo!, the Internet company, to block French users from accessing Nazi memorabilia on its US sites. The high court ruling, based on French anti-racist laws, gives Yahoo! three months to bar French nationals from accessing the relevant auction sections of its site. If it fails, it will be fined heavily.

Yahoo! is expected to either appeal to a higher French court or to ask a US court to refuse to endorse the judgement, on the grounds that the French court has no power to impose sanctions on the US site of a US company.

The company claimed there was no fail-safe technical way to block access to French nationals only. But, three court-appointed international experts concluded a system of checking the nationality of users, combined with password checks, could identify 90 percent of those seeking to purchase Nazi items from France. *(FT, 21.11.00)*

Online Debt Protection

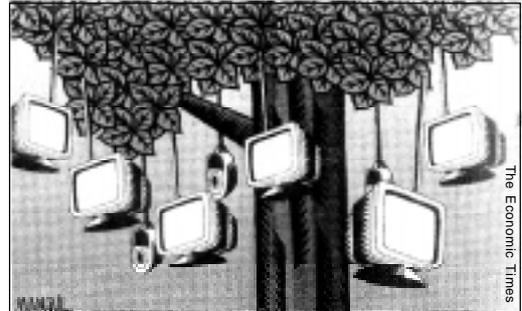
Gerling, the world's third biggest credit insurance group, is to launch what it says will be the first online business-to-business debt protection service offering immediate cover for trade transactions. The German-based group, which has a database assessing the credit risk of 1.2 million companies in 120 countries, said its new product, Tradecover, was

Expanding Internet Access

Pacific Rim leaders began two days of intensive talks on expanding Internet access to all citizens in the region to allow them to capitalise on the boom in information technology (IT). The leaders from member economies of the Asia-Pacific Economic Co-operation (APEC) forum are also expected to discuss whether to set 2001 as a target for starting a new round of multilateral trade negotiations under the World Trade Organisation (WTO).

A draft copy of the leaders' declaration says they will adopt a policy framework that "will enable the people of urban, provincial and rural communities in every economy to have individual or community-based access to information services offered by the Internet by 2010". Initially, they will try to double or triple by 2005 the number of such people.

Formed in 1989, the 21 member APEC, with a combined population of 2.5 billion, generates about 60 percent of the world's gross domestic product and about 50 percent of world trade.



particularly suited for small and medium-sized enterprises.

Gerling also announced the international launch of Trusted Trade, a real-time online credit insurance service platform that provides security to traders on business-to-business digital marketplaces. It enables sellers to assess the credit liability of buyers and provides an instant guarantee against non-payment in case of default or bankruptcy.

Four months after being launched, this platform already services three marketplaces: e-food-manager, Ferrous Exchange and IT-Exchange. *(FT, 08.11.00)*

Game of Power

The Federal Bureau of Investigation's (FBI) controversial e-mail surveillance tool, known as Carnivore, can retrieve all communications that go through an Internet service-far more than FBI officials have said it does-a recent test of its potential sweep found, according to bureau documents. An FBI official involved with the test stressed that although Carnivore has the ability to grab a large quantity of e-mails and Web communications, current law and specific court orders restrict its use.

While law enforcement officials have admitted that Carnivore can capture much more than e-mail,

including Internet chats and Web browsing, FBI officials insist it is only used to copy e-mail to or from a criminal suspect in accordance with a court order. Opponents say the "black box" nature of the system keeps the public from knowing what it can really do, and its installation at an Internet provider may cause network problems. *(WSJ, 20.11.00)*

Demand for Indian Students

Information Technology (IT) students from India studying in Germany are being increasingly recruited by IT companies there and given green cards to meet the shortage of computer experts in the country. Overall, Indian computer specialists accounted for roughly 20 percent of the US style green cards issued in the first four months since the special work permit scheme was launched in Germany on August 1st. A total of 720 IT experts, including 66 women, were from India among the 3,642 German green card recipients.

The Labour Ministry has finalised a programme making foreign students eligible for green cards and taking up jobs after completion of their studies.

Germany is "on track" to reach its goal of attracting some 10,000 foreign computer experts under the green card programme through mid-2001. *(FE, 12.12.00)*

Tougher Safety Rules Demanded

France demanded tougher safety rules for ships carrying dangerous cargos after a tanker carrying 6,000 tons of toxic chemicals sank off the Channel Islands close to the French coast. There was no indication of a serious leakage of the cargo.

Jean-Claude Gayssot, French Transport Minister, said: "This incident underlines the urgent need for the introduction and application of more binding international and European Community regulations regarding the safety of maritime transport."

The swift French reaction was prompted by fears of a repeat of the disastrous tank spill last December that polluted the Brittany coastline. A public outcry led to the government tabling proposals for the French EU presidency on tanker safety. These include tighter port inspections of tankers carrying dangerous cargos and a stricter system of classifying those companies that carry out the controls on the tankers. *(FT, 01.11.00)*

Guidelines Urged on Dams

An international report on dams called for national export credit agencies to stop undercutting each other on social and environmental grounds in their quest to win dam contracts for their companies. In one of the many recommendations in its wide-ranging 400-page study of the world's 45,000 large dams, the World Commission on Dams (WCD) urged outside funding agencies to "respect its new guidelines" for a wider cost/benefit analysis of dam projects.

Export credit agencies have taken over dam funding from multilateral lending agencies, such as the World Bank, in recent years but they

"generally lack policies on environmental and social issues and do not necessarily adhere to internationally accepted standards", the report says. *(FE, 17.11.00)*

Challenge of Climate Change

Creating a world less dependent on carbon-intensive fossil fuels for its energy supplies, particularly after the collapse of the recent climate negotiations, is one of the greatest challenges facing us this century says Klaus Toepfer, the Executive Director of the United Nations Environment Programme (UNEP). He added that The Hague Conference outcome highlighted both the importance and difficulty of making the essential transition to low-carbon economies.

After two weeks of intensive negotiations in The Hague, ministers and diplomats suspended talks on making the Kyoto Protocol operational and strengthening financial and technical co-operation between developed and developing countries on climate-friendly policies and technologies. However, the conference did make progress towards outlining a package of financial support and technology transfer to help the developing countries, especially the least developed countries and small island developing states, contribute to global action on climate change.

Threat to Pollution Plan

Talks on proposals to cut greenhouse gas emissions, which began in The Hague, could be jeopardised by the EU unwillingness to negotiate on some key issues, Japan has warned. All non-EU countries had, generally, agreed to the compromise proposals. *(FT, 18.11.00)*

Japan and other countries believe countries should get credit for growing new forests and preventing the destruction of existing forests. With responsibility for five percent of the world's carbon dioxide emissions, Japan believes that restricting the use of sinks could make it impossible to reach its target of reducing emissions by six percent between 1990 and 2010.

The EU says Japan – along with the US, Canada, New Zealand and Australia – could undermine the Kyoto Protocol by pressing for rules that would allow them to fulfil targets as cheaply as possible, while permitting them to increase their carbon dioxide emissions. *(FT, 13.11.00)*

Climate of Opinion Changed

As the world's politicians grapple in The Hague with the daunting task of curbing climate change, they can draw encouragement from an unlikely source. Business no longer presents a monolithic front against the Kyoto Protocol on cutting greenhouse gas emissions. Even in the US, where business lobbies have attacked the cost of this treaty, there has been a significant shift in industry's approach.

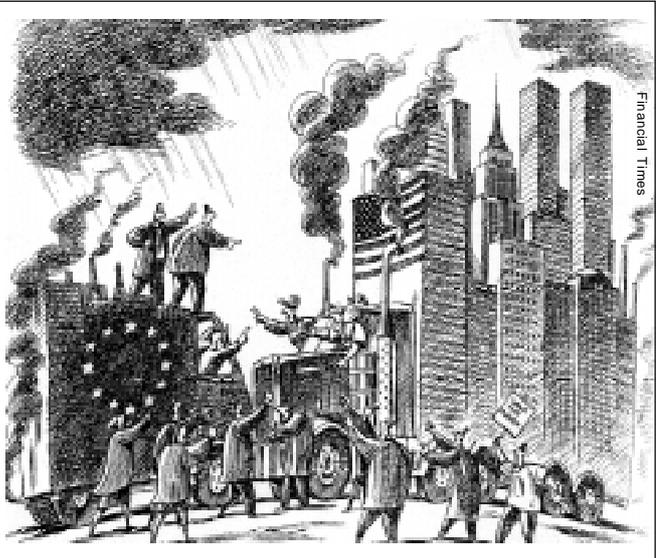
For many industries, cutting pollution is not just a cost – it is also an opportunity. Companies are developing new markets, strategies and technologies to combat climate change.

Whether curbing emissions is viewed as an opportunity or a cost, businesses see it as an issue they cannot ignore. Business leaders at the World Economic Forum in Davos, earlier this year, voted global climate change the most pressing issue confronting world business. *(FT, 18.11.00)*

Agreement Hangs in Balance

The prospect of a deal that would keep alive global efforts to curb climate change hung in the balance in a conference at The Hague. Ministers were searching for a compromise that would maintain the integrity of the 1997 Kyoto protocol on climate change, while avoiding alienating the US, the world's largest greenhouse gas emitter. Through much of the conference, the EU struggled to strengthen the environmental credibility of the proposal.

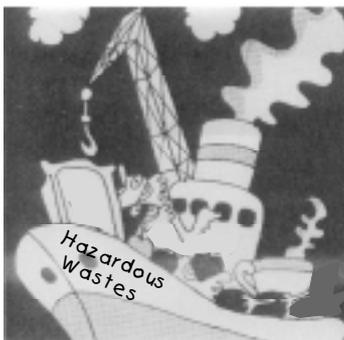
The US has been trying to enhance the cost-effectiveness and flexibility of the treaty. But, the EU has argued that the measures sought by the US amount to unacceptable loopholes in the Kyoto protocol, which would undermine long-term efforts to reverse climate change by reducing greenhouse gas emissions. The Pronk proposal laid out by the Dutch Minister Jan Plonk, who is the president of the conference, would, in effect, change the Kyoto target for industrialised countries between 1990 and 2010 from an original 5.2 percent emission cut to a 2 percent one. *(FT, 25.11.00)*



Export of Hazardous Wastes

Traders in West Asia illegally exported more than 160 containers of hazardous wastes to India, the activists of Greenpeace and Basel Action Network Alleged. The Mumbai Customs are in possession of these. According to Greenpeace, the containers of waste oil-considered a hazardous waste under the Basel Convention arrived in India between July and September labelled as "furnace oil". A 1997 Supreme Court (SC) order prohibits the import of hazardous wastes, including waste oil.

Greenpeace activists have urged customs officials to return it to exporters in West Asia. The activists allege that the authorities are under pressure from the importers to release the illegally imported waste oil. "It is unforgivable that importers go unpunished despite blatantly violating an SC order. The Ministry of Environment has done precious little to seal our borders from illegal waste dumping," said Nityanand Jayaraman, Greenpeace campaigner in India.



(Tol, 05.11.00)

of EU plans to liberalise its water industry. But, this is a politically sensitive issue as Austrians are very protective of their water reserves.

(FT, 07.11.00)

Manual on Integrated Accounting

Recognising the strong linkages between every country's environmental and economic performance, the United Nations Environment Programme (UNEP) has recently published "The Integrated Environmental and Economic Accounting Operational Manual" for use at the national level. The manual addresses the environmental concerns of both industrialised and developing countries. The new Manual is the result of collaboration within the Nairobi Group of international experts established by the UNEP.

The Nairobi Group agreed that the main objective of its work would be to prepare a manual on the implementation of the System of Integrated Environmental and Economic Accounting (SEEA), which attempts to amalgamate and integrate the different approaches in natural resources and environmental accounting. The main audience for the Manual will be data producers from official statistics offices or from research institutes charged with conducting pilot projects.

Water Borne Pollution

Scientists in Singapore are using gene technology to develop a rainbow range of fluorescent fish that could eventually be used to detect water-borne pollution. Zhiyuan Gong, a biology professor at the National University of Singapore, has produced a fluorescent green-and-red zebra fish, and his laboratory has the technology to create a kaleidoscope palette of five colours in genetically modified (GM) fish, he told the Pacific Rim Biotechnology Conference in Vancouver.

Prof. Gong is developing GM zebra fish in which the fluorescent colour genes are switched on by specific chemicals in the water – so far, oestrogen hormone and heavy metals. The goal would be an indicator fish that turned a certain colour if a particular pollutant was present in the water. So far, colours have shown up well in ordinary light and glow vividly under a blue or ultra-violet lamp. They remain distinct and don't fuse into a muddy brown.

(FT, 17.11.00)

Curbing Energy Consumption

The European Union can only meet its climate change goals and avoid risky dependence on foreign oil and gas if it takes drastic measures to curb energy consumption while keeping nuclear power options open. This is the main conclusion of a green paper on security of energy supply due to be adopted by the European Commission (EC). It is the first major review of energy policy since the 1970s.

The green paper claims "not to seek to maximise energy self-sufficiency or to minimise dependence, but to reduce the risks linked to such dependence". According to Francois Lamoureux, the EC's director general for energy and transport, "Our dependence will be less marked, if we continue to increase competition in gas and electricity, begin giving aid for renewable energy, keep an open option on nuclear power and take drastic measures to curb energy demand in construction and transport."

(FT, 29.11.00)

Mutually Supportive Regimes

The United Nations Environment Programme (UNEP) Meeting on Enhancing Synergies and Mutual Supportiveness of Multilateral Environmental Agreements (MEA) and the World Trade Organisation (WTO) was held in Geneva. It was followed on 24th and 25th October by the third of this year's meetings of the WTO's Committee on Trade and Environment at the WTO's headquarters in the same city. The

UNEP meeting will examine how national officials, MEAs and the WTO can co-operate to maximise synergies and reduce potential tensions between trade and environmental policies, rules and regulations.

Speaking in advance of this meeting, UNEP Executive Director, Klaus Toepfer, called for greater collaboration between the trade and environment communities on making their respective regimes mutually supportive. He said this would maximise the contribution of the global economy to sustainable development to everyone's benefit, particularly developing countries.

Water-A Valuable Export

Ambitious schemes to water the parched plains around the Mediterranean with supplies from rain-soaked highlands are rapidly transforming water into a valuable export commodity. The global shortage of drinking water has left 40 percent of the world's population suffering from the consequences of inadequate supplies.

But, selling water across borders is beset with political and economic problems, not least of which is determining a pricing structure. In Turkey, long-mooted water sales to Israel were raised again when Israel opened formal negotiations to import 15 million to 25 million cubic metres of Turkish water annually for five to ten years.

Water-rich Austria has claimed that it could supply all 370 million people in the EU with well or surface water needing treatment, just ahead

End of Copyright Battle

Internet music company MP3.com agreed to pay \$53.4mn in damages to Universal Music Group to resolve a copyright infringement case. Separately, Universal bought warrants to buy an undisclosed number of MP3.com's shares. MP3.com could have faced damages of up to \$250mn for deliberately breaking copyright law by creating a database of more than 80,000 albums.

In the deal, Universal also agreed to license its entire back catalogue to My.MP3.com, a service that allows users to store and access music via any computer. Universal was the last of the five major world record companies that filed the suit against MP3.com to sign a deal.

The terms of the other labels' settlements were crafted to force the online firm to renegotiate those deals if it agreed to more generous terms with one of them. The settlements with the other four major labels were estimated at \$20mn each.

The deal paves the way for the service that was disabled last May. It may also allow MP3.com to move towards deals to use major record labels' songs in broader offerings such as targeted subscription services. *(WSJ, 16.11.00)*

Basmati Patent War – Tough Times

India secured a partial victory in the 'patent war' to force the Texas-based company Rice Tec to withdraw its patent claims on a strain of Basmati rice. The controversial patent was granted to Rice Tec in 1997 for developing novel rice lines by crossing Indian Basmati with dwarf varieties. But, the so-called 'new variety' pirates traditional knowledge built up over centuries by Indian farmers.

International support for the Indian case has been strong. A coalition, including Action Aid of the UK and the Swiss-based World Wide Fund for Nature and others concerned with bio-diversity, was launched ahead of World Trade Organisation's discussion on its intellectual property rules requiring protection of plant varieties.

Development groups say the rules operate against the interests of poorer farmers who could find themselves paying royalties to multinationals holding the patents to essential seeds.

The Indian Government successfully challenged four claims to uniqueness. However, the battle is far from over. India must still contest the remaining 16 claims to novelty. *(FT, 25.11.00)*

Deal on Performers' Rights

Differences between the US and the European countries scuppered the talks on an international treaty for strengthening the rights of performers in films, television and music videos and extending them rights to the internet.

The draft treaty aims to harmonise national laws and put the international exchange of audio-visual works on a clear legal basis. However, the talks stalled on a clause dealing with the transfer of performers' rights to producers. The US insisted on international recognition of its system where performers automatically sign over their rights to producers.

The International Federation of Actors, which represents 250,000 performers in 70 countries, expressed its disappointment at the failure of the talks "to provide minimum international protection of our rights."

Officials at the World Intellectual Property Organisation, the organiser

of the talks, said the conference could only be reconvened to resolve the remaining issues in 2002 at the earliest. *(FT, 22.12.00)*

Limiting Access to Internet Content

A new federal law makes it illegal to hack through the barriers that copyright holders build around their content when it is offered on the internet. The Copyright Office allowed only two minor exceptions to the rights of companies to limit access – access to lists of websites used in Web-filtering software and bypassing malfunctioning security features of software purchased.

The decision is the latest signal that the legal landscape for digital copyright issues is being sorted out in favour of the copyright holders. Entertainment companies argued for legal protection against hackers and other unauthorised users. However, the decision was a blow to the libraries and universities that fear that the new law will restrict their traditional rights to lend out and archive copyrighted material.

At the heart of the debate is an effort to mould traditional copyright law in the digital age where technology makes instantaneous copying and transmission easy. Congress left it to the Copyright Office to specify any exceptions when it enacted the anti-hacking provision. *(WSJ, 30.10.00)*

Inventors Beware!

Protecting a patent in the large and affluent European market is expensive and time-consuming, five times more expensive than in the US and three times dearer than in Japan.

The European Patent Office (EPO) is keen to streamline the process by creating a single European Union-wide patent by the end of 2001. This is part of an ambitious EU programme for enhancing competitiveness and dynamism through market reforms.

At present, the EPO issues European patents that cover the 20 states within the Agency's remit, but each contracting state can ask for a full translation. Translation and national fees amount to \$17,000 on top of the \$4,000 for issuing the patent.

The new patent would be translated into only a few languages, reducing delays and bringing down costs. There is wide agreement from industry and legislators on the need to simplify the process. *(BL, 11.11.00)*

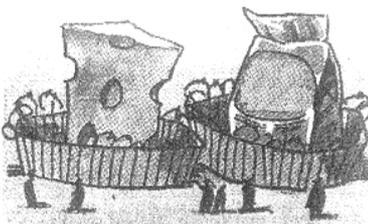
TRIPS Under Scrutiny

There is a need for greater flexibility in the application of the agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) so that the interests of the users of patents are given as much importance as the interests of patent holders, an Indian paper circulated at the WTO pointed out.

The paper called for clarificatory interpretation of the provisions, especially in relation to Articles 7 and 8 of the agreement, which address the concerns of public health and the need to transfer technology.

The paper did not ask for renegotiation of the controversial provisions on pharmaceutical patents and the protection of plant varieties. The possibility of lightening conditions was

thought to be highly unlikely, but it was possible to strengthen provisions such as 'geographical indications' that benefit developing countries. The aim is to prevent 'copy' of such products as Basmati rice and Darjeeling tea in rich countries. *(TH, 18.10.00)*



P&G Sues PepsiCo Unit

Procter & Gamble Company (P&G) sued the Frito-Lay unit of PepsiCo for alleged infringement of a patent for making "low-fat fried snacks".

In papers filed in the US district Court in Delaware, P&G alleged that Frito-Lay's potato-based "STAX" snack infringes on P&G's patented process for making Pringles, a popular saddle shaped snack sold in tubular canisters instead of in bags.

"Until Frito-Lay began to make SNAX, it did not have a salted snack chip product...that competed directly with P&G's enormously popular Pringles," P&G said in the lawsuit. Sales of Pringles in the current year have been in "hundreds of millions of dollars," court papers said.

(BL, 03.11.00)

Call for Law Changes

The Digital media companies have urged the federal officials to clear-up what they consider to be the cloudy areas of copyright law that are impeding their efforts to provide entertainment on the web.

The President and founder of MyPlay.com, an Internet music company, along with executives from other online companies like RealNetworks Inc, Sputnik 7, MusicMatch and Launch Media Inc, gave testimony at a hearing by the United States Copyright Office (USCO) and the National Telecommunications & Information

Administration (NTIA) regarding the application of copyright laws on the Internet.

According to Jonathan Potter, Executive Director of the Digital Media Association, an alliance of 75 companies such as Amazon.com Inc and Spinner.com, said they hope the Federal Government can address some ambiguities in the law that have triggered lawsuits and hampered the young industry.

(BL, 01.12.00)

Delay Irks Employers

Unice, the European employer's body, has lashed out at the European Union's (EU) lack of progress in agreeing to a common, less costly system for patents. The group that represents companies across Europe has accused governments of putting political obstacles in the way of an agreement on a new system of patents.

The European Commission has put forward an ambitious proposal for a patent system that would give companies one patent for the whole of the EU, thus dramatically reducing costs. But it would require a change in the EU's founding treaty so that it can set up a central court for patent litigation.

The Commission's proposal involves the award of a single patent that would be valid in all EU countries. Disputes would be settled by a special, centralised court and the languages used would be English, French and German.

(FT, 23.10.00)

Infringed Patent

The Dutch computer maker Tulip Computers International BV has sued Dell Computer Corp. alleging infringement of a Tulip patent covering improvements to a common personal computer design. Tulip, which owns the Commodore brand, said Dell had infringed a patent covering the internal chassis of AT-class PCs, popular since the mid-1980s.

According to Tulip the infringement covers \$17bn worth of Dell sales, representing more than two-thirds of all the revenue reported in the previous year by Dell, the world's No. 2 supplier of PCs. Tulip was seeking to recover unspecified royalties and damages.

Tulip's patent was issued in 1997 for a "Motherboard" for a computer of the AT type and a computer of the AT type comprising such motherboard". A motherboard is the connecting base for computer components.

AT, which stands for Advanced Technology, refers to personal computers developed in the mid-1980s, starting with the "286" line of IBM PCs.

(BL, 29.11.00)

Patent On Ayahuasca Plant

Indigenous peoples from nine South American countries won a precedent-setting victory, as the US Patent and Trademark Office (PTO) cancelled the patent issued to a US citizen for the "ayahuasca" vine.

The plant, *Banisteriopsis caapi*, is native to the Amazonian rainforest. Thousands of indigenous people of the region use it in sacred religious and healing ceremonies, as part of their traditional religions.

The PTO's decision came in response to a request for a re-examination of the patent filed with the PTO in March by the Co-ordinating Body for the Indigenous Organisations of the Amazon Basin, the Coalition for Amazonian Peoples and Their Environment and the lawyers at the Centre for International Environmental Law.

The PTO based its rejection of the patent on the fact that publications describing *Banisteriopsis caapi* were "known and available" prior to the filing of the patent application. According to patent law, no invention can be patented if described in printed publications more than one year prior to the date of the patent application.

Probing Software Patents

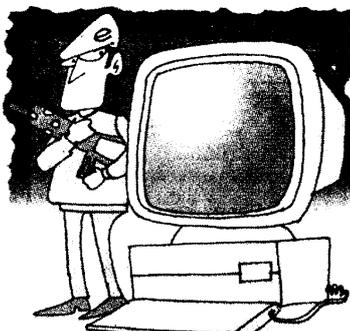
The European Commission will be formally addressing the question of whether software should be patentable, an issue which divides industry and Governments alike. According to a senior official, the Commission would launch a two-month public consultation soon, as a precursor to agreeing on a policy in the following year.

Some companies are pushing for Europe to follow the US lead and allow patents – monopoly rights – on software. But other businesses argue that this would stifle, rather than encourage, innovation.

The chief executive of the UK patent office said that the Commission recognises that any policy move is likely to prove controversial, but believes it has to address the issue.

The Commission announcement coincided with an agreement by several countries on European patents which Kim Howells, the UK minister for consumer and corporate affairs, claimed would cut translation costs by up to 50 per cent.

(FT, 18.10.00)



Infected Feed Dumped

The British government dumped vast quantities of cattle-feed, suspected of being infected with mad cow disease (BSE), on developing countries, an inquiry into BSE revealed.

Exports of tens of thousands of tonnes of the potentially infected meal and bonemeal feed continued to Asian and African countries for eight years,



between 1988 and 1996, after domestic use and export to the European Union (EU) were banned.

The decision to continue to sell the feed was made despite the expert opinion of the UK's Chief Medical Officer who warned in 1991 that "we should take steps to prevent these UK products being fed to ruminants in other countries. ...Unless such action is taken, the difficult problems that we have faced with the BSE may well occur in other countries." The moral considerations of introducing BSE into the food chain of other countries were also ignored.

Meanwhile, within the EU, controls were strengthened, in response to growing public fears, by banning meat-based meal-feed for all farm animals. (TH, 31.10.00 & FT, 05.12.00)

Glaxo Fighting Cheap Drugs

Glaxo Wellcome Plc is fighting plans of generic drug companies of selling discounted versions of its AIDS medicines in Ghana. The drugs giant, which is merging with SmithKline Beecham Plc, has said sales of generic versions of its drug Combivir, produced by an Indian company, would violate its patents.

The Indian company, Cipla Ltd., has stopped trying to sell its reduced price version of the Glaxo drug in Ghana. However, officials at the African agency that had issued the patents in question said they were invalid or inapplicable in Ghana. Christopher Kiige, head of the African Regional Industrial Property

Organisation, said Glaxo was wrong. "If (Glaxo) went to court, they would lose," he said. A Glaxo spokesman said the company believed its drug was patent protected. (ET, 01.12.00)

Web Lawsuits Plan Attacked

The UK industry had lobbied the Government to reject "ill thought-out and damaging" EU proposals that would give consumers the right to use their national courts to sue websites based in other countries.

The controversial proposals have been the subject of intense lobbying since they were first mooted in 1997. Industry claims they would hinder the growth of e-commerce as small and medium-sized businesses would be discouraged from setting up websites for fear of being dragged through the courts in other countries.

On the other hand, consumer groups argue the proposals would increase confidence in online purchasing. The Commission has amended the proposal to allow cases to be brought only in countries the online service is being "directed at". (FT, 07.10.00)

Split Over Tactics

Philip Morris of the US and British American Tobacco (BAT), the world's biggest tobacco multinationals, split over tactics ahead of the first public hearings on the World Health Organisation's anti-smoking treaty. A week before the meetings on the WHO's proposed framework convention on tobacco control, both companies unequivocally acknowledged that smoking is addictive and dangerous.

Philip Morris claimed to support a 'strong' international convention curbing tobacco use world-wide, especially youth smoking. BAT by contrast, which also says it supports 'sensible' regulation, reiterated its view that legislation should be left to national governments.

Both statements were met with scepticism by anti-smoking campaigners and the WHO, which published a detailed report on past efforts by Philip Morris, BAT and others to subvert its tobacco control programmes.

The convention, due for adoption in 2003, will set out broad objectives and legally binding protocols on specific measures such as taxation, advertising, sponsorship and government subsidies to tobacco growers. (FT, 13.10.00)

Starlink Biocorn Safety Tested

The US food and biotech industry submitted new scientific data as part of a lobbying effort to win approval for Starlink biotech corn as a safe ingredient for human consumption. The Environmental Protection Agency (EPA) has approved Starlink for use only in animal feed because of concerns that some people might be allergic to the corn's unique protein.

The food industry is scrambling to find ways of containing the costs of recalls and testing created by Starlink finding its way into the human food supply. A series of recent recalls was sparked off when some taco shells were found to contain Starlink.

An unacknowledged amount of the harvested corn may have been mixed with vast quantities of other corn. Some farmers and grain elevators handling the corn were unaware of the restriction on human consumption. However, EPA officials have flatly refused calls for a temporary approval of Starlink in human food.

In a related development, the discovery of Starlink in Japan, where it is not approved by the Government in human and animal feed, has led to calls for recall of the food and suspension of imports of genetically modified crops. (BL, 26.10.00)

Demonstrations Against GMOs

Uruguayan trade unions, organic farmers and consumer groups protested against the use of genetically modified food



and crops in Punta del Este where the big corporations involved in genetic engineering had gathered for the International Forum on Biotech and Seed Marketing.

Civil society representatives voiced their opposition to transgenic crops and denounced the pressure on Latin American and Caribbean countries to accept them. The demonstration was supported by groups from all over Latin America, including Argentina, Colombia and Brazil.

The Uruguayan Ministry of Agriculture has authorised the use and sale of Monsanto Round up Ready soya, without considering its impact on health and the environment.

Ford Settles Accident Claims

Ford, the US car-maker, has settled six lawsuits in Florida related to deaths and injuries from accidents involving tyres recalled in August by Firestone. The settlements demonstrate Ford's efforts to put behind them the damage caused by the scandal to the company's image.

The National Highway Traffic Safety Administration (NHTSA) has linked tread separations on certain Firestone tyres that were mostly fitted to Ford Explorer vehicles to more than 148 deaths world-wide. The automaker faces about 200 lawsuits from victims or families.

Ford is keen to remove the shadow of the lawsuits as a slowing US economy presents more challenges in the coming year.

The scandal has damaged relations between Ford and its long-term supplier Firestone. The companies have sought to blame each other for the defective tyres and have both experienced drops in sales.

In a related case, the NHTSA has launched an investigation into Goodyear tyres, fitted to Ford and General Motors vehicles, which may have been responsible for as many as 15 deaths.

The Los Angeles Times reported that Goodyear has undertaken a controversial 'silent recall' in which it had quietly offered to replace the tyres without issuing a formal product recall. Goodyear has denied that charge.

(FT, 22.11.00 & 28.12.00)

Illegal Trade in Blood

A patient in a hospital in Hyderabad, whose identity has not been revealed, has prompted a fresh probe into a dozen suspects involved

in illegal international trade in contaminated blood. The Indian, reported to be in a debilitated condition, may be one of thousands to have been injected with the tainted albumin blood derivative at a local hospital in 1997. Another Indian, Surinder Kaur, is believed to have died after being injected with the albumin product.

The product, believed to have found its way to India, China, Turkey as well as several countries in Africa and South America, was manufactured by an Austrian company, distributed by a Swiss firm and marketed in India by an Indian pharmaceutical firm.

The tainted blood trade racket surfaced in early 1998 amidst reports that 30,000 people around the world could have been infected during a three-year period from 1995. Action could not be taken against the suspects for want of evidence after proceedings were initiated by the Austrian authorities in 1998.

(TH 30.10.00)

Quality Norms for 131 Items

The Indian Directorate General of Foreign Trade (DGTF) has notified mandatory compliance with standards on imports for a range of 131 items. The standards were imposed with a view to curbing sub-standard imports being dumped in the country and causing material injury to indigenous manufacturers.

The notified products must meet the Indian quality standards applicable to domestic goods under the Weights and Measures Order of 1977.

The products cover drugs, consumer items such as milk

products, miners' clothing and equipment, stainless steel and plastic feeding bottles. Industrial products include steel products, cements and several types of switches. *(BL, 25.11.00)*

Fighting Global Health Threat

Bill Gates, founder of Microsoft, gave \$1.44bn last year to fight global health threats including AIDS, malaria and tuberculosis. He called for more commitment from the industrialised nations on health.

The grants from the Bill and Melinda Gates Foundation equal more than a quarter of the \$5bn these nations spent combined. Gates said that the wealthy nations had not been doing enough and that "the world has not been allocating its resources properly in global health."

The foundation made 60 separate grants over the last year. Gates said the foundation would give at least \$1bn annually "throughout my lifetime and beyond." Gates has become avidly interested in global health issues since the foundation was established in 1997. *(BL, 25.12.00)*

Fearing Loss of Public Support

The pharmaceutical industry must respond to the growing hostility from the public, said one of the sector's top executives. Daniel Vasella, Chief Executive of Swiss company Novartis, expressed concern that companies were losing public relations battle on issues such as access to medicines, pricing and drug safety.

"Unless the pharmaceuticals industry achieves its objective of being an accepted and valued player in society, we will be at a disadvantage in every new law and regulation that comes up," he said.

In the US, consumer pressure and the influence of groups such as Public Citizen have led to bi-partisan support for legislation to reduce pharmaceutical profit margins. Public pressure has also led to the withdrawal of several medicines, following reports of side-effects. Public Citizen recently published a letter questioning this week's decision to give Relenza, a Glaxo Wellcome flu drug, to elderly patients.

In the developing world, companies have been harangued for not providing life-saving drugs at affordable prices. The industry also argues that animal rights activists are hampering their ability to do research. *(FT, 24.11.00)*

Drugs Group to Move Research

A British drugs company is set to carry out research into genetic modification in China and Brazil, in an effort to reduce costs and side-step GM protests in the UK. Nycomed-Amersham, which developed the machines used to sequence the human genome, is considering developing a range of genetically modified products including pigs, rice and citrus fruit.

The work would be carried out through joint ventures, adding to the trend of moving research and development out of Europe. Costs would be significantly lower than doing it in Europe or the US.

Jim Brown, head of Asia Pacific operations, dismissed criticism that Nycomed-Amersham was sides-tepping ethical barriers.

British drugs companies have also been deterred from investing at home because of growing hostility to GM research and animal testing at home. Huntingdon Life Sciences, a drug-testing group, was forced to turn to US lenders for a financial lifeline in August after a series of attacks on its financial backers. *(FT, 14.11.00)*



Need for EPF

The Commerce Ministry is considering the establishment of a new Export Promotion Forum (EPF) to cope with the changes on the global trading environment and the establishment of the World Trade Organisation.

The EPF would service the needs of major foreign exchange earning sectors of the economy such as steel and pharmaceutical. Other sectors that have not received focused attention in the existing export promotion councils (EPCs) are edible oils/oilseeds and extractions.

The proposals stem from the recommendations of a committee headed by Nripendra Misra, Special Secretary at the Ministry of Commerce, which examined the restructuring of the existing EPCs in order to introduce greater professionalism in their dealings with their members.

At present, there are 20 recognised EPCs, ten of which are under the administrative control of the Commerce Ministry, nine under the Textiles Ministry and one under the Information and Technology Ministry.

(ET, 30.10.00)

Children Take to Begging

Severe drought in Orissa has forced hundreds of children to take to begging. Most residents of the western districts have left for neighbouring states in search of work, leaving children and the elderly behind. The children have no choice but to turn to begging to feed themselves.

School attendance has dropped, with only one third of the children in many villages turning up for classes. Many of the others have resorted to begging. Numbers of child beggars in railway and bus stations has risen.

Lack of rain has severely affected crop cultivation and millions of acres are lying fallow. At least eight of the 32 districts of the state are facing acute drought due to scanty rainfall over the June-October period.

More than 2,00,000 people have migrated to other states to find jobs, Government sources said. But, they commented migration was a "routine phenomenon."

(ET, 04.11.00)

Promoting Coconut Water

Coconut growers in Karnataka are ardently promoting a 'coconut water revolution' to try to wean people away from soft drinks such as Coke

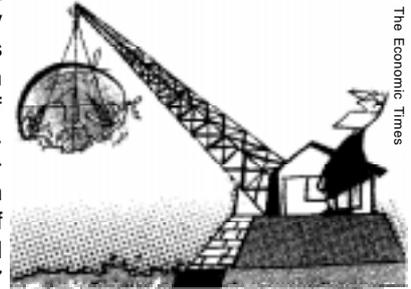
Integrated into the World Economy

Trade policy reforms since the mid-1980s have led to a steady rise in the ratio of trade to GDP in the Indian economy. The ratio in 1998-99 was 18.2 percent as against 13.94 percent in 1984-85. India is more deeply integrated into the world economy as a result of high rates of growth in both exports and imports in the first half of the 1990s, according to a recent study.

Robust export growth in the mid-1990s of over 20 percent per annum in dollar terms receives a lot of attention in the report. It has helped narrow the trade deficit from 2.7 percent of GDP during the 1980s to 0.9 percent over the 1992-96 period. Most of the growth occurred after the launch of liberalisation in 1992.

Over the whole period, the most dramatic growth was seen in labour-intensive manufactured exports. However, this growth slowed sharply in the 1997-98 period from 28.4 percent to 13.8 percent per annum. By contrast, the growth rate of agricultural exports was higher in 1997-98.

(ET, 05.12.00)



The Economic Times

and Pepsi to this nutritious indigenous alternative.

Addressing a press conference, members of a coconut growers' organisation said that the craze for bottled drinks was largely the result of delusions created by the advertising industry and hoped educating people about the health benefits of coconut water would increase its demand.

Coconut water has several medicinal properties that are recognised by traditional systems of medicines such as *Ayurveda* and *Siddha*, as against Coke and Pepsi that have no recognised benefits to health.

Efforts to promote tender coconut water are taking place against a background of plummeting prices for coconuts in the country. Karnataka is one of the largest producers of coconuts after Tamil Nadu and Kerala.

(BL, 08.12.00)

Bio-diversity Plans at 5 Levels

Plans are being drafted at five levels to contribute to the National Bio-diversity Strategy and Action Plan. These levels are local, regional, eco-regions, thematic and national.

For local level plans, 20 sites have been selected. Plans will look at the special bio-diversity needs of the selected locations. Work at 17 of the sites has already begun. To look at the bio-diversity of eco-systems, ten eco-regions have been identified. For each of these regions, cross-sectoral working groups will be created to design the action plans. Plans for the four levels will converge

in the national action plan.

Deadlines for the action plans are mid-2001 for the first four levels and end-2001 for the national action plan. The preparation of the plans is supported by a Rs 4.3 crore grant from the Global Environment Facility.

The action plan is being developed to meet the requirements of the Convention on Biological Diversity, to which India is a signatory.

(BL, 12.11.00)

Lack of Transparency

India ranks 11th amongst developing countries in terms of Foreign Direct Investment (FDI) inflows, according to a study conducted by the PHD Chamber of Commerce. Two of the main reasons for this are lack of transparent guidelines and government delays.

Progress is also being held up as BOOT (build-own-operate-transfer) and BOLT (build-own-lease-transfer) have not proved successful.

In 1998, India attracted only 0.35 percent of the world's FDI inflows and 1.36 percent of inflows to developing countries, as a whole. China attracted 20 times more and Brazil 13 times more FDI than India in 1998.

The percentage of actual inflows of FDI to total approvals is exceptionally low. Out of a total of Rs 548.9bn approved in 1997, only Rs 164.3bn actually flowed in.

However, a survey by a leading private agency, Kearney, ranked India sixth out of the most potentially attractive destinations for FDI.

(FE, 30.10.00)

Maintaining Growth Rate

With e-commerce solutions generating revenues of \$2.17bn (Rs 10,000 crore), the software and services industry is expected to maintain an annual growth of over 50 percent to notch \$13bn during 2001-02.

The export revenue from this sector is expected to be \$9.5bn (Rs 44,000 crore) in the 2001-02 period, according to a report released by the National Association of Software and Services Companies (Nasscom).

"The revenue estimates for 2001-02 represent a 5.1 percent increase over the software revenue projections of \$8.6bn during the current financial year, comprising \$6.3bn in exports and \$2.3bn in domestic software revenues," said Dewang Mehta, president of Nasscom, while announcing plans for Nasscom 2001, an IT event in Mumbai in February.

E-commerce revenues are expected to touch \$2.17bn in 2001-02. *(ET, 22.11.00)*

Facing a Daunting Task

The poverty level in India has halved over the last 25 years, but still falls short of the targeted 16.5 percent for 2001-02. India is also way behind China, where only five percent of the population is below the poverty line.

The number of people below the poverty line has declined from 56 percent in 1973 to 27 percent, based on the first six months data for 2000, said Dr. K. Venkatasubramanian, member of the Union Planning Commission, addressing a press conference in Chennai.

He said the reduction in the poverty level could be achieved if states gave top priority to governance, women and children's education and public health. A sustained rate of growth of 8-9 percent across all the regions in the economy was also important.

Reasons for the slow decline include poor growth rates in the poorest states, slow growth in social infrastructure, fiscal problems and poor maintenance of rural infrastructure. *(ET, 25.11.00)*

Growth Projections Revised

The National Council for Applied Economic Research (NCAER) has revised downwards its economic growth projections for the current fiscal year from 7.2 percent to 6.1

percent. It said the revised outlook reflected lower agricultural output and lower investment growth in foreign capital flows. Foreign direct investment, external commercial borrowing and American depository receipts were all unlikely to exceed last year's levels.

The NCAER further warned that the hike in petroleum prices would push inflation above seven percent during the year, as projected by the Government. This is well above the three-percent experienced last year and the five-percent projected at the start of the current fiscal year.

Diminished expectations of the health of the economy and the financial position of companies brought down the business confidence index. Although growth in "new economy" segments, comprising information and communication technologies and entertainment electronics, continued to record further gains in output and sales, growth in the "old economy" decelerated significantly.

Stating that the import bill had widened, NCAER also indicated that forex reserves would be adequate to bridge the gap. *(ET, 08.11.00)*

Agenda for Economic Revival

The Confederation of Indian Industry (CII) called upon the Prime Minister to announce a comprehensive economic agenda for the country very soon, in a statement outlining its own 12-point agenda for the revival of economic growth.

Among the suggestions put forth was the announcement and implementation of pending policies in several sectors such as civil aviation and allowing foreign direct investment in real estate.

The Chamber said, with industrial growth slipping to 5.5 percent during the first-half of the fiscal year as compared to 6.4 percent during the same period last year, there was an urgent need to undertake measures to push industrial and economic growth.

The CII called for the Government to finalise and pass the Electricity Bill, step up the momentum of the privatisation process and design a new national renewal fund to capture the dormant value of the land of the existing public sector enterprises. They also called for the purview of the small-scale industries sector to be reduced. *(BL, 15.11.00)*

CSIR Files Patent Abroad

The Council of Scientific and Industrial Research filed nearly 200 patents abroad during 1999-00. This follows the acceptance by the World Intellectual Property Organisation (WIPO) and the US Patents and Trademarks Organisation to include traditional knowledge in the context of prior-art-search in patent claims.

Indian inventors have taken advantage of the Patent Co-operation Treaty in a big way in the two years following the country's accession to WIPO. India has been designated in more than 84,000 patent applications since joining the Patent Co-operation Treaty in 1998.

The Indian Patent Office is gearing up to meet the requirements of industry and science in the globalised economy. A Re 75 crore modernisation programme of the Patent Office encompassing wide use of information technology is under way to provide speedy and world-class service. *(BL, 03.11.00 & 09.11.00)*

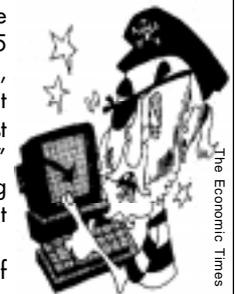
Dropping Software Piracy Levels

Software piracy in India has dropped sharply to 59 percent this year from 83 percent in 1993, according to a survey by Nasscom, the National Association of Software Services Companies. It now amounts to Rs 900 crore annually.

"Now the target is to reduce it further to 25 percent by 2005, which will bring it among the lowest in the world," said Dewang Mehta, president of Nasscom.

Levels of software piracy in India are better than in China at 91 percent and Pakistan at 83 percent. However, India falls far short of the US level of 25 percent and the UK at 21 percent. "The software industry loses more than \$12bn annually world-wide due to piracy and in 1999, India lost \$214.6mn alone," Mehta said.

The Delhi police have seized pirated software worth more than \$1.5mn in the last three months alone. Interestingly, IT training institutes seem to be the main culprits. Almost 32 percent of the complaints received on the Nasscom anti-piracy hotline relate to pirated software being used by the training institutes in the country. *(ET, 01.12.00)*



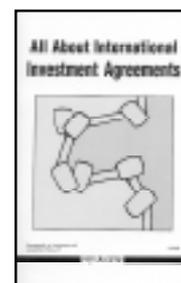
The Economic Times

Monographs on Investment and Competition Policy

All About International Investment Agreements

This briefing kit for the general reader provides an overview of the recent trends in the proliferating number of bilateral and regional investment agreements. The kit highlights the key issues in these agreements and considers past initiatives and prospects at the multilateral level.

(64pp #0102, Rs.20/\$5).



Globalisation, Competition Policy and International Trade Negotiations

This paper maps out the issues concerning multilateral competition policy from a southern perspective. It concludes that there is a need for a realistic assessment of the extent to which the developing countries would be able to control Multi-national Corporations under the disciplines of competition law.

(32pp #2003, Rs.20/\$5).

All About Competition Policy & Law

This monograph, meant for the advanced learner, deals with various elements of competition law and policy in a comprehensive manner. It describes various restrictive business practices (RBPs) in the market place. It further draws out interface of competition policy with economic development and foreign investment. Finally, it describes the genesis of competition law/policy and the direction it is moving in.

(70pp #0006, Rs.20/\$5).

Consumer Protection in the Global Economy

This monograph outlines the goals of a consumer protection policy and also speaks about the interaction between consumer protection laws and competition laws. It also highlights the new dimensions about delivering consumer redress in a globalising world economy, which raises jurisdictional issues and the sheer size of the market.

(38pp #0101, Rs.20/\$5).



Briefing Papers

Trade and Environment: Seattle and Beyond

This Briefing Paper arises from a deep concern with the issues of trade and environment and their inter-relationships. It raises the question whether trade and environment are conflicting concepts or are they mutually supportive?

Process and Production Methods (PPMs) – Implications for Developing Countries

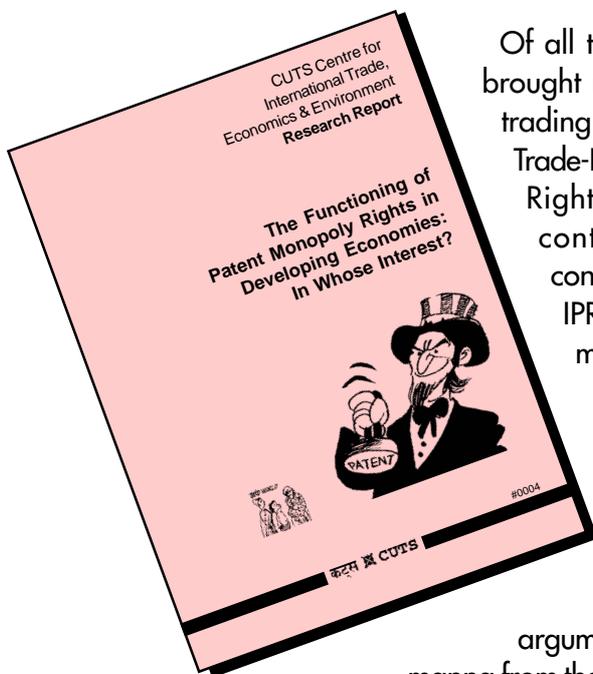
This Briefing Paper examines the pros and cons of Process and Production Methods (PPMs) as a trade issue. It covers the concerns of the developing countries about the possibility of the PPMs becoming non-tariff trade barriers.

Dispute Settlement under the GATT/WTO: The Experience of Developing Nations

This Briefing Paper analyses the experiences of developing countries in the evolution of the dispute settlement procedure under the GATT/WTO.

Trade and Sustainable Development: An Outline of A Southern Agenda

This briefing paper studies the relationship between trade policy with sustainable development and the southern developing countries agenda on Trade and Sustainable development.



Of all the issues that have been brought into the post-1995 world trading regime, the agreement on Trade-Related Intellectual Property Rights (IPRs) has been, and continues to be, the most controversial one. Among the IPRs the spotlight is on the matter of patents.

In this paper, the writer, Dr. Taimoon S. Stewart of the University of West Indies, St. Augustine, Republic of Trinidad and Tobago, demolishes all arguments that IPRs can bring the manna from the heaven for countries who are otherwise unattractive for foreign investors.

The paper also questions the persisting view that developing countries would gain by pursuing a strong IPR protection regime in terms of flows of trade, investment and technology transfer. The research reveals no positive links between a strong patent regime and FDI and technology transfer. The paper argues that the imposition of strong IPR protection at the global level and further widening the scope of such protection are merely parts of the strategy adopted by international capital to facilitate its expansionist agenda.

The question of what benefits can be expected from the developing countries underpins the discussion and the control of negative impacts is linked to competition policy. Finally, conclusions and policy considerations are drawn.

It found that developing countries need to identify specific areas of technologies, linked to specific sectors, where they may have capability or can create the enabling receptive environment and be able to integrate into the technological cycle before obsolescence sets in.

Furthermore, the paper recommends that developing countries must put in place the necessary pre-requisites to evaluate the effects of the patent system in the coming years.

There are serious inadequacies and flaws in the data collection for the purposes of economic evaluation, not least among them being the fact that resident foreign firms are counted under domestic registrations.

Our Latest Release

... congratulate CUTS... value of putting out such a good piece. It is most relevant and timely. I would be interested in BRIDGES featuring an identical or modified version of your concluding section.

*Ricardo Melendez, Editor
BRIDGES
Geneva*

...The Research Report is very thought-provoking and will help us re-think the status of these monopolies in our small economy. Fiji has a couple of monopolies in the form of public enterprises – formerly government utility services that have been corporatised.

*Josua Mudreilagi
Information/Research Officer
Consumer Council of Fiji*

... It has successfully exposed the myth that IPRs can do any good for the developing countries by bringing in more foreign investment. More importantly, it is against the interest of the consumers world wide and serves the interest of only a few TNCs, all from the developed countries.

*Sergio Bissio Alpera
Buenos Aires, Argentina*

The paper is a must-read for those who are working on patent issues. Congratulations for this timely publication. It will serve as a basic document for much needed advocacy on effects of the TRIPS Agreement on developing countries.

*Nancy Kachingwe
MWENGO
Harare, Zimbabwe*

SOURCES

ET: THE ECONOMIC TIMES; BS: BUSINESS STANDARD; BL: THE HINDU BUSINESS LINE; TH: THE HINDU; FT: FINANCIAL TIMES; WSJ: THE WALL STREET JOURNAL; FE: THE FINANCIAL EXPRESS; TOI: TIMES OF INDIA

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