ECONOMIQUITY

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# Win Some, Lose Some at Trade Talks

Whether India won or lost at Doha is a hot topic of discussion. India neither won nor lost; it bargained hard – and with a fair amount of success – to minimise the losses and maximise its gains.

In the world of international trade, each country pursues its own interests. With that in mind, the Indian Commerce Minister, Murasoli Maran, played a bold gamble and succeeded. The strong alliance that India had built up with other developing countries had melted away at the eleventh hour, and if Maran had not played the gamble, India would have had to give up more than it would have been prepared for.

One important area of perceived gain is that negotiations, if any, on the new issues – investment, competition, trade facilitation and transparency in government procurement – have been postponed by another two years. It is but a pyrrhic victory.

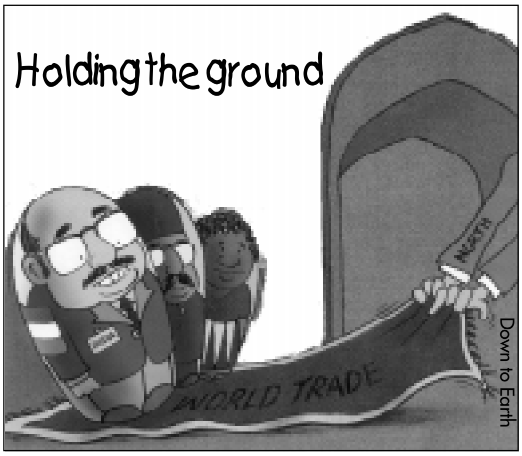
During the Uruguay Round (UR), the United States stopped short of demanding a full-scale investment agreement under the Agreement on Trade-Related Investment Measures (TRIMs) in order to wrap up the talks as well as ensure the closure of the Trade-Related Aspects of Intellectual Property Rights (TRIPs) agreement.

In the current drama, the EU was a *demandeur* for the new issues to offset perceived losses in its agreeing to negotiate (but not 'reduce') agriculture subsidies. Meanwhile, horse-trading will continue and the EU will pursue its non-trade agenda as vigorously as before, if not with greater vengeance.

We have been shouting for quite some time that non-trade issues should be kept out of the WTO. Therefore, investment and competition should be out, but during the UR we agreed to examine them under the TRIMs Agreement for adoption as a part of the WTO agenda.

It was a built-in agenda, like agriculture or services. Thus, we could not have said these issues should not be there at all, otherwise we would have run the risk of losing the issues that we wanted the trade community to discuss.

TRIMs remains in the WTO agenda. It would have been a significant gain if we could have got the international community




Down to Earth

to begin examining the validity of the existing non-trade issues already in the WTO, such as TRIMs and TRIPs, the root of most problems. We did not pursue this line as we were afraid that we would not be taken seriously.

It has been argued that the so-called Singapore issues are not entirely against our or any developing countries' interest, except, perhaps, the issue of investment, as there is no evidence to show that an international agreement on investment could facilitate investment flows, or vice versa. However, if there is a trade-off then we could negotiate an investment agreement, subject to getting an agreement on the movement of labour.

As far as a multilateral competition policy is concerned, we have been asking for one ever since 1948 under the Havana Charter. It is required to balance the producer-bias of the WTO, be a bulwark against cross-border mergers and acquisitions and regulate international cartels.

Two years will rush by so fast that we may get caught napping again. We need to take an active part in each of the four working groups and guide the agenda. For this, much homework will need to be done, starting now.

As regards the TRIPs agreement and public health, the power of a country to import life-saving drugs from any other country, when it does not have its own manufacturing capacity, is suspect.

At the same time, the Declaration has asked the TRIPs Council to find a solution to this problem before the end of 2002. However, IPR (intellectual property right) pundits have interpreted the TRIPs flexibilities to include imports where it is not possible to manufacture equivalents. This is commonsense and has precedent as well. During the recent crisis over the AIDS drug, AZT, it was the Indian pharmaceutical manufacturers who were exporting to South Africa, Kenya, etc.

Finally, regarding cashing in on the gains from the WTO talks, we have to attend to a huge domestic agenda before we can reap any of the perceived gains that future negotiations can throw up. Maran said this clearly, and that is his most statesmanlike statement after the Doha ministerial.

INSIDE



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CUTS Centre for International Trade, Economics & Environment (CITEE)

Email: cuts@cuts.org

Website: www.cuts.org

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# BROKEN PROMISES TO THE POOR

The darkness is lifting a little. This was true in Doha, Qatar, where the Ministerial Meeting of the World Trade Organisation (WTO) agreed to launch a new round of negotiations. Taken together with the membership of China and Taiwan, this decision indicates a will to strengthen the trading system.

But it is only a beginning. The members of the WTO must finish what they have started. To succeed, negotiators must satisfy the demands of all the WTO's members, particularly the developing countries.

Oxfam, the British development charity, in its paper entitled "Eight Broken Promises: Why the WTO isn't working for the world's poor", was right in stating that "the system is facing a crisis of legitimacy. That crisis is the product not of anti-globalisation protest but of the blatant hypocrisy and double standards that govern the behaviour of rich countries towards poor countries".


In the 1980s and 1990s developing countries were cajoled – some might say coerced – into embracing the market system. The World Bank and the International Monetary Fund demanded trade liberalisation as the price of the loans that were essential for countries burdened with a heavy load of unpayable debt. Similarly, developing countries were told to participate in the Uruguay Round (UR) of trade negotiations.

Advanced countries play a dominant role in this system, both as negotiators and as markets. In 2000, 54 percent of the world's merchandise exports went, in descending order, to the US, the European Union (excluding internal trade), Japan and Canada.

How well have these countries lived up to their liberal principles and generous promises? Miserably, is the answer.

The World Bank, in its latest report entitled "Global Economic Prospects and the Developing Countries 2002", notes that the average poor person confronts trade barriers twice as high as those confronting the typical worker in an advanced country .

On average, tariffs in advanced countries on imports from developing countries are four times higher than those on imports from other advanced countries. Exceptional protection is imposed against imports of many farm products (particularly in the EU and Japan), textiles and clothing (notably in the US and Canada) and footwear.

In addition to the high tariffs against imports of textiles and clothing, there is the long-standing multi-fibre arrangement, which imposes strict bilateral export restrictions on developing countries. In the UR, advanced countries committed themselves to eliminating these restrictions by 2005. So far, they have abided by the letter but failed to obey the spirit of this commitment. Will they do what they have promised? One wonders…

Consider the anti-dumping procedures that advanced countries are determined to defend. Every scholar who has looked at their rationale has concluded that they are intrinsically protectionist, violate fundamental competition principles and, often, merely support domestic cartels.

Behind these measures lies something deeper. Advanced countries insist that developing countries should adjust to the market forces. Yet, notwithstanding their vastly greater ability to cushion the plight of the losers, advanced countries themselves have been unwilling to accept the same adjustments.

Double standards can be found elsewhere. In the Uruguay Round, developing countries were told to accept such potentially onerous burdens as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Yet, as Oxfam notes, the US government itself threatened to override patents when faced with bio-terrorism at home.

In Doha, an agreement was reached that "the TRIPs Agreement does not and should not prevent members from taking measures to protect public health". How far this will stretch is not yet clear.

Developing countries face high hurdles in working within the trading system. Implementation of the UR agreements has proved notoriously onerous. Moreover, the WTO's administrative budget was a miserable $79.92mn in 2001, a mere six percent of the World Bank's.

These sums are grossly (and deliberately) insufficient. The WTO is unable to help its weaker members to make effective use of the trading system.

Many critics of the WTO believe it should be closed because it is no more than a vehicle of "corporate-led globalisation" and, as such, a machine for increasing poverty. These people are wrong. But, more informed critics are right to complain that the behaviour of the advanced countries within the system has been hypocritical at best and duplicitous at its worst.

It would be foolish to claim that there exists a simple way of promoting economic development throughout the world. It would be equally ludicrous to argue that all that developing countries need to do is to liberalise their trade.

What can be said is something different. It is that one of the few things advanced countries can do, in both their own interest and that of the developing world, is to live by their own liberal principles. In this coming negotiation, the gap between what they should do and are doing must, at last, be closed.

*(Excerpts from Martin Wolf's article in Financial Times, London, 29.11.01)*

### Bleak Outlook for Asia

In a bleak economic prognosis for Asia, the US economist, Paul Krugman, predicted catastrophe in Japan and warned of a potential economic reversal for China, the region's main engine of growth. If China fails to continue the pace of reforms and provide greater corporate transparency, he said, the country risks having capital pulled from it.

"One scenario is, as everyone hopes, WTO (World Trade Organisation) will lead to continuing reforms and good things will continue to happen. Two is China becomes a bad member of the WTO," because it fails to continue reforms and does not further open its markets, he said.

Regarding Japan, Krugman's pessimistic economic assessment is more in line with mainstream thinking, but his perspectives are more outspoken. Opening the country's doors to immigrants to replenish the work force is one possible solution, but one that Japan is not likely to accept. That could leave the economy on a downward spiral for years, he said.

On another note, Kim Hak Su, Executive Secretary of the United Nations Economic and Social Commission for Asia and the Pacific said, countries in Asia and the Pacific need to expand trade links with each other if they are to weather the most widespread economic slowdown in five decades. "We cannot expect the United States to be the engine (of growth), nor Japan or the European Union." *(WSJ, 09.11.01 & ET, 01.12.01)*

### Grim Picture of World Economy

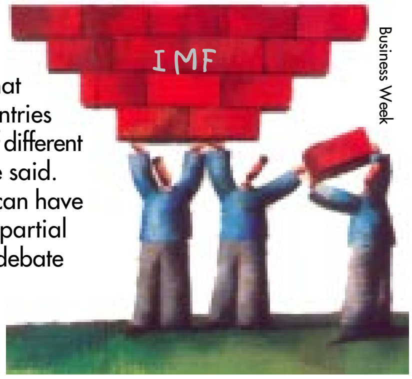
September's terrorist attacks and the US-led response will exacerbate the already gloomy world economic outlook for the year 2002, United Nations economists said. The organisation's economists expect the world to make a "dilatory and tepid" economic recovery in mid-2002, rather than a sound recovery in the second-half of 2001.

The UN revised its estimates for the growth of the gross world product to 1.4 percent for 2001 from earlier forecasts of 2.4 percent. Growth for 2002 was also revised downward by one percentage point, from three to two percent.

The slowdown is expected to hit developing economies hard. East Asia, Latin America and countries with strong US trading-ties are expected to suffer the greatest impact. *(FT, 11.10.01)*

## Strengthening the IMF

The International Monetary Fund (IMF) should be given the power to expose the weaknesses in its member-economies. This view was expressed by Gordon Brown, Britain's Finance Minister and Chairman of the IMF's watchdog committee. He was in favour of a more systematic approach to resolving economic crises, replacing the current system of ad-hoc bailouts.



Business Week

The IMF's gains in preventing crises by improving transparency among countries had been limited by foot-dragging. "What has held back the next stage is that countries themselves have been reluctant for all sorts of different reasons to see…greater transparency," he said.

"The next step is to consider how you can have your surveillance functions make an impartial judgement, which then allows a reasoned debate to take place about what the financial implications of this are."

His proposal to give more power to the IMF reflects concerns that pressure from shareholder countries restricts the IMF's freedom of manoeuvre. The IMF's health-checks on member-countries analyses their economic and financial health, but require the agreement of the country being assessed before they can be published. *(FT, 15.11.01)*

### Speed up Economic Reforms

The European Commission (EC) is stepping up pressure on the European Union (EU) Governments to speed up structural economic reforms. They are needed to ensure that the EU fulfils its promise of having the world's most competitive economy by 2010.

Romano Prodi, EC President, urged fiscal agreement on a "priority reforms package" of measures so that their March 2002 summit in Barcelona, Spain, can show the EU delivering promises as well as identifying priorities. He urged speedy agreement on:

- the Community patent, held-up by a dispute over which languages should be used;
- the procurement package to standardise public procurement rules, which has attracted opposition from lobbies with a vested interest in maintaining national systems;
- key parts of the financial services action plan, such as rules on market abuse. *(FT, 19.11.01)*

### EU Directive on Money Laundering

European Union Finance Ministers cleared the way for an agreement on tougher money laundering laws. The Ministers agreed to a controversial text governing the professional secrecy of lawyers and their clients.

Frits Bolkestein, the EU's Internal Market Commissioner, hailed the directive as a "crucially important measure in the fight against the financing of terrorism and organised crime" which set a "new international benchmark in the fight against money laundering".

Ministers also agreed to step-up support for the campaign of the Paris-based Financial Action Task Force on money laundering against countries and territories which fail to co-operate with its rules.

The directive will extend the existing EU legislation against drug-trafficking to the proceeds of other serious crimes. *(FT, 17.10.01)*

### How Markets Really Work?

Three American economists have been awarded the 2001 Nobel Prize for their work on the advantages enjoyed by sellers over buyers in the markets, ranging from jobs to crops to second-hand cars.

During the 1970s, George Akerlof, Michael Spence and Joseph Stiglitz developed the understanding of information asymmetries, which is now a standard tool for economists seeking to explain how markets really work.

Stiglitz is best known of the three and a hero to some development campaigners for his attacks on aspects of the free-market "Washington Consensus". Describing their work, Anders Borglin, Economics Professor at the Lund University, Sweden, said, "What the winners' work boiled down to, was the theory behind many people's instinctive distrust of used car salesmen, who usually know more than buyers about the vehicles." *(FT, 11.10.01)*

### Indian Economy has Slowed Down

India lowered its growth projections for 2001 because of cyclical factors and the slow-down in the world economy. Expressing the hope that the slow-down will be temporary, the Prime Minister, Atal Bihari Vajpayee, said that India was focussed on faster implementation of economic reforms.

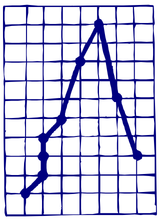
Further outlining the priorities in the economic policies in the run-up to the Budget 2002-03, the Finance Minister, Yashwant Sinha, highlighted the need to tackle the serious fiscal crisis to deepen the reforms in agriculture and reduce import tariffs to Asian levels.

On another note, the President of the World Economic Forum, Klaus Schwab, has said that the prospects of a seven-percent growth rate for the Indian economy are dependent on additional reforms. India has lost its position as one of the two best economic performers in the world, leaving China as the lone-star in this year's World Economic Outlook of the International Monetary Fund.

*(BS, 24.11.01 & TH, 03.12.01)*

### Gloomy Outlook in Mexico

The Mexican Government has presented the 2002 budget to the Congress, which reflected the country's gloomy economic outlook and highlighted the need for tax reform. The administration of President Vincente Fox acknowledged that a sharp drop in growth was behind a meagre increase in the proposed spending of 0.3 percent in real terms to $153bn in the next year.



The Government, which plans to repeat its fiscal deficit of 0.65 percent of gross domestic product (GDP), based its projections on 1.7 percent growth in 2002, inflation of 4.5 percent and a continued strong currency. Growth expectations for this year were lowered to zero percent.

The Government characterised its budget as prudent, but critics argued that it had failed to reduce the widespread inefficiencies inherited from the previous administrations. The budget included a proposal in which income would be increased by $8bn or 1.3 percent of GDP, if taxes were raised on food and medicine. It said the extra funds would be used to increase social spending. *(FT, 14.11.01)*

### Growth may be Overestimated

Indonesia's economy grew at 3.47 percent in the third-quarter of 2001, according to Government figures. But, economists have warned that the figures overestimate growth. Demand is contracting in Indonesia's leading export markets – North Asia and the US – and consumer confidence is dwindling at home.

The utilities sector, which expanded by 8.9 percent, and the transport and communications sector, which expanded by 6.8 percent, saw the highest annual growth rates. Indonesia's budget deficit is forecast at 3.7 percent of gross domestic product for 2001. It was burdened by energy subsidies that account for to 20 percent of the government's spending and a $70bn bank recapitalisation programme.

"Taking a close look, the economy is not terribly robust," said Arjuna Mahendran, an economist with Forecast in Singapore. Many private sector economists are arguing that the growth rate is closer to 2.5 percent per annum.

On another note, President Megawati Sukarnoputri has said that country's economic crisis could not be fixed with short-cut solutions to the deep-rooted problems. "The difficulties in dealing with the weakening situation are because problems have been accumulating since the start of the economic crisis," she said. Indonesia was hit hard by the 1997 financial meltdown. It was still burdened by its after-effects, particularly massive debt.

*(FT, 16.11.01 & WSJ, 05.11.01)*

### Set for Steepest Fall

The Japanese economy is set for its most dramatic decline in at least 20 years, the Government admitted. The forecast of a 0.9 percent contraction in the year running up to March 2002 marks a striking reversal of its previous predictions.

Earlier, Tokyo was projecting a growth rate of 1.7 percent in the period. Such a decline would be the largest since the current calculation-system began in 1980. The forecast is likely to put more pressure on the Prime Minister, Junichiro Koizumi, to tone down his plans for fiscal tightening and economic restructuring.

There are calls for less stress on fiscal restraint to cope with the economic fall out of the attacks on the US. "While paying close attention to changing economic conditions, the government should take a mid-to-long-term approach by actively promoting structural reform," said the Finance Minister, Masajuro Shiokawa. *(FT, 10.11.01)*

### Reform May Run Out of Steam

The West's enthusiasm for Russia is too optimistic and too soon. While the short-term macro-economic picture looks positive, there are more serious questions about the implementation of reforms in the longer-term and how issues of outstanding concern to business are being tackled at the micro-level.

An analysis by the World Bank warned that the Russian economy remained heavily reliant on volatile natural resource prices, and that productivity growth was lagging behind the appreciation of the real exchange rate.

There are some signs that the pace of economic reform is slowing down, as policymakers become nervous about taking unpopular measures in the build-up to elections. In spite of a commitment to liberalise the natural monopolies – gas, electricity and railways – there are signs that the Government is resisting sharp increases of the heavily subsidised levels of tariffs. *(FT, 13.11.01)*

### Desperate Need for Help

The economic crisis in Zimbabwe and the rising prices are having a devastating effect on its people, the South African Government said. Alec Erwin, the Minister of Trade and Industry, said that economic mismanagement had led to skyrocketing inflation. Inflation in Zimbabwe is estimated at 70 percent, while unemployment is at 50 percent.

The country is facing shortages of basic foodstuffs and the International Monetary Fund has ruled out making further loans to the country. Erwin's comments followed a partial U-turn by the Government on its decision to impose price controls on staple food.

This acknowledgement of Zimbabwe's economic plight by the South African Government is one of its strongest statements yet about the extent of the financial crisis, precipitated by political violence and land invasions by its northern neighbour. *(FT, 10.10.01)*

**EU asked to ease Market Access**

India has asked the European Union (EU) to put in place a series of positive steps such as granting GSP (generalised system of preferences) by way of duty-free access to the EU markets and reducing non-tariff barriers.

Addressing the second India-EU Business Summit, the Indian Commerce and Industry Minister called on the trade and industry from both sides to focus on future initiatives in appropriate sectors to substantially step-up bilateral trade from the present level of $20bn annually.

The EU Commissioner for Trade, Pascal Lamy, said that India's reform process was an important component in bilateral trade. "Our tool box includes expert working groups in areas such as steel, marine and agricultural products, textiles, telecommunications and information technology as well as environment," he added. *(BL, 23.11.01)*

**Increase Technical Assistance**

Successful implementation of the Uruguay Round Agreements would require building adequate national capacities in developing countries, according to Mark Malloch Brown, the Administrator of the United Nations Development Programme. The proper implementation of many WTO agreements requires new legislation and the creation of new institutions, systems and procedures in developing countries.

These measures, said Brown, would go a long way in furthering both the trade and development agendas of these countries. "However," he added, "that could not be achieved without significant human and financial resources, and the potential benefits of trade agreements for developing countries will not materialise without such an investment."

The Integrated Framework for Trade-Related Technical Assistance is an encouraging step towards increasing and delivering more effective technical assistance. However, said Brown, "In the absence of a strong commitment to upgrade the implementation capacity of the WTO agreements and enhance the competitiveness of developing countries, the current imbalance in the world trading regime will persist, and may even increase. This would inevitably jeopardise the multilateral trading system – a consequence that should be avoided at all costs."

*(UNDP Press Release, 11.11.01)*

## Efforts to Subvert Supachai

There is a move to give the present Director-General of the WTO, Mike Moore, another position within the WTO, after his term ends in August 2002. Moore is working hard to get the newly-created job as the Chairman of the Trade Negotiating Committee (TNC).

Such a move would subvert the clout of the Director General in-waiting, Supachai Panitchpakdi of Thailand, and grievously wound the credibility of the WTO in the eyes of the developing world.

According to a top-ranking trade official, "Any eventual chairmanship of Moore is seen as a sure sign that developed countries in the OECD will highjack its (TNC) working, with consequent implications to the interests of the rest of the world." It was confirmed that Moore has established contact with the European Trade Commissioner, Pascal Lamy, and the US Trade Representative, Robert Zoellick, for the position of the head of the TNC. *(FE, 03.12.01)*

## Agreement on New Programme

At the Fourth Session of the Ministerial Conference held in Doha, Qatar, ministers from the WTO (World Trade Organisation) and member-governments approved a work programme – which they called "broad and balanced" – that includes negotiations on a range of subjects and other tasks for the coming years.

"The success of our conference at this difficult time is…especially important as a reaffirmation of the determination of the international community to work together to respond to these challenges for a better future," said the Conference Chairman, the Qatari Finance, Economy and Trade Minister, Youssef Hussain Kamal.

The WTO's Director-General, Mike Moore said, "This conference has been a remarkable experience for all of us. It has been difficult because we have been dealing with some of the most sensitive issues in international trade policy, and many governments have had to move towards the positions of their partners to make this agreement possible."

The work programme spelt out two declarations – a main declaration and one on intellectual property rights and public health – and one decision on implementation, i.e. developing countries' difficulties in implementing the current WTO agreements.

The declaration gives a boost to developing countries and commits the ministers to address "the particular vulnerability of least developed countries and the special structural difficulties they face in the global economy." *(WTO Press Release, 14.11.01)*

## 'General' Bhagwati's Doha Strategy

Prof. Jagdish Bhagwati wondered if India might like to introspect on why sections of the world's financial press called it, "the only loser at Doha". He was commenting on India's strategy at a public lecture in New Delhi, organised by the Federation of Indian Chambers of Commerce and Industry.

The Financial Express

Tracing the series of *volte faces* India has seen among its supposed allies since the early 1980s, he asked, "Did we keep our ears to the ground…did we monitor whether certain allies, the small and poor countries, will withstand punishments or inducements from the world's hyper power, the US?"

"Can we go about selecting our team the old fashioned way?" he further asked. "How about going beyond just businessmen, and taking other interest groups on board too…it's good strategy to have more voices and weapons," he suggested.

On what he described as a "cock-eyed position," Prof. Bhagwati believed India "shot itself in the foot," by becoming a "prisoner of the view that the Uruguay Round was unbalanced," thereby "let us first balance it, before a new round can be launched." *(FE, 21.12.01)*

### Broad Agenda Needed

The annual report 2001 of the World Trade Organisation notes that trade has slowed and confidence is weak. A broad negotiating agenda is essential for continuing policy reform and trade liberalisation. It would do much to build confidence and ensure that the WTO's trading system plays its full part in promoting recovery and growth.

Merchandise output growth in 2000 at four percent and trade growth at 12 percent were 'outstanding', the report says, the strongest in more than a decade. But, "the contrast between the figures for 2000 and the available figures for the first-half of 2001 could hardly be greater."

The report describes how governments' good sense and WTO rules helped reduce the impact of the Southeast Asian financial crisis that began in 1997. "Trade became a part of the solution…Seldom have the gains from trade been so evident."

*(WTO Press Release, 02.11.01)*

### PETA Campaign and the Leather Sector

The Indian leather industry has incurred a loss of $40mn due to the campaign of People for Ethical Treatment of Animals (PETA) against leather products. Some companies, having a wide network in the US and Europe cancelled their existing orders, the Council for Leather Exports (CLE) said.

There was an apprehension that the industry may face bigger loses during the coming months as PETA intensifies its campaign. Some of the top shoe companies, including Nike and Reebok, have decided not to purchase leather from India, following the campaign.

While the CLE was busy drawing out strategies to counter the campaign against Indian leather products, PETA alleged that the Council was not taking steps to contain the illegal transport and slaughter of animals. *(FE, 29.10.01)*

### WTO Familiarisation Programme

A programme on familiarisation of the World Trade Organisation (WTO) was designed and implemented by the Commonwealth Secretariat and the WTO Training Institute for countries with no representation in Geneva. Participants from Fiji, Namibia, Papua New Guinea, Sierra Leone and Solomon Islands were the first beneficiaries of the programme.

The programme consisted of intensive briefing sessions in those subject areas of special interest identified earlier on by the participants. Officials from various organisations, including the United Nations Conference on Trade and Development (UNCTAD), took part in these sessions.

The participants had shown a great interest in the programme, which appeared to meet their expectations. The Commonwealth Secretariat expressed its interest in having it renewed at the end of the 19th WTO Training Course, which will take place from 14th January to 5th April 2002. *(WTO Press Release, 17.12.01)*

### Act to Save Mercosur

The Governments of Argentina and Brazil agreed, in principle, to implement safeguards on bilateral trade, including possible import tariffs, in an effort to salvage Mercosur, the four-nation South American customs union.

They also reaffirmed their commitment to Mercosur's crucial common external tariff in order to negotiate access to new markets. The European Union, which made its proposal towards a free-trade agreement with Mercosur in July, has said that an accord would only be possible if the South American trade bloc maintained its common external tariff.

The EU was not prepared to negotiate with member-countries on an individual basis. The US is said to want the same. Brazil's Government has sought to uphold the common external tariff. However, analysts say that Brazil conceded to the Argentine demands in an effort to further the interests of Mercosur. *(FT, 10.10.01)*

### Cold Water on Trade Zone Plan

South Korea has poured cold water on the idea of a Northeast Asian Free Trade Zone including China and Japan. It argued that differences between the three nations might be too great.

"We need more co-operation between China, Japan and Korea but it would not be a NAFTA (North American Free Trade Association) or EU style system because cultural and development backgrounds vary between each country," said Jin Nyum, the Deputy Prime Minister and Finance Minister of South Korea.

Co-operation between them has been limited by bitterness and mistrust left-over from a history of wars, colonialism and ideological division in the region. Trade imbalances between the trio and the Japanese and South Korean reluctance to open their agricultural markets to competition are also considered barriers to closer economic links.

Nyum said a free trade agreement would be easier with Tokyo than Beijing. South Korea and Japan are both threatened by China's rapid growth. Its vast pool of cheap labour threatens their competitiveness.

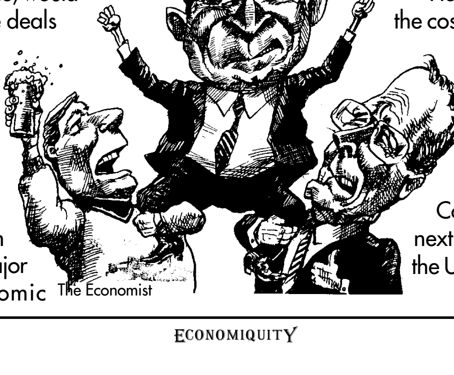
*(FT, 08.11.01)*

## Victory on Fast-track Trade Powers

The US President, George W. Bush, won a major legislative victory in the House of Representatives, when it backed 'fast-track' authority for him to approve new trade agreements.

The legislation, if approved in the Senate, would give Bush the authority to negotiate trade deals over the next three years without the threat of congressional amendment. It would help spur talks on a new global trade agreement and a Free Trade Area of the Americas linking the US and Latin America.

The Senate's largely pro-trade sentiment makes it likely that the legislation will be passed next year. The Bush Administration had made the vote into a major test of the US commitment to economic engagement with the world. Republicans with links to the US textile industry – ravaged over the past year by the economic downturn and low-cost imports – cast the winning votes.




However, trading nations have started counting the cost of 'fast-track'. The price may be so high as to greatly complicate efforts to push ahead with the ambitious trade liberalisation agreements favoured by the Bush Administration.

While negotiating those deals will take several years, the commitments to the Congress will start reducing imports by early next year, angering many of the countries where the US wants trade barriers removed.

*(FT, 07.12.01 & 10.12.01)*

### To Meet WTO Pledges

China is targeting local business laws to meet its WTO (World Trade Organisation) pledges. Chinese foreign trade officials acknowledged that substantial work is needed before local laws fall into line with pledges before Beijing is made to open its markets to join the WTO which governs global trade.

The Chinese Government has ordered the provincial governments and local administrations to review all the regulations to ensure they adhere to China's market-opening commitments. Officials will, then, decide what laws to revise or abolish, said Zhang Yuqing, the head of the legal division for the Ministry of Foreign Trade and Economic Co-operation.

The Government is scrambling to translate trade-pledges, which run to some 900 pages of text, into Chinese. The delay could complicate the work of the officials asked to review the local laws. "The work is so overwhelming that I don't think it's possible to overhaul national and local legal norms in a matter of two or three months," said Bing Ling, an Associate Professor of Law at the City University of Hong Kong. *(FE, 28.11.01)*

### Give and Take: India and Its Major Trading Partners

The message of Susan G. Esserman, the former Deputy US Trade Representative, to the Indian Commerce and Industry Minister, Murasoli Maran, was that the WTO (World Trade Organisation) represents a great opportunity for India and that the negotiations are shaped towards India's interests. India should engage early and vigorously in the negotiations and seek market access. She was visiting the country as part of the US-India Business Council team. .

She urged Maran to work together to open up world markets. She argued that India has a great opportunity to play a lead role in cutting down the distortions in the world's agriculture markets. As a leader in the hi-tech area, India has a critical stake in the services negotiations.

On why new negotiations will be of India's interests, she said India is not a part of any major regional block and the negotiations represent a potential opportunity to benefit from a genuine free-trade agreement, encompassing all WTO members.

*(FE, 03.12.01)*

## Two Years after the Protests

Following a successful meeting in Doha, Qatar, representatives of the World Trade Organisation said they had gone a long way towards removing the "stain of Seattle". Those who did the staining beg to differ.


"If the stain of Seattle had been removed, they wouldn't have been meeting in Qatar," said Vanessa Lee, a Seattle activist. "They had to go to a state where free speech and even freedom of assembly is not allowed. And I really doubt their next meeting is going to be held in a city like Seattle or Quebec or Genoa," she added.

Lee was helping organise events to mark 'N30' – November 30, the second anniversary of massive 1999 protests that shut down downtown Seattle and helped prevent WTO delegates from launching a new round of trade talks.

The protesters have largely focussed on what they see as the dangers of globalisation: the increasing power of multinational companies, the marginalisation of developing countries and abuse of the environment. Some WTO officials said the meeting in Doha addressed many of those concerns. *(ET, 01.12.01)*

### Faith before WTO

Saudi Arabia will not compromise its special position as the birthplace of Islam to gain entry to the World Trade Organisation. "As an Islamic country which has the honour to serve the two holy mosques, the Kingdom of Saudi Arabia enjoys a special status which cannot be abdicated, even if we join this global organisation," said Fawaz al-Alami, a member of the team negotiating the Kingdom's WTO bid.

Saudi Arabia, one of the world's four largest economies still outside the WTO, is the only member of the six-nation Gulf Co-operation Council yet to join the organisation. A Saudi official has said the WTO was demanding that the Kingdom undertake substantial legal reforms before it could join the legal body.

Some WTO officials were also demanding that Saudi Arabia allow the import of goods banned by Islam, such as pork and alcohol. *(BL, 06.11.01)*

### Awaits for Gains

Asia is warily counting the expected region-wide gains from the decisions by the World Trade Organisation (WTO) to launch a round of global trade reform negotiations and to admit China and Taiwan as members.

A survey of governments and trade opinions across Asia shows pay-offs are expected by poverty-mired developing countries through to rich industrial giants led by Japan. The growing consensus is that the WTO's Doha decisions provide enough meat for gains by all countries of the region.

"The entry of China and Taiwan into the WTO means two large markets will be open to foreign competition. It is basically positive for the Asian economy overall," said Akio Shibata, chief economist at Japanese trading house Marubeni Corporation's research institute.

*(BS, 01.12.01)*

### UAE-Iraq Free Trade Agreement

The United Arab Emirates (UAE) and Iraq have agreed to promote trade and scrap tariffs under a preferential trade agreement. This was Iraq's first such agreement with a Gulf state since the 1991 Gulf war over Kuwait.

"The signing of this agreement has made Iraq and the UAE one market by scrapping customs duties and administrative restrictions governing the issuing of import licenses," said Mohammed Mehdi Saleh, Iraq's Trade Minister. Sheikh Fahim, UAE's Minister for Economy and Commerce, said it would help double the current trade rates, which totalled up to $5bn during the past five years.

"The UAE has been occupying an important place in Iraq's foreign trade dealings since 1995 as the volume of trade exchange has reached up to $2.5bn under the oil-for-food programme," Saleh added. Iraq signed a similar agreement with Syria earlier this year. It also signed comparable deals with Egypt, Tunisia, Yemen and Algeria.

*(Gulf News, 03.11.01)*

### Panel to Vet Impact

A WTO panel has been constituted to study if an American legislation violates the anti-subsidy provisions of the General Agreement on Tariffs and Trade (GATT). The legislation seeks to utilise the proceeds of anti-dumping duties for restructuring its affected industry.

The European Union (EU) and India contended the American move, along with eight other countries. The legislation relates to dumping and subsidy offset and is known as the Byrd Amendment. The EU is the main complainant, while India and others are third parties. The panel's verdict will be based on the EU's submissions.

According to the Indian officials, subsidising the domestic industry on the basis of the resources raised from anti-dumping duties imposed by member-countries is a WTO-inconsistent measure. The US legislation also aims to restrict workers from access to funds raised through anti-dumping duties.

*(FE, 04.12.01)*

### Most Explosive Trade Dispute

The US Deputy Treasury, Kenneth Dam, presented the opening arguments of the US in an appeal of the most potentially explosive case to come before the Dispute Settlement Body of the WTO. Dam defended US tax breaks for American companies which the EU charges – and the WTO has, thus far, agreed – provide "a prohibited export subsidy".

In doing so, he characterised the panel's last ruling as an attempt "to compel members to choose a particular kind of tax system". "The necessary implications of the panel's analysis is that the WTO may second-guess the reasonableness of a member's decision regarding the most basic elements of its tax system," he added.

After the first two rulings against the US, the Clinton Administration revised the rules, providing rebates for a percentage of a company's export earnings on products distributed by overseas offices. The EU was not satisfied with the revision and went back to a dispute settlement panel, which in August again ruled in its favour.

If the US loses before the appeals panel this time, Brussels may seek WTO authorisation to impose up to $4-5bn in sanctions on US exports. This would bound to stir up the US Congress and produce calls for a full-fledged trade war. *(FT, 27.11.01)*

### Disputes between Neighbours

Japan may be heading for a trade dispute with its neighbours after leading semiconductor manufacturers threatened to ask the Government to file an anti-dumping complaint against their foreign rivals.

Japanese executives said they believed Asian chipmakers, particularly South Korea's Hynix Semiconductor, had pushed the price for the dynamic random access memory down sharply this year by selling below the cost.

The charges by NEC, Toshiba, Hitachi and Mitsubishi Electric come at a tense moment in Japanese-South Korean relations. "Hynix has been selling at the lowest price for a long while now and it is receiving money from government-supported institutions. We are trying to decide what type of action we can take to rectify this situation," they said.

*(FT, 25.10.01)*

### Go Ahead for Banana Regime

The EU's revised banana import regime looks set for introduction in January 2002 after Latin American banana producers agreed to start the 90-day clock ticking in October for examination of the necessary waiver from the WTO rules.

Panama, Honduras, Guatemala and Nicaragua had blocked the consideration of the waiver for several months. They wanted more information about the tariff-only regime the EU is due to implement from 2006.

The arrangements form a part of a deal with Washington earlier this year, which led to the lifting of $191mn in US sanctions on EU goods.

*(FT, 08.10.01)*

### Spat over Soybean

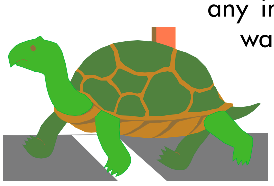
An escalating dispute over US soybean exports to China has stirred concern about barriers to the Chinese economy that could remain even after the country joins the WTO. The US officials have accused Beijing of blocking America's biggest overseas market for soybeans in a bid to protect China's farmers, who can't match low US prices.

After Beijing announced it was drafting new rules on genetically modified crops, the fight has intensified as US farmers approached the end of their harvest season. Current shipments containing genetically modified soybeans have met with unusual delays moving through port quarantine inspections.

According to some analysts, this dispute offers a sobering preview of how China's national interests and its global trade commitments could clash after it joins the WTO. *(WSJ, 18.10.01)*

## Ban on Vessels without TEDs

The United States has finally won the World Trade Organisation (WTO) case that challenged its ban on the import of shrimps caught by vessels without using turtle-excluder devices (TEDs). The WTO Appellate Body said the implementation of the US sea turtle protection law was fully consistent with the WTO rules.



It also said the US had complied with its earlier order to end unfair discrimination among the shrimp exporting nations. The litigation on this issue began in 1996 when India, Malaysia, Pakistan and Thailand challenged the shrimp-turtle law of the US. They maintained that it was inappropriate for the US to prescribe their national conservation policies for other nations as well.

Initially, these countries managed to get a favourable decision from the disputes panel, when it ruled in 1998 that the measure was inconsistent with Article XI of the GATT which provided that WTO members would not impose any import restrictions. This was subsequently partially reversed by the WTO Appellate Body in response to an appeal by the US.

The Appellate Body said the US law for conservation of sea turtles was covered by the GATT exception for measures relating to the conservation of exhaustible natural resources. But, at the same time, the Body found that the US had implemented the law in a way that resulted in unfair discrimination between the exporting nations.

*(BS, 03.12.01)*

**First Petition to WTO Panel**

New Delhi has questioned Washington's action in imposing a 72.49 percent anti-dumping duty and a 12.8 percent countervailing duty on cut-to-length carbon-quality steel plates. The duties were levied by the US Commerce Department on the grounds that the steel item had been exported by India at below-the-normal value at which they are sold in the domestic market.

Earlier, New Delhi had consultations with Washington on the issue, in order to arrive at a mutually acceptable solution. As the consultations failed, New Delhi approached the WTO Dispute Settlement Body, which set up a panel to sort the matter out.

On another note, the Indian Government has set up a co-ordination cell in the Commerce Ministry to co-ordinate with all the agencies concerned with defending anti-dumping investigations.

*(FE, 27.11.01)*

**Korea Seeks Allies**

South Korea will seek co-operation from other major steel exporters like the EU and Japan to protest against potential US moves to raise trade restrictions on steel imports. The Korean Commerce, Industry and Energy Minister, Chang Che Shik, said, "The US decision is a disappointment to many countries and could threaten fair and free trade of steel."

He warned that the possible US moves to restrict steel imports could aggravate the global slump in the steel industry. Currently, the world's steel-makers produce about ten percent more steel than is consumed and the entire steel industry has been hurt by plummeting prices.

In 2000, Korea's steel exports to the US reached $1.25bn, taking up 16.4 percent of its total steel exports of $7.6bn. The steel products under US investigation cover 60.5 percent of Korea's exports to the US, the Ministry said. *(WSJ, 24.10.01)*

**US Plans for Steel Tariffs**

The prospect of a trade war between the US and other countries on steel products loomed over the US plans for steel tariffs after the US President, George W. Bush, was urged to impose tariffs of up to 40 percent on imports. The International Trade Commission (ITC), an independent US agency that rules on import restraints, advised Bush to impose tariffs of between 20 and 40 percent to help protect the US steel industry.

The Bush Administration faces enormous pressure from steel industry supporters in the Congress to follow the ITC recommendations. The ITC action was launched by the Bush Administration earlier this year to help the ailing industry and appease powerful steel-state legislators.

The threat of substantial duties could strengthen the Administration's hand in persuading other countries to reduce their steel-making capacity. US Steel, the country's largest steel-maker, launched talks with other producers that could lead to mergers, plant closures or other moves to cut domestic capacity. The US steel industry lost $1.4bn in the first-half of 2001. *(FT, 08.12.01)*

**Risks of Alienating Allies**

Rising complaints by non-US steel-makers put the Bush Administration in the politically difficult position of defending the ailing domestic steel companies, without alienating important partners in the war against terrorism.

Many of those countries that could face sanctions have agreed to help the US fight terrorism, making it a thorny issue to simultaneously ask for help and hurt the countries financially.

"How do you tell Kazakstan and other countries that we don't want you to bring steel in the country, yet we want to use your air space and bases to fight terrorism in Afghanistan?" said John Correnti, Chairman and Chief Executive Officer of the Birmingham Steel Corporation in Alabama, one of the US steel-makers that has been hit hard by imports.

The US Trade Representative, Robert Zoellick, told the National Association of Manufacturers that freer trade with Pakistan, Indonesia and other developing countries will be crucial to the US war against terrorism. Yet, he also told the group that the steel industry needs more safeguards because it is weaker than most other industries. *(WSJ, 25.10.01)*

**In the Look Out for…**

More than Sh10bn (US$0.129bn) worth of industrial investment in Kenya is threatened by an imminent influx of Asian steel imports. Direct jobs for over 2,000 Kenyans and several thousands in indirect employment are on the line.

This follows the identification of several steel products from Asia as injurious to the protected US domestic operators, which leaves the Asian countries in dire need of markets to dispose-off the surplus.

Justifiable fears are growing that subsidised goods from Asia, notably India, could flood the Common Market for Eastern and Southern Africa (COMESA), where the Kenyan industry is fairly dominant. The Indian firms are termed by the Kenyan manufacturers as habitual offenders of dumping and subsidies.

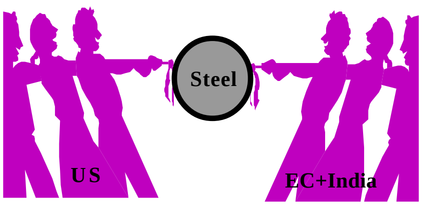
With heavy protection in the US and European markets, Indian firms are naturally turning to Africa, said Kaushik Shah, the director of Mabati Rolling Mills. Mabati is one of Kenya's largest industrial exporters.

*(Daily Nation, 27.11.01)*

# USITC Gets Flak

The European Commission (EC) and the Indian Steel Alliance has challenged the US International Trade Commission's (USITC) finding that the import of steel products has caused injury to the US domestic manufacturers.

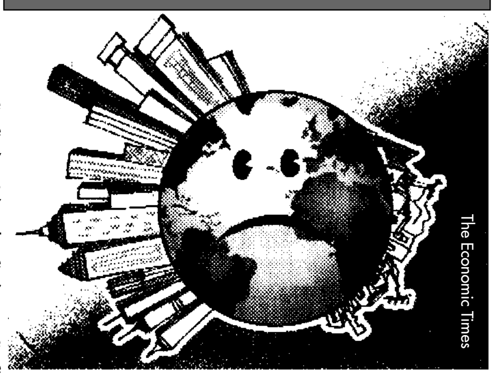
According to Pascal Lamy, the EC's Trade Commissioner, "If the US decides to close its market as a result of this investigation it should be in no doubt that we will take this matter up in World Trade Organisation."




Shifting the responsibility for the problems facing the US steel industry on to the rest of the world by imposing protectionist measures will only make matters worse, an EU official said, quoting Lamy.

On another note, the Indian Steel Alliance said that the USITC's decision to treat all carbon and alloy as a single category will adversely affect steel exports from India. "This action will virtually deny Indian steel access to the US markets," an official of the Confederation of Indian Industry said. *(FE, 27.10.01)*

## Call to Fight Poverty




In the Millennium Declaration, the international community recognised the fight against poverty as the greatest challenge to our global governance system. We not only need a global coalition against terrorism, we need a global coalition against poverty as well.

Kofi Annan, Secretary-General of the United Nations, at the conference for the least developed countries (LDCs) in May 2001, remarked that only a few countries have lived up to the goal of devoting 0.7 percent of their gross national product (GNP) to official development assistance (ODA) and that the LDCs suffer disproportionately as a result of that.

We need better and more effective development assistance, policy coherence and lower transaction costs by harmonisation of procedures. We need a sharper focus on the importance of strong institutions and sound economic and social policies. But, we cannot expect to reach our common goal of halving extreme poverty by 2015 without increasing aid volume.

All UN members, with the exception of the US, have accepted a long-established standard volume of ODA: 0.7 percent of GNP. But, the international community is still a long way from making this standard a reality.

In fact, the Netherlands, Sweden, Denmark and Luxembourg are the only European Union member-states that meet the ODA standard. Norway, a non-EU member, is also part of this club.

We welcome new and innovative financing options, but the main problem is that some countries are not providing adequate ODA resources. Therefore, we call on the EU members to make a commitment at the International Conference on Finance for Development in Monterrey, Mexico, in 2002 and to present individual plans and timetables in order to make concrete progress in reaching the goal of 0.7 percent of GNP to ODA.

*Anita Bay Bundegaard, Denmark*
*Charles Goerens, Luxembourg*
*Eveline Herfkens, Netherlands*
*Hilde Frafjord Hohnson, Norway*
*Maj-Inger Klingvall, Sweden*
*Ministers Responsible for Development Co-operation*

*(FT, 19.11.01)*

### Effort to Bridge Digital Divide

The United Nations has launched a global Task Force to help build universal inter-connectivity and spread the benefits of the digital revolution to the world's poor. It was set-up to work with partners such as the regional development banks, international donors and non-profit organisations to help mobilise resources around specific programmes and initiatives.

Speaking at the launch-ceremony, the Secretary-General of the United Nations, Kofi Annan, said the Task Force faced an important challenge "to help build digital bridges to the billions of people who are now trapped in extreme poverty, untouched by the digital revolution and beyond the reach of the global economy."

The Task Force has launched four regional nodes to act as one-stop ICT (Information and Communication Technologies) information facilities within the regions and had six different working groups to look at content issues, such as regulatory frameworks, low-cost connectivity and applications for health and education.

*(BL, 23.11.01)*

### Food Security under Threat

Global food security is under threat from bio-pirates who take plants from the developing countries, change them slightly and then patent the new varieties, according to anti-poverty groups and activists. "Today's pirates are cheating the poor and now emerging as a threat to people's right to food," according to Action Aid's Crops and Robbers report.

"The ability of farmers to put food on the table to feed their families is being undermined by patents and the patent system which is agreed and supported by mainly western countries," said Zoe Elford, Action Aid's campaigner on food rights. Groups like Action Aid accuse companies of stealing the natural resources of developing countries.

*(FE, 17.11.01)*

### $50bn to Beat Poverty

Gordon Brown, the British Chancellor of the Exchequer urged rich nations to set up a fund to raise $50bn to lift developing countries out of poverty by 2015. But, he wants to set stiff terms for the recipient nations who would have to commit themselves to reduce corruption and put poverty-reduction at the heart of economic policy-making.

The plea for the creation of a 2015 Fund is part of a strategy devised by the Chancellor and Clare Short, the International Development Secretary of Britain. However, developing and emerging market countries have resisted the idea that they should be compelled to adhere to international standards of fiscal and monetary policy. *(FT, 16.11.01)*

### Tackle Regional Poverty

Peru's President, Alejandro Toledo, wants the Andean Governments to spend less on defence and more on social investment. "The poor cannot wait any longer. We need to spend more on health, education and justice. Given that we have tight financial resources, one way would be to reduce military spending...and redirecting that money to social areas. But it cannot be done unilaterally," he said.

Toledo made this proposal to his Ecuadorean counterpart, Gustavo Noboa, in a summit in Quito, Ecuador. Peru's budget for 2002 will reduce defence spending by 11 percent, but Ecuador's will spend more on all its ministries, including defence. *(FT, 18.10.01)*

### Brussels to Free Labour Markets

The European Commission scolded the big continental economies for not doing more to free-up their labour markets. In a report on employment, Brussels said that more had to be done to live-up to past promises on jobs and competitiveness.

It warned that the EU was lagging behind its target of achieving full employment by 2010 – by which it means an employment rate of 70 percent for the population as a whole and 60 percent for women. In 1999, the proportion of people at work was 63 percent overall and 54 percent for women. Since then, many countries have seen unemployment begin to rise again. *(FT, 30.11.01)*

**Global Anti-corruption Drive**

Corruption in public life and business is attracting higher scrutiny than before, but the results of anti-corruption drives are mixed. This was stated by the watchdog charity, Transparency International.

Releasing its first Global Corruption Report, the organisation said the problem had become a big political issue in many countries. It said that international drives against money-laundering, corporate-bribes to foreign governments and the role of the diamond trade in funding the African civil wars had given corruption a much higher profile.

"On balance, the international community's efforts to fight corruption have had a positive impact," the Report said. It called for an international standard on the funding of political parties. "Such standards would ultimately have to be enforceable and effective at the national level but the possibility of international pressure to enforce them should not be ruled out," the Report added. *(FT, 16.10.01)*

**Push to Cut Poverty**

Development aid will need to double to over $100bn a year to achieve the international development goal of halving extreme poverty by the target date of 2015, the World Bank told its member-countries.

The Bank seeks pledges of increased aid ahead of a key United Nations development finance conference due to be held in 2002. It says an extra $39bn will be needed to support the poor countries that already have good policies in place, with an extra $15bn required, if a number of other countries improve their policies enough to qualify for funding.

The issue of raising finance for developing countries has assumed greater prominence in recent months. "I trust that we will not hear again the argument that what happens in Afghanistan is of no relevance to someone living in Alabama, Amsterdam, or Auckland," said the World Bank's President James Wolfensohn. *(FT, 12.11.01)*

**IMF's Perception and India**

The World Economic Outlook (WEO) brought out by the International Monetary Fund (IMF) carries an analysis on the growth-poverty connection in India. It acknowledged that India's poverty rate has declined significantly over the last three decades.

Between 1974 and 2000, the percentage of the population living below the poverty line fell from 55 percent to 26 percent, which continues to pose a major policy challenge. The decline was fairly uniform across rural and urban areas.

In the past few years, some analysts have raised concerns that the positive link between growth and poverty reduction may have weakened in the 1990s. They contend that though the reforms in the early 1990s raised economic growth markedly, the benefits in terms of poverty reduction were relatively muted. *(BL, 26.11.01)*

**SA in Poverty Reduction Drive**

The South African Government was considering introducing a basic income grant to eradicate the scourge of poverty in the country. According to the spokesman of the Social Development Ministry, Mbulelo Musi, the Government considered it important to consider various options to deal with the poverty which the country was facing.

"A basic income grant system is one of the excellent ideas we might consider introducing during the 2002 budget term," Musi said. His comments came on the eve of a conference on basic income grant organised by a coalition of NGOs, trade Unions and civil society organisations.

"This is the best strategy ever to eradicate poverty in our country. Millions of people are living without grants. This will not only improve their lives, but the standard of economy as well," said COSATU's (the Congress of South African Trade Unions) spokesman, Patrick Craven. *(Daily News, 07.11.01)*

**Challenges before the Aid System**

The appetite among governments for fundamental change to the global financial and aid system has come and gone over the last few years. However, based on the evidence of the meeting of the Finance and Development Ministers held in Ottawa, Canada, in November, it is currently on the rise.

There was growing backing and support for an international bankruptcy procedure for countries with debt problems. But, there was little progress on deciding how the aid would be delivered. "The world has spent an enormous amount in the name of development without much success. It is not just a matter of wearing our hearts on our sleeves," said Britain's Treasury Secretary, Paul O'Neill.

However, the renewed interest in development among the Ministers failed to impress the group of the protesters, mainly Canadian, outside. They put local issues high among their priorities. Claude Latour, an artist, said September 11 had given the governments a chance to extend control: "Big Brother has gone from wearing a pair of diapers to wearing a jogging suit overnight." *(FT, 19.11.01)*

## Sympathetic to Third World Concerns

Even as the World Bank is criticised for pushing through the Washington Consensus, for once it is singing a different song. This is in tune with the concerns widely voiced by NGOs and developing countries on the perils of indiscriminate globalisation and trade liberalisation.

Proof for this explicit shift in strategy can be seen in the Report: Global Economic Prospects and Developing Countries 2002: Making Trade Work for the World's Poor. The Report said that developing countries stand to gain an estimated $1.5tn of additional income in the ten years after liberalisation policies are begin. Developed countries would see their incomes increase by some $1.3tn.

It unveils a four-pronged policy agenda to reshape global trade architecture to promote development involving:

- a development round in the World Trade Organisation (WTO);
- global co-operation to expand trade outside the WTO;
- new policies in high-income countries to provide 'aid for trade'; and
- trade reforms within developing countries.

*(BL, 02.11.01)*

**Long-term prospects: forecast and scenario growth of world GDP per capita**
*(annual average percentage change)*

| | | | Forecast | Scenario |
|---|---|---|---|---|
| | | | Medium-term | Long-term |
| | 1980s | 1990s | 200-04 | 2005-15 |
| World total | 1.4 | 1.2 | 1.4 | 2.1 |
| High-income countries | 2.4 | 1.8 | 1.8 | 2.5 |
| Developing countries | 1.5 | 1.6 | 2.8 | 3.6 |
| East Asia and Pacific | 6.1 | 6.0 | 4.8 | 5.4 |
| Europe and Central Asia | 2.7 | -2.5 | 3.2 | 3.5 |
| Latin America and the Caribbean | -0.9 | 1.6 | 1.5 | 2.6 |
| Middle East and North Africa | -0.6 | 1.0 | 1.4 | 1.4 |
| South Asia | 3.5 | 3.3 | 3.5 | 4.0 |
| Sub-Saharan Africa | -1.2 | -0.5 | 0.9 | 1.5 |

*Source: Global Economic Prospects, 2002*

## Deal Struck on Kyoto Climate Accord

The World Environment and Energy Ministers struck a deal on the details of the Kyoto pact to limit global warming, paving the way for its implementation next year. Brushing aside rejection by the world's biggest polluter, the US, proponents of the 1997 Kyoto Protocol convinced the waverers, Russia and Japan, to agree to work towards ratification.

The accord reached at a conference in Marrakesh, Morocco, provides a detailed rulebook governing the complex treaty aimed at limiting humanity's negative impact on the Earth's climate. "It's a remarkable day for the environment after four years of negotiations on Kyoto," said the British Environment Minister, Michael Meacher.

The pact seemed to be in jeopardy last March when the US pulled out of the agreement, saying it would hurt their economy. The US Under-Secretary of State for Global Affairs, Paula Dobriansky, said her country was looking for a global solution to climate change, one that would be a tapestry of national and regional measures, rather than the single world-wide system provided by Kyoto.

Environmentalists gave the Marrakesh deal mixed reviews saying the Ministers fudged the rules on some key technical issues. "The governments may be congratulating themselves now, but what have they really achieved?" said Bill Hare of Greenpeace. *(BL, 11.11.01)*

### EU: First Market in Emissions

The European Union may introduce the first international marketplace for trade in the gases responsible for global warming. The emissions trading plans would impose quotas on the amount of carbon dioxide that could be pumped out by power stations, oil refineries, etc. Those industries would be forced to buy additional permits to pollute, if they exceeded their allowances.

The EU set a target of cutting greenhouse gas emissions by eight percent from 1990 levels by 2012, as set out in the Kyoto climate-change protocol. The European Commission calculated that the participating sectors could cut their compliance costs by as much as one third.

However, EU businesses are worried that the EU's determination to press ahead with Kyoto will put them at a disadvantage compared with US companies after President Bush withdrew from the protocol in March. Europia, the European oil industry association, said emissions-trading could be a useful tool, but only if you accepted that there had to be constraints on carbon output.

*(FT, 10.10.01)*

### Global Warming and Crop Yields

Global warming could cut harvests of staple crops like rice, maize and wheat in the tropics by one-third over the next 50 years. This was stated in a report published by the United Nations Environment Programme (UNEP).

The report shows that rising temperature damages the ability of crops to flower and produce seed. It warns that crop yields would probably decline by ten percent for every one-degree centigrade increase. The average temperature in the tropics could climb by three degrees centigrade by 2100.

The report was prepared by John Sheehy of the International Rice Research Institute in the Philippines. He said, "One possible research solution is to find genes which will make flowering occur during the cool of the early morning."

"A similar threat to cash crops is emerging in areas like East Africa," said Klaus Toepfer, the Director of the UNEP, citing work done by the Norwegian researchers in Uganda and Kenya. *(FT, 08.11.01)*

### Commercial Whaling to Resume

Japan expects the resumption of limited commercial whaling to be approved in May 2002 at an international meeting. Joji Morishita, an official with Japan's Fisheries Agency, said experts brought together by the International Whaling Commission meeting in Cambridge, UK, made advances towards resuming commercial whale-hunting.

Japan, Norway and other pro-whaling nations argue that whale stocks are strong enough in many regions to withstand limited industrial hunts. "The scientific advice is that whaling can be safely resumed," said Morishita.

The statement drew immediate criticism. New Zealand blasted Japan's claim as outrageous and totally incorrect. Jim McLay, New Zealand's Commissioner to the Commission, said the subject was not even on the agenda of the meeting in Cambridge. *(WSJ, 05.11.01)*

### A Cleansing Spree

The world's biggest fresh water system, the Great Lakes straddling Canada and the US, are cleansing themselves of pollutants. Scientists are planning tests to see if a similar phenomenon is true of the Arctic as well.

According to Keith Puckett, Canada's Manager of the Integrated Atmospheric Deposition Network (IADN), since Canada and the US began regulating the use of certain chemicals, levels in the atmosphere started dropping and the Lakes then began their own process of cleansing – at twice the rate they took it in.

He said it was time to pay attention to air pollution as it contributes fine particles and ash, acid gases and smog-forming compounds to the atmosphere, some of which end up in the Great Lakes.

The IADN is trying to determine the quantity of pollutants coming from local sources within the Great Lakes basin, and how much was coming from continental or global sources outside. *(BL, 04.10.01)*

### Attack on Turkish Dam

An international coalition of development campaigns said an environmental assessment of the controversial proposed Ilisu dam in Turkey was flawed and inadequate. The environmental impact assessment report (EIAR) was intended to form the basis of the European Governments' decisions on whether to grant export credit guarantees for the dam.

The report was prepared by a consortium of the European companies involved in the project. However, the UK-based Ilisu Dam Campaign and the Swiss-based Berne Declaration said the report failed to address key questions, such as the resettlement of local people.

According to Nicholas Hilyard of the Ilisu Dam Campaign, a Turkish Government resettlement plan referred to in the EIAR had not been made public. But, the consortium said that the report reflected international best practice and it could form the basis for the Governments' decisions.

*(FT, 03.10.01)*

**US may block the Deal**

The Bush Administration said it was prepared to block an international agreement aimed at setting environmental standards for lending by government export credit agencies, unless the deal was strengthened substantially. The negotiations are aimed at reaching a deal on new standards to curb government support for environmentally destructive projects.

Al Larson, the US Under-Secretary of State for Economic and Business Affairs said he was under pressure from both US business and environmental groups to block the deal. "We are very concerned about the status of the negotiations. The advice we're getting is all one note – block the agreement," he said.

Government export credit agencies are the biggest backers of large infrastructure projects in the developing world, many of which have a significant impact on the environment.

Some European governments, led by Germany, have resisted setting binding international standards through the OECD (Organisation of Economic Co-operation and Development), a stance that has angered the US. *(FT, 29.11.01)*

**Liable for Environment Harm**

Businesses across the European Union face the threat of being held financially responsible for the environmental damage they cause. This is stated in a controversial draft-law proposed by the European Commission.

The plans would establish an EU-wide regime requiring national governments to prevent or restore any significant environmental damage on their territory, with the companies responsible bearing the costs of the clean-up. The governments would have five years to recover the money.

While not opposing the principle, business leaders fear the proposal leaves too many questions unanswered. "It is extremely difficult to quantify damage to natural resources," explained Erik Berggren, senior policy adviser at Union of Industrial and Employers' Confederations of Europe (UNICE). *(FT, 26.11.01)*

**Eco-friendly Recycling Plan**

Millions of old or broken mobile phones may be stashed in desk drawers across Europe. But, they could be reborn once a new European Union recycling regulation comes into force.

Mobiles represent just a minor share of the equipment covered by the new regulation – major household appliances, computers and the like are a bigger problem by volume – but the phones include valuable minerals that everyone agrees should be used again.

More than 800 million people around the world currently use mobile phones and around half of all phones sold are bought by people who already own a handset. Nokia has estimated that people tend to change their phones around every two years.

Currently, around 40 percent of the material used in metal gadgets is recycled, according to the metals recycling group Kuusakoski. Re-using aluminium saves 95 percent of the energy compared with the amount used for mining the metal again, the group said. *(BL, 02.11.01)*

**Curbs to Hit Poor Countries**

From avocados to sneakers, a surprising range of products face environmental trade barriers (ETBs). Exporters from the 49 least developed countries (LDCs) are significantly more exposed to ETBs than those from any other group.

This was stated in a study done by the International Trade Centre. Of 4,917 products the ITC study scanned in world trade, 1,171 products do not face any ETBs barriers. The 3,746 other products that do face ETBs accounted for 88 percent of the world's merchandise trade (excluding services) in 1999.

Though only half of the LDC exports consist of products potentially hit by the ETBs, among them 40 are directly affected, compared to less than 20 percent for developing, transition and developed economies.

What is noteworthy is that of the 3,746 products, 86 percent of the value of world exports bypasses these barriers. "That means exporters focus their shipments on markets free of restrictions," according to the chief of the ITC's market analysis division, F. von Kirchbach. *(BL, 04.10.01)*

**'Failing' Schemes**

The European Union projects to make farming more sensitive to wildlife and the environment have largely failed, Dutch scientists said. These schemes were a crucial part of the plans to reform the common agricultural policy (CAP) of the European Union.

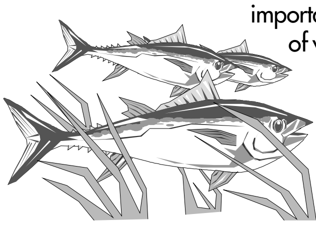
A study of the EU agri-environment projects in the Netherlands showed they had no beneficial effect on protecting bird-life and other forms of bio-diversity. These conclusions could undermine the efforts by the European Commission to replace production subsidies with payments to farmers for environmental projects.

About four percent of CAP revenues ($1.56bn) are spent on such schemes. This is to rise to ten percent soon, as production subsidies are reduced. *(FT, 17.10.01)*

# WTO Urged to Cut Fishing Subsidies

World Wildlife Fund (WWF) International, the environmental group, presented hard evidence that subsidies to the global fishing industry totalled at least $15bn. It urged the World Trade Organisation (WTO) members to launch negotiations on fishing subsidies.

A WWF report said subsidies, both reported and hidden, amounted to about 20 percent of the $76-80bn total landed-value of the world's annual commercial fish catch. Misguided subsidies that encouraged expansion of the industry were an important contributor to the depletion of fish stocks, 60 percent of which were over-fished or on the verge of being over-fished.



David Schorr, the Director of WWF's sustainable commerce programme, said world-wide fishing capacity might be two-and-a-half times the level needed for sustainable fishing levels. "Too many boats are chasing too few fish," he said.

According to the report, governments were routinely violating legal obligations to report fishing subsidy programmes to the WTO, with only about ten percent of subsidies notified. In other forums, governments had reported subsidies of up to $13bn annually, but these fell at least $2bn short of the true total, it argued.

The WTO members should launch negotiations to disclose, reduce and reform fishing subsidies, the report said, adding that reform would be a win-win-win situation for trade, development and the environment. *(FT, 26.10.01)*

### A Different Stance

Canada has agreed to pay twice for an anti-anthrax drug after acknowledging that it broke its own drug-patent rules in its rush to protect Canadians from the bacterium. Officials from the Government and Bayer reached an agreement under which Ottawa will buy 900,000 tablets of Cipro at C$2.5 (US$1.56) each from the German pharmaceutical giant.

The Government will tell Apotex Inc., from which it ordered the same number of pills in generic form at C$1.5 (US$0.94) each, to stop producing it. The Government will pay the generic firm the amount of its contract. Bayer has agreed not to take legal action against the Government over the controversy.

The deal addresses an embarrassing situation for the Health Minister, Allan Rock, whose department went around its Patent Act to buy the drug, saying it could not get the pharmaceutical from Bayer. Government sources said a department employee erred by not going to the country's Patent Commissioner for approval to circumvent the Act.

*(Globe and Mail, 23.10.01)*

### An Emerging Source

Indian generic drug companies are emerging as potential sources of antibiotics to fight any widespread outbreak of anthrax in the US. But, patent laws are the biggest barriers.

However, some Indian generic drug producers believe the anthrax scare could strengthen their argument that international trade rules should allow countries to open markets to generic substitutes during a public health crisis.

According to Ranbaxy Laboratories Ltd., an Indian company, it could deliver about 20 million pills a month, an amount equal to Bayer's normal output. The US subsidiary of Ranbaxy is leading a campaign to get the US to stock up on generic versions of the drug, despite patent laws.

Indian law does not respect drug product-patents, although the country will have to amend its patent law by 2005 to meet the World Trade Organisation rules. *(WSJ, 22.10.01)*

### Patents vs. Drugs Access

A study published in the Journal of the American Medical Association is threatening to add another debatable dimension to the existing maze of arguments on the issues of patents and access to AIDS drugs in most African countries.

The study done by the Centre for International Development, Harvard University, covered patent statuses of 15 anti-retroviral drugs in 53 African countries. It argued that it is doubtful that patents are to blame for the lack of access to anti-retroviral drug treatment in most African countries.

Experts said it's a "classic example of theory conflicting hard reality and truth". They added that it was ironical that generic drug firms were kept out of Africa, even as AIDS claims millions of lives. *(FE, 24.10.01)*

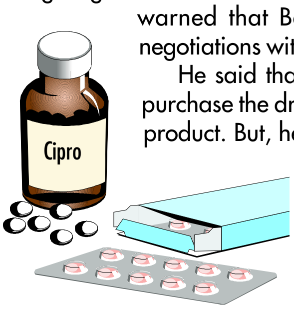
### Warning from Novartis

Pressure to lower the prices of medicines is threatening the pharmaceutical industry, the chief of the Swiss pharmaceutical giant Novartis, Daniel Vasella, said. "The pressure exerted on Bayer has been enormous. I did not envy them. That shows that the pressure on prices constitutes today a major risk for all pharmaceutical companies," he added.

"To use the threat of expropriating a firm by breaking the patents is an unfortunate and dangerous tactic," Vasella argued. *(BL, 20.11.01)*

## Overriding the Patent

The US was prepared to override the patent on the antibiotic Cipro, unless Bayer, the manufacturer of the drug, agreed to cut its price sharply to help the country in its fight against anthrax. Tommy Thompson, Secretary of Health and Human Services, warned that Bayer "better sharpen their pencil very sharp" in negotiations with the Bush administration.




He said that US would prefer not to break the patent, if it can purchase the drug at a cost similar to what it would pay for a generic product. But, he said, if Bayer did not co-operate, he would ask the Congress for new powers that would allow the US to violate the patent without paying damages to Bayer.

Legal experts said the Government had not completed the procedures required under its own intellectual property legislation for overriding Bayer's patent. Increased demand for one of Bayer's top products has helped the troubled company's shares. But, analysts said, the increase in Cipro sales could be a one-off event. *(FT, 24.10.01)*

### Approval to Produce Generics

Shares in Ivax Corporation jumped after the US drugs company said it had received conditional approval to produce a generic copy of Glucophage, the world's best-selling diabetes treatment.

The final go-ahead, however, depends on the resolution of a controversial dispute over the labelling of Glucophage, produced by Bristol-Myers Squibb (BMS), which hopes to extend patent protection until 2004.

Earlier this year, the US food and drug administration approved the use of Glucophage for children, which gives the BMS exclusive rights to sell the medicine to children for three-and-a-half years.

BMS has argued that its patent protection should run until 2004, as a separate law prevents generics being approved if their labels do not state that the drug is safe for children. Ivax is one of the ten generics companies that have applied for permission to produce generic copies of Glucophage. *(FT, 24.11.01)*

### Fujitsu to Sue Samsung

A unit of Fujitsu, one of Japan's leading electronic manufacturers, is suing Samsung, a Korean competitor, in the US for allegedly infringing its cell phone component patents. Fujitsu Media Devices is seeking damages and an injunction against the import and sale of the components by Samsung Electro Mechanics in the US, where it holds the patents.

The increasingly difficult hi-tech market-environment is encouraging legal action by the Japanese companies to protect their markets. Even so, Fujitsu's move represents an unusually aggressive stance.

"We have been negotiating with Samsung for about two years but have not been able to agree on licensing terms so we decided to take legal action," the Company said. Usually Japanese companies are relaxed about potential infringement of their intellectual property rights and few electronics manufacturers fully exploit their patents. *(FT, 28.11.01)*

### Must Reflect India's Stand

India is not utilising the leeway available to it under the Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement of the World Trade Organisation (WTO), while drafting the Patents Amendment Bill. The Select Committee of the Parliament, which is in the process of drafting the amendments, has included provisions that are more stringent than those allowed under the Agreement.

Not only this, the proposed changes do not reflect India's stand at the WTO on TRIPs and public health, said the source. "The patent laws should at least reflect the country's position in the international fora. Also, these provisions could be detrimental not only to the future growth of the Indian pharmaceutical industry, but could also adversely affect the growth of exports from this sector," according to D. G. Shah, the Secretary General of the Indian Pharmaceutical Alliance.

As per the amendments, Indian companies will be allowed to conduct research on patented drugs only in the last three years of the patent period. This is despite the fact that in a dispute between Canada and the European Union, the dispute settlement panel of the WTO has ruled that it is admissible to carry out research on drugs for the entire patent period. *(BS, 03.10.01)*

### EU Biotechnology Law Stays

The European Court of Justice threw out an attempt by the Netherlands and others to overturn an EU (European Union) law on biotechnology patents. The Netherlands, Italy and Norway had argued that a 1998 directive undermined human dignity by allowing patents for parts of the human body.

The Court ruled that the patents allowed by the law referred to processes to discover more about the body – such as ways of sequencing genes – rather than to the body itself. Instead, it argued the directive protected human dignity by banning practices such as cloning.

Reacting to the ruling, Greenpeace urged the EU countries not to implement the directive and argued that France, Germany and Belgium had all objected to the law. *(FT, 10.10.01)*

### Fight to Sell Cheap Jeans

UK authorities and brand owners promised to clamp down on the import of cheap branded goods from outside the European Union, following a landmark legal victory for manufacturers over retailers. Tesco, the leading UK supermarket group, lost its three-year battle to be allowed to sell cheap Levi-Strauss jeans imported from outside the EU in its British supermarkets.

The European Court of Justice ruled that such parallel imports were allowed only if the consent of the trademark owner could be unequivocally demonstrated. Meanwhile, parallel traders warned that the prices of branded goods would rise and predicted a big increase in counterfeit products.

Lawyers said the very clear-cut judgement meant enforcing the relevant rights was going to be a lot easier. "Now customs will be able to seize parallel imports with much greater confidence, it's going to have a very significant knock-on effect," said Ray Black of SJ Berwin, lawyers. *(FT, 21.11.01)*

### A Century Later

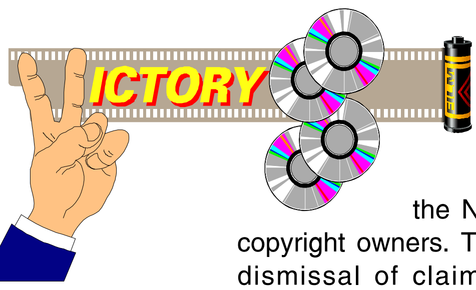
The US Supreme Court ruled that the National Geographic Society violated photographer's copyrights by creating a CD-ROM compilation of a century's worth of magazines. The Judge turned aside an appeal by National Geographic, the world's largest non-profit scientific and educational institute.

Federal copyright law lets freelance writers and photographers keep the copyright of items they sell to publications. Unless the publishers specifically bargain for more, they get only the right to put the picture or story in a single collective work, including revisions of that work.

Jerry Greenberg, a freelance writer, is seeking additional compensation for pictures that originally appeared in four editions of the National Geographic magazine. The question was whether National Geographic's 30-disc CD-ROM set, which includes magazines as far back as 1888, is simply a revision of the print versions. The Court concluded the set is a new work and a copyright violation. *(BL, 11.10.01)*

## Big Victory to Copyright Holders

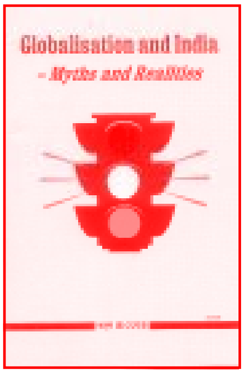
A US federal court has delivered a big victory to copyright holders who want to use technology to protect films, music and other copyrighted materials from digital piracy. It vindicated the constitutionality of a new digital copyright law, which gives owners of copyrighted works new weapons to protect intellectual property in the digital age.




The ruling is a big win for the Hollywood film studios, which brought the case to challenge software which can be used to make unauthorised copies of DVDs (digital versatile disks). The industry says the software could facilitate mass DVD piracy.

The new law makes it illegal to distribute devices (such as software) which can be used to break the security surrounding copyrighted materials. The case has been a key battleground between content owners and civil liberties advocates who think the new law chills creativity and free expression online.

The case is the film analogue of the Napster music piracy case, and it has resulted, like the Napster case, in victory for the copyright owners. The ruling included a sweeping dismissal of claims that the copyright law is unconstitutional because it does not allow limited free copying of DVDs for scholarly and other public interest purposes. *(FT, 30.11.01)*




*"What's the bottomline? The Indian economy has become more competitive and there has been an acceleration of growth over the past two decades. However, the economy is in need of a strong push to a higher growth path, for India to be able to catch up with its East and Southeast Asian neighbours. The need of the hour is investment, actually new investment that is efficient and employment-generating. Too much statistical sophistry on whether the 1990s were any better than the 1980s is a waste of time. The real challenge is to make the next leap to an annual average-growth rate of 8 percent in the first decade of the new century." – Sanjaya Baru, Editor of The Financial Express, New Delhi, India.*

## Globalisation and India
### – *Myths and realities*

This monograph is an attempt to examine the myths, realities and common fallacies about globalisation, and raise peoples' awareness on the potential benefits globalisation has to offer.

The process of globalisation is popularly described as a gradual removal of barriers to trade and investment between nations. It aims to achieve economic efficiency through competitiveness, while seeking the broader objectives of economic and social development. At the same time, there are many misconceptions about globalisation.

Globalisation is not a new phenomenon the process has been happening for a long time. However, the process of globalisation needs to be observed in a different manner rather than just in terms of liberalisation and privatisation, which many people tend to group together.


*"We are now using the GATT for the collection of royalty payments, which is not a mutual-gain transaction. In doing so, we have abandoned or diluted a very attractive philosophical basis for organising the GATT – the idea that trade is mutually beneficial to all contracting parties and that therefore all parties should liberalise," Jagdish Bhagwati, Arthur Lehman Professor of Economics and Professor of Political Science, Columbia University, New York, USA. in 'A Stream of Windows – Unsettling Reflections on Trade, Immigration and Democracy'.*

## Negotiating the TRIPs Agreement:
### India's experience and some domestic policy issues

This report shows particularities about the subject that distinguished the TRIPs (Trade Related Aspects of Intellectual Property Rights) negotiations from other agreements that make up the Uruguay Round results. It also analyses the way in which the TRIPs Agreement was actually negotiated and handled.

The author finds that many of the lessons that can be drawn from India's experience with the TRIPs negotiations are the same as those that can be drawn from the negotiations more generally and true for many other countries. It goes beyond a narrow analysis of events relating strictly to the negotiations during the Uruguay Round and looks at the negotiating context in which these negotiations took place.

The research findings draw lessons from what actually happened and suggest how policy processes can be reformed and reorganised to address the negotiating requirements in dealing with such issues in the future.

The paper was not intended to criticise India's failure to strategise and negotiate properly during the Uruguay Round, but to learn from past mistakes so that countries are better prepared for future negotiations at the WTO. It could not have been published at a more appropriate time than just after the Fourth Ministerial Conference of the WTO, which mandated the WTO Members to start preparations for negotiations on a number of new issues.

## Congratulations!

Congratulations on Globalisation and India – on excellent job at correcting misperceptions! But you are too much modest about the division between the rich and the poor. While one can argue about the effect on equality, I do not think it accurate to state that "globalisation has not lead to much improvement of the living standard of the poor". To the contrary, in the last 50 years (the period covered by the GATT and WTO), life expectancy in developing countries has increased more than 50 percent, the state of nutrition and health has improved enormously and the percentage of the world living in poverty has declined substantially.

Globalisation has been a huge benefit for the poor in terms of living standards. Keep up the good work!

*Gary N. Horlick,*
*O'Melveny & Myers LLP*
*Washington DC, USA*

Thank you for sending us a copy of the booklet on Globalisation.

We congratulate you and your team for this effort. It was nicely brought out and informative too.

*Dr. Mira Shiva MD*
*Senior Coordinator*
*Voluntary Health Association of India*
*New Delhi, India*

**Indeed Informative**

We are in receipt of your publication, Globalisation and India – Myths and Realities. It is indeed informative, giving a critical and in-depth analysis on liberalisation, privatisation and globalisation. We are interested in publications pertaining to leather and leather- products industry, specifically in the areas of trade policies and reforms.

The Council looks forward to having close association with your organisation by getting inputs and updated information on globalisation, privatisation and liberalisation.

*K. Abdul Sattar Khan*
*Council for Leather Exports*
*Chennai, India*

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

**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; BR: Business Report

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