

ECONOMIQUITY

No. 10, 2009

Agreement to Disagree!

About two months ago, global leaders deeply focussed on the Doha Round and the upcoming WTO Ministerial at the Delhi mini-ministerial organised by India to establish its deal maker position. Suddenly all of them heard the approaching footsteps of the Climate Change conference to be held in Copenhagen in December 2009. Before anyone could get ready to surf the strong current of grave climate change issues, scientific studies and commission reports started pouring in and the governments began strategising. The outcome of this rigorous activity is countries agreeing to disagree.

National spokespersons, mainly the environment ministers and climate change envoys, loyal as they are, reiterated their nation's long standing stance on climate change issues. The US pursues its ideology of no *binding commitments* while the European Union (EU) has implemented certain measures but is waiting for US to play its cards before taking any further steps for the cause of climate change mitigation.

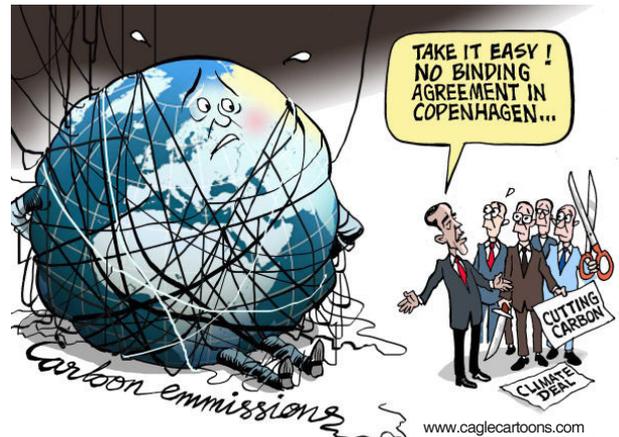
The developing world with India as the forerunner adheres to per capita emissions as a justified measure and advocates commitments by developed nations to bind their emissions. These demand mono-directional technological and financial transfers, sponsored by the rich nations, to mitigate impacts of climate change and reduce future emissions, without jeopardising the prospects of their growth.

In this tug of war between decisions on who will bear the burden of history and concerns about domestic growth rates, the urgency to reach a climate change agreement has been eclipsed. Nations have so far failed to recognise that climate change is already upon us and is unstoppable unless unilateral and multilateral measures are taken. While these concerns are important so are development concerns. Countries should try to marry both in their strategies.

The countries are entangled in a 'prisoner's dilemma' with each sceptic of the motives of the other and agreeing to take measures only if others do so in equal measure. To prevent a logjam in climate change negotiations, the countries should present unilateral measures in confidence to certain chosen members of the convention.

It is thus proposed that members would define the guidelines for the new protocol, which would essentially be based on the common measures included in such unilateral reports. This procedure avoids the problem of who goes first and would be acceptable to all, with minor tweaking possible through provisions for country specific flexibility.

Most countries are absolutely unprepared for the holocaust that will follow reckless human destruction of the environment. The small island nations and the least developed countries are most vulnerable due to a shortage of resources. Engaging in a flurry of talks may have been a feasible solution a few years ago but now it is time to put one's best foot forward to temper climate change and soften its impact. A quick global consensus, backed by significant domestic measures is necessary to prevent global devastation. The onus is on global intelligentsia to alter their hitherto myopic stance in providing environmental effects a prominent place in envisaging future global welfare trajectories.



Headlines

EU Unemployment Soars to 9.2%

Figures from the Europe Union's (EU) statistics office show that consumer prices in the Euro zonepage 2

China's Role in African Growth

All African economies bar South Africa will grow in 2009 because of China's demand for their raw.....page 3

Globalisation: Its Impact & Ramifications

The current global crisis may change globalisation itself, as both developed and developing countriespage 7

INSIDE

Norway Raises Interest Rates 2

A Tripartite FTA 3

Eurozone Lending
Sees First Fall 4

China Rises Amid Global Crisis 5

HIV/AIDS Epidemic in Africa 6

Infrastructure is Key to
Economic Growth 7

Norway Raises Interest Rates

Norway has become the first European country to raise its interest rates since the beginning of the global financial crisis. The country's central bank raised the cost of borrowing to 1.5 percent from 1.25 percent in a widely-expected move. It said the increase was needed because inflation was higher than expected and unemployment was "considerably lower than previously projected".

The move made Australia the first country in the G20 to increase rates since the global economic crisis. Norwegian Central Bank Governor Svein Gjedrem said, "Activity in the Norwegian economy has picked up more rapidly than expected. Developments indicate that it is appropriate to raise the key policy rate now". He added that rates would continue to rise "gradually".

Norway has seen its real estate sector recover dynamism and the unemployment rate is only three percent. A strong increase in revenue from oil exports is helping the economy. Countries across the world have lowered interest rates over the past

year to cut the cost of borrowing in an attempt to stimulate economic growth. Norway is the third country world-wide in increasing interest rates behind Australia and Israel.

<http://en.mercopress.com/2009/10/29/norway-first-in-europe-to-raise-interest-rates>

China's Exports to Rise in 2010

China will keep pro-export policies in place in 2009 even though overseas shipments are likely to grow about 10 percent, a leading government economist said. "That's a conservative forecast", said Zhang Xiaoji, a researcher with the Development Research Centre, a think-tank under the State Council, China's cabinet.

Exports in September were 15.2 percent below their level in 2007, and the government expects a double-digit fall for all of 2009. Zhang said he expected export growth to be higher than, or at least on a par with, growth in China's gross domestic product (GDP) in 2010.

Net exports shaved 3.6 percentage points off headline GDP growth of 8.9 percent in the third

quarter as Chinese manufacturers continued to reel from a slump in global trade.

China has scrapped some export taxes and increased tax rebates on a wide range of goods to help the export sector, and Zhang said he expected these policies to remain in place. The Head of the Development Research Centre, Zhang Yutai, forecast a rise of 8-10 percent in 2010 exports.

<http://www.xe.com/news/2009-10-27%2003:11:00.0/760365.htm?c=1&t=100>

Stimulus Fuels South Korea Recovery

South Korea's economy grew at its fastest pace for more than seven years in the third quarter. GDP increased 2.9 percent in the third quarter from three months earlier, and 0.6 percent compared with 2007.

The quarter-on-quarter growth in July-September 2009 was the country's fastest since 3.8 percent in January-March 2002. Asia's fourth largest economy had recorded a 2.6 percent gain quarter-on-quarter in April-June 2009 but the figure represented a 2.2 percent contraction year-on-year.

Industrial output, led by chips and automobiles, posted robust growth in the third quarter. Private consumption and facility investment also grew, contributing to growth. Amid a global recession sparked by the financial crisis, the economy had shrunken 5.1 percent quarter-on-quarter in the last three months of 2008 before expanding 0.1 percent in January-March.

Its recovery has been fuelled by aggressive government fiscal spending and rate cuts. Exports have profited from the local currency's sharp drop against the dollar until recently, and overseas stimulus programmes.

Exports rose 5.1 percent quarter-on-quarter in the three months ending September 30, after jumping 14.7 percent in the second quarter. Private spending increased 1.4 percent compared with a 3.6 percent gain in the preceding quarter.

<http://english.aljazeera.net/business/2009/10/2009102672533301629.html>

EU Unemployment Soars to 9.2%

Figures from the Europe Union's (EU) statistics office show that consumer prices in the Euro zone fell for the fifth month in a row in October 2009 while the unemployment rate for September 2009 rose again.

Eurostat said the jobless rate rose from 9.6 percent in August to 9.7 percent, while unemployment in the EU as a whole also went up from 9.1 to 9.2 percent. This was the highest EU level since comparable records began to be kept in 2000. Eurostat said more than 22 million people in the EU were now out of work.

Meanwhile, consumer prices fell at an annual rate of 0.1 percent in October, though this fall was smaller than in the previous three months. Latvia has the EU highest jobless rate at 19.7 percent followed closely by Spain with 19.3 percent and Ireland, 13 percent while the lowest rate of 3.6 percent was recorded in the Netherlands.

Job losses have been particularly acute among the under-25s. In September 2009, the European Commission (EC) said the Euro-zone economy was emerging from recession, while Germany and France exited recession in the second quarter of 2009. But the benefits of recovery have yet to filter through to labour markets. Most economists expect the jobless numbers to keep rising into 2010.

<http://en.mercopress.com/2009/10/30/eu-unemployment-soars-to-9.2-22-million-out-of-work>



Pakistan Forex Reserves Eased

Pakistan's foreign exchange reserves eased to US\$14.46bn in the week that ended on October 10, 2009 compared with US\$14.75bn the previous week, the Central Bank said.

Reserves held by the State Bank of Pakistan fell to US\$10.89bn from US\$11.17bn a week earlier, while those held by commercial banks were at US\$3.57bn compared with US\$3.58bn a week earlier, the Central Bank said.

Foreign reserves hit a record high of US\$16.5bn in October 2007 but fell steadily to US\$6.6bn by November 2008, largely because of a soaring import bill.

However, an International Monetary Fund (IMF) emergency loan package of US\$7.6bn agreed in November helped avert a balance-of-payments crisis and shore up reserves. The IMF, which increased the loan to US\$11.3bn in July, has disbursed a total US\$5.148bn.

<http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/business/11-pakistan-s-forex-reserves-ease-to-14-23-bln-il-09>

A Tripartite FTA

China, South Korea and Japan are resuming efforts to create a free trade area (FTA). The trio envisages eventually forming an East Asian Community similar to the EU to coordinate policies, including energy.

Formulation of the East Asian Community on the basis of economic interests was a key campaign pledge of Yukio Hatoyama, who became Japanese prime minister. Driving revived interest in the concept is the fact that the three countries, all of which are export-led economies, need to find alternatives to replace the rapidly shrinking US market. One commonality that the three share is their need for reliable energy imports.

Behind the good intentions, however, a tripartite Chinese-Korean-Japanese FTA will have to develop mechanisms to reconcile differing political systems, historical and

territorial disputes as well as their differing economic structures disparities in their levels of industrialisation.

Given their high level of technology, Japanese manufacturers could devastate their Korean and Chinese counterparts, while Chinese farmers in turn could demolish the agricultural sectors of Korea and Japan.

http://www.upiasia.com/Science_News/Resource-Wars/2009/10/14/China-Japan-and-South-Korea-to-create-new-Asian-free-trade-area/UPI-16961255549600/

Sharp Infrastructure Growth in Gulf

The infrastructure sector in the Gulf region will grow significantly in the next five years as several countries in the region are planning to invest billions of dollars in the sector. A key driver of growth will be the increase of funding in infrastructure projects.

Saudi Arabia plans to spend US\$400bn over the next five years in the construction sector, while the United Arab Emirates (UAE) will spend US\$275bn in similar projects. Qatar has also planned to invest US\$10bn in infrastructure projects.

In addition, fuelled by strong demand and available funding, the real estate sector is set to grow significantly in Saudi Arabia, Abu Dhabi and Qatar. While the global growth in 2009 is expected to be the lowest since the Second World War at 0.5 percent, the Gulf Cooperation Council (GCC) region, comprising the UAE, Bahrain, Kuwait, Saudi Arabia, Qatar and Oman is expected to grow at 3.5 percent in the next five years.

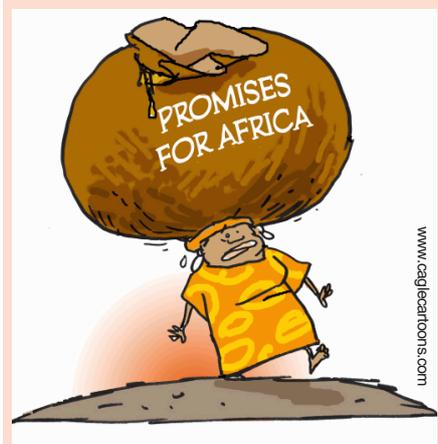
The value of projects planned as of July 20, 2009, for Saudi Arabia and the UAE is US\$578bn and US\$916bn respectively. However, due to the financial constraints brought about by the global economic crisis and the burden of risk on the contractors, it will not be easy to manage the projects.

<http://trak.in/news/gulf-region-to-witness-sharp-infrastructure-growth/13373/>

China's Role in African Growth

All African economies bar South Africa will grow in 2009 because of China's demand for their raw materials. "Africa is already exporting 1 million barrels per day of oil to China, accounting for 25 percent of China's foreign energy supplies", said Davies, who is also Chief Executive of Emerging Market Investment Strategist Frontier Advisory.

These links are based on strong support by African leaders for Chinese



investment in extractive industries – in contrast to objections raised to Chinese investment in sensitive sectors in developed countries, he said.

China's export prowess has so far failed to provoke much protectionism in Africa, except, again, in South Africa, where sensitive labour-intensive sectors such as textiles and light industry compete with Chinese firms.

Chinese imports from Africa come in at an average tariff of 0.64 percent – almost the duty-free level sought by developing countries in rich markets – because of China's eagerness to facilitate imports of African energy and commodities.

<http://www.africagoodnews.com/economy/africa-heading-for-2009-growth-due-to-china.html>

French, Italian Output Surges

French and Italian industrial output surged in August 2009, fuelled by government incentives to buy new cars, adding to signs that stimulus spending is helping the euro-region economy emerge from its worst recession in 60 years.

French output rose 1.8 percent, from July, dwarfing the 0.3 percent median forecast by 22 economists surveyed by Bloomberg. Italian production jumped 7 percent in August, the biggest monthly increase in at least 20 years.

The gains in manufacturing in France and Italy, which account for more than a third of the euro-region economy, provide further evidence that the euro region will expand in the three months through September, after five quarters of contraction. European manufacturing also grew more than initially estimated in September.

The euro-area economy barely contracted in the second quarter as Germany and France, the region's largest economies, returned to growth. The euro area will expand 0.3 percent in 2010, the IMF said when it trimmed its estimate for 2009's contraction to 4.2 percent.

<http://www.bloomberg.com/apps/news?pid=20601085&sid=azkxylBIQ1g4>

Australian Unemployment Falls

Australia's jobless rate fell for the first time in five months as employment unexpectedly surged, driving the currency to a 14-month high as traders bet the central bank will raise interest rates again. The number of people employed jumped 40,600 from August, the biggest gain in almost two years, cutting the jobless rate to 5.7 percent from 5.8 percent. The median estimate of 20 economists surveyed by Bloomberg was for a decline of 10,000.

Governor Glenn Stevens' said economic growth in Australia, which skirted the global recession, will accelerate, driven by US\$20bn in government infrastructure spending and demand for minerals from China, the nation's second-largest export market.

"It really is quite surprising to see such strength so quickly", said Brian Redican, a senior economist at Macquarie Group Ltd. in Sydney, one of only two analysts surveyed by Bloomberg to forecast a gain in employment. The number of full-time jobs gained 35,400 in September and part-time employment increased 5,200.

The currency is headed for its biggest weekly gain in more than four months, and 21 of 23 economists surveyed by Bloomberg News forecast borrowing costs will be raised another quarter point to 3.5 percent in November 2009. The nation's benchmark S&P/ASX 200 stock index climbed 1.6 percent, taking 2009's gain to 28 percent.

<http://www.businessmirror.com.ph/home/world/17085-australian-unemployment-falls-driving-rate-rise-bets.html>

UK Expects Offshore Wind Investment

Britain expects around US\$159bn of investment in a third round of offshore wind projects by 2020 and about 5 billion in its Pentland Firth marine energy scheme. The figures included 60-70 billion pounds to be spent for wind turbines, 10-20 billion for power transmission systems and a further 10-20 billion for other items including the supply chain.

Rob Hastings, Director of the Estate, said that Round 3 leases were aimed at installing up to 25 gigawatts (GWs) of offshore wind farms in addition to the 8 GWs from Rounds 1 and 2 which are now under way. To meet its target of cutting carbon emissions by 80 percent by 2050 compared with 1990, Britain has launched a programme to expand its offshore wind farms, already the world's biggest at around 1 GW, to around 33-40 GWs by 2020.

Roger Bright, the Crown Estate's Chief Executive, said that by 2020 about a third of Britain's electricity was expected to be generated by marine renewable sources, including offshore wind as well as wave and tidal energy like that to be generated by the Pentland Firth project off northern Scotland.

Hastings said the Estate would announce winning groups to develop the Round 3 offshore wind projects, which are divided into nine zones, by end-2009. It expected the first turbine for the Round 3 projects to be in the water in 2014.

<http://www.reuters.com/article/GCA-GreenBusiness/idUSTRE5961V820091007>

Eurozone Lending Sees First Fall

Bank lending to companies operating in the eurozone fell in September 2009 for the first time on record. Lending fell at an annual rate of 0.3 percent, compared with a modest annual growth of 0.1 percent in August 2009. The fall comes at a time when European governments are pumping money into their economies to try to lift lending.

The worry is that weak lending from banks will hinder any recovery in the eurozone economy. The annual rate of lending to households also fell by 0.3 percent, following a fall of 0.2 percent in August 2009. Mortgage lending fell at an even faster pace, by 0.6 percent.

"The September credit data reinforce concerns that weak



bank lending could hold back eurozone recovery", said Howard Archer at IHS Global Insight. He added that restricted lending could remain a "serious handicap" to recovery.

But some analysts pointed out that the fall in lending did not necessarily show that government stimulus policies were not working. The money may be available to lend, but companies may simply not want to borrow it, as they are concentrating on survival rather than expansion, they argued. The eurozone is still officially in recession, although most analysts expect upcoming figures to show that the bloc returned to growth between July-September 2009.

<http://news.bbc.co.uk/2/hi/business/8327809.stm>

Trade Slump Hits Poorest Countries

The slump in world trade in 2009 in the wake of the financial crisis has hit the poorest countries' export earnings particularly hard as prices tumble and volumes stagnate. The world's 49 least developed countries (LDCs) saw export earnings in the first six months of 2009 fall 43.8 percent from 2008, before the crisis.

For the world as a whole the decline was 32.4 percent. These figures dramatically highlight the devastating impact of the continuing economic crisis on the economies of the poorest developing countries and the well-being of their people.

For landlocked developing countries the decline was 49.7 percent, and for sub-Saharan Africa (SSA), an overlapping category, it was 48.6 percent. The data so far in 2009 did not point to a recovery.

The study showed a varied picture, depending on the export structure of individual countries. For instance, excluding exports of energy products such as coal, oil and gas, export earnings for LDCs fell only 13.5 percent against a worldwide drop of 28.9 percent.

<http://in.reuters.com/article/worldNews/idINIndia-42957120091006?pageNumber=2&virtualBrandChannel=0>

China to Overtake Japan

For years, Japan has been readying itself for the day that it is eclipsed economically by China. Though recent wild currency swings could delay the reckoning, many economists expect Japan to cede its rank as the world's second-largest economy sometime next year, as much as five years earlier than previously forecast.

At stake are more than regional bragging rights: the reversal of fortune will bring an end to a global economic order that has prevailed for 40 years, with ramifications across arenas from trade and diplomacy to, potentially, military power.

China's rise could accelerate Japan's economic decline as it captures Japanese export markets, and as Japan's crushing national debt

China Rises Amid Global Crisis

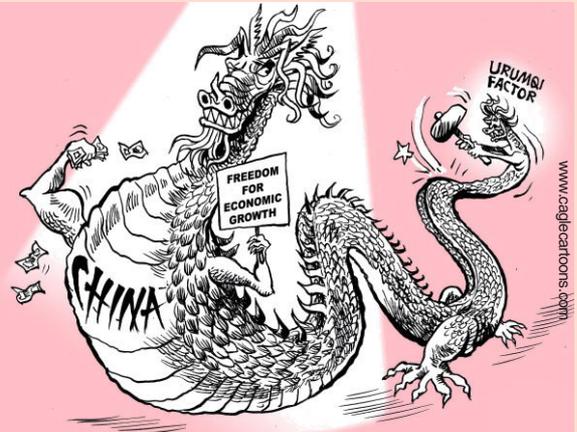
The auto-parts maker Delphi Corp. is headquartered in Troy, Mich., in the heart of the region that made the US the car capital of the world. It is a place where the phrase "buy American" is right at home. Now the 3,000 employees of Delphi's brake and suspension unit are getting a new boss. Battered by weak sales, Delphi is selling the unit to investors led by a company named Shougang Corp.

Shougang is a steel maker owned by the government of China – a government that calls itself communist but espouses a "socialist market economy" as it marches down globalization's road toward a capitalistic future.

Explosive growth in China and India, coupled with Japan's clout as the world's No. 2 economy, has long been expected to shift economic power from the US to Asia as this century progresses. The financial crisis and resulting Great Recession are accelerating that process.

Some Americans have begun declaring this the "Chinese century" since it began nearly a decade ago. But while they and others fear the rise of China in international relations and the global economy, the reality is less dramatic: Beijing is still getting its own sprawling, chaotic house in order and is in no position to supplant the US as global leader in the near future.

<http://abcnews.go.com/m/screen?id=8778382>



increases and its aging population grows less and less productive – producing a downward spiral.

Not long ago, Japan was "the economic miracle", an ascendant juggernaut on its way to rivaling the US, which has the biggest economy. Now, many here ask whether Japan is destined to be the next Switzerland: rich and comfortable, but of little global import, largely ignored by the rest of the world. Yet even this widely held hope among the country's 127 million people may be slipping from Japan's grasp.

<http://www.nytimes.com/2009/10/02/business/economy/02yen.html>

Russian Oil Production To Peak

Russia's monthly oil production exceeded 10 million barrels per day in September for the first time, nearly 25 percent more than the total pumped by nearest rival Saudi Arabia as Organisation for Petroleum Exporting

Countries (OPEC) persists with output cuts.

Russia, now the world's largest oil producer, pumped 10.01 million barrels per day last month, up 0.4 percent from the 9.97 million bpd produced in August, which was also a record high at the time.

Analysts opine that Russia's position as top producer might be temporary, as mature deposits in western Siberia run dry quicker than the country's oil majors can replace them with new finds.

Russia has emerged as the undisputed leader in world oil production in 2009 after the OPEC agreed to cut supply by 4.2 million bpd from September 2008 in a bid to prop up falling oil prices. Oil prices have risen over 50 percent in 2009 to trade just shy of US\$70 a barrel.

<http://www.reuters.com/article/GCA-Oil/idUSTRE5912PI20091002>

Livelihoods in Crisis

This working paper is the third report in a three year study that has monitored changes in the livelihoods of a small group of conflict-affected households in northern Uganda since the beginnings of a peace process in 2006.

This paper looks at the continuing challenges they face in resettlement, at how the population has been supported in their recovery, at what has been effective and what more could be done. The study highlights people's vulnerability to changes in external assistance, as well as to other factors, including climatic conditions, poor access to basic services and physical insecurity.

The paper suggests a need for caution about prematurely and abruptly cutting off humanitarian aid, a need for long-term social assistance for the most vulnerable and a need for more sustained and generous recovery and livelihood support. Given the increasing insecurity, there is also a need to maintain the flexibility to respond to disruption of livelihoods resulting from a possible resumption of conflict.

<http://www.odi.org.uk/resources/details.asp?id=4175&title=livelihoods-crisis-uganda-conflict>

Coping with Climate Change

This paper proposes an alternative approach to addressing the complex problems of climate change caused by greenhouse gas (GHG) emissions.

The author, who won the 2009 Nobel Prize in Economic Sciences, argues that single policies adopted only at a global scale are unlikely to generate sufficient trust among citizens and firms so that collective action can take place in a comprehensive and transparent manner that will effectively reduce global warming.

Furthermore, simply recommending a single governmental unit to solve global collective action problems is inherently weak because of free-rider problems. For example, the Carbon Development Mechanism (CDM) can be 'gamed' in ways that hike up prices of natural resources and in some cases can lead to further natural resource exploitation.

Some flaws are also noticeable in the Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) programme. Both the CDM and REDD are vulnerable to the free-rider problem.

http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349_20091026142624

Poverty Reduction in China

China has seen a huge reduction in the incidence of extreme poverty since the economic reforms that started in the late 1970s. Yet, the growth process has been highly uneven across sectors and regions. The paper tests whether the pattern of China's growth mattered to poverty reduction using a new provincial panel data set constructed for this purpose.

The econometric tests support the view that the primary sector (mainly agriculture) has been the main driving force in poverty reduction over the period since 1980. It was the sectoral unevenness in the growth process, rather than its geographic unevenness, that handicapped poverty reduction. Yes, China has had great success in reducing poverty through economic growth, but this happened despite the unevenness in its sectoral pattern of growth.

The idea of a trade-off between these sectors in terms of overall progress against poverty in China turns out to be a moot point, given how little evidence there is of any poverty impact of non-primary sector growth, controlling for primary-sector growth.

http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349_20091006163931

HIV/AIDS Epidemic in Africa

Understanding the demographic and socioeconomic patterns of the prevalence and incidence of HIV/AIDS in SSA is crucial for developing programmes and policies to combat HIV/AIDS.

This paper looks critically at the methods and analytical challenges to study the links between socioeconomic and demographic status and HIV/AIDS. Some of the misconceptions about the HIV/AIDS epidemic are discussed and unusual empirical evidence from the existing body of work is presented.

Several important messages emerge from the results. First, the study of the link between socioeconomic status and HIV faces a range of challenges related to definitions, samples, and empirical methods. Second, given the large gaps in evidence and the changing nature of the epidemic, there is a need to continue to improve the evidence base on the link between demographic and socioeconomic status and the prevalence and incidence of HIV/AIDS.

Finally, it is difficult to generalise results across countries. As the results presented and in other studies based on Demographic



and Health Survey datasets show, few consistent and significant patterns of prevalence by socioeconomic and demographic status are evident.

http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349_20091013162605

Europe: The World Awaits

What can the world expect of Europe in 2010? An inward-looking assemblage of nation states, focused on domestic problems rather than the international stage? Or an outward-facing and united community, working globally for the common good?

National politics will shape the answers to these questions in Europe's 27 Member States. 'More Europe' is not always the answer to all our problems, but on a particular set of global issues, 'a bit more Europe' is necessary.

Two lessons have been learned as a result of the global financial crisis. First, Europe's large internal market provided no immunity from the external shocks of financial market melt-down and the collapse of global trade. Indeed, Europe's welfare at home is dependent on prosperity and progress abroad. As the world's largest exporter and largest importer, Europe is connected, umbilically, to the world. But economics is only part of our global interdependence.

http://www.europeworld.org/NewEnglish/Home_old/CommunityPosts/tabid/809/PostID/881/Europetheworldawaits.aspx

Examining Exchange Rate Regimes

Rising economic integration in Asia and periodic volatility in global and national financial markets raise the issue of the optimal degree and form of monetary cooperation among Asian economies. There is a large literature on the benefits and costs of monetary cooperation, however, less can be found with a specific focus on Asia.

This paper has two goals. The first is to explore the impacts of the current global financial crisis on Asian economies under existing monetary and exchange rate arrangements. The second is to explore how alternative forms of cooperation and exchange rate regimes might change the economic outcomes in Asia.

In particular, the paper explores the impact of current regimes compared to one of three hypothetical regimes: all countries peg to the US\$, all Asian economies are in an Asian Currency Union with an Asian Central Bank setting policy, and floating exchange rates with each central bank in Asia independently choosing optimal time-consistent, lose loop policy rules to target a loss function consisting of deviation in inflation and output growth from desired levels.

http://aric.adb.org/pdf/workingpaper/WP36_Exchange_Rate_Regimes.pdf

Infrastructure is Key to Economic Growth

This paper analyses the impact of infrastructure on growth of total factor productivity and per capita income, using both growth accounting techniques and cross-country growth regressions.

The two econometric techniques yield some consistent and some different results. Regressions based in the growth accounting framework suggest that electricity production helps explain cross-country differences in total factor productivity growth in the Middle East and North Africa region. Growth regressions support that conclusion, while also stressing an effect of telecommunications infrastructure.

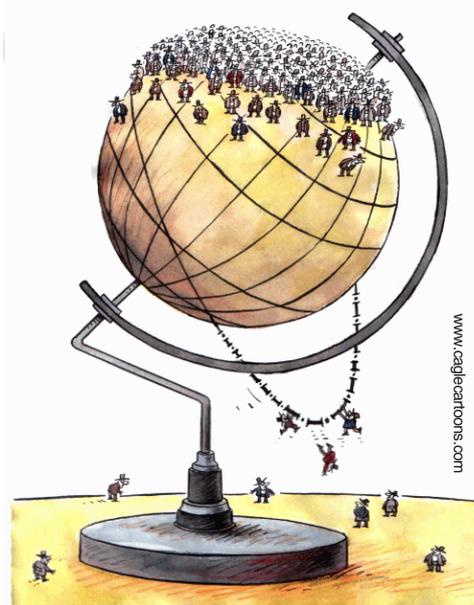
Finally, growth regressions also indicate quite consistently that the returns to infrastructure have been lower in the Middle East and North Africa region than in developing countries as a whole.

http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349_20091031151739

Globalisation: Its Impact & Ramifications

The current global crisis may change globalisation itself, as both developed and developing countries adjust to global imbalances that contributed to the crisis. Will these changes help or hinder economic recovery and growth in South Asia?

This is the focus of this paper. The three models of globalisation – trade, capital, and economic management – may not be the same



in the future. Changes in globalisation could change the composition of trade flows, capital flows, and economic management, which in turn, could accelerate or restrain growth.

South Asia is somewhat peculiar and different from other regions in how it has globalised, although there is a lot of diversity within the region. Its trade characteristics are different. India's growth has been spearheaded by exports of modern services and less by goods exports.

Modern service trade tends to be more resilient compared with goods trade. Globalisation of services is still at an early stage. So, as consumers pull back in the US, service trade is likely to be less impacted compared to goods trade. Trade also contributes to growth through knowledge spillovers, externalities, and learning.

http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349_20091014162658

Recent Event

Issues Underlying National Foreign Trade Policy



A second national seminar entitled, 'Implementation Issues Underlying National Foreign Trade Policy of India (NFTP), 2009-2014' under the project entitled, 'Grassroots Reachout & Networking in India on Trade & Economics' (GRANITE) was held in Kolkata, on October 29-30, 2009.

More than 50 participants comprising state government officials, growers, exporters and representatives from various food processing units, civil society organisations from eight different states of India, took part in the workshop.

Publications

Cultural Globalisation: Nuances versus Stereotypes

This monograph would like to offer the reader a more nuanced, more subtle understanding of the effects of globalisation on different cultures throughout the world. Is cultural homogenisation really a threat? Are cultures irresistibly clashing with one another? A different story can be told, one that is open ended and that does not view globalisation and culture as irreconcilable concepts.

http://www.cuts-citee.org/pdf/monograph09-Cultural_Globalisation-Nuances_versus_Stereotypes.pdf

ABC of Preferential Trade Agreements

The Preferential Trade Agreements (PTAs) have been increasing exponentially, as countries seek to gain market access and seize opportunities offered by preferential deals due to the slow progress at the multilateral level. This booklet starts with a brief on the different types of PTAs and why countries enter into such an agreement. It goes on to outline the evolution process and point out why PTAs may be inconsistent with General Agreement on Tariffs and Trade (GATT) rules.

http://www.cuts-citee.org/pdf/monograph09-ABC_of_Preferential_Trade_Agreements.pdf

Forthcoming Events

Trade Governance and Developing Countries

CUTS and The Centre for Socio-Eco-Nomic Development (CSEND) will be organising a Panel Discussion on 'Trade Governance and Developing Countries: the Need for Effective Inter-Ministerial Coordination and Stakeholder Consultations for Trade Policy', in Geneva, on November 30, 2009. This joint panel offers key insights into how countries can improve their trade policy governance. The two organisations will also offer solution sets to participants interested in how trade policy governance can be organised in a more efficient, inclusive and effective manner.

India's Proposal for Strengthening the WTO

CUTS will be organising a Panel discussion on 'India's Proposal for Strengthening the WTO' in New Delhi, on November 21, 2009. A book entitled, "Reforming the World Trade Organization: Developing Countries in the Doha Round" will be released by Sharad Joshi, Member of Parliament, Rajya Sabha on the occasion. The publication is authored by Faizel Ismail, head of South African mission to the WTO. The ideas emerging out of the seminar and the contents of the book may provide inputs to the Indian delegation and fortify India's proactive role in reforming the multilateral trade regime for the better.

Training Programme on Technology Diplomacy

A Training programme on 'Technology Diplomacy for Scientists and Technologists' with the support of Department of Science & Technology, Government of India will be organised in Jaipur, during November 02-06, 2009. The programme endeavours to imbue government officials/scientists/technologists at various departments/organisations with necessary skills. Such skill formation would facilitate effective participation in trade and technology negotiations for international agreements and implementation.

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