ECONOMIQUITY

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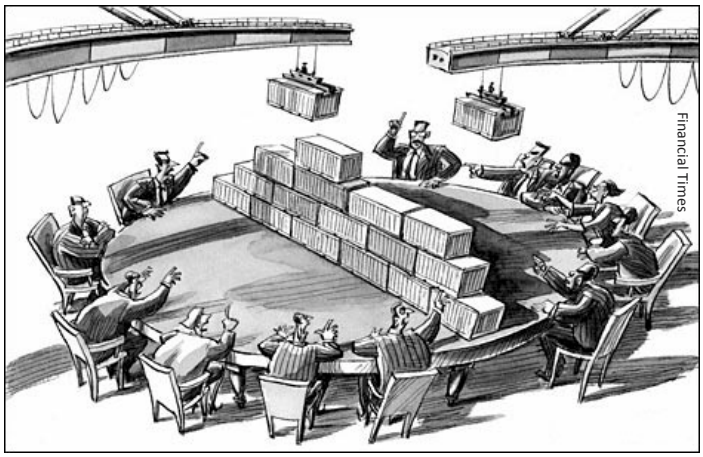
Deadlock on Global Trade Deal Needs to be Resolved


Financial Times

Faced with the conundrum of a deadlocked Doha Round at the World Trade Organisation (WTO), fragmentation due to multiplying preferential trade agreements and the global financial crises, Pascal Lamy, outgoings WTO Director General, established a high level panel of stakeholders to ideate on the future of the international trading system.

It was expectedly controversial because it articulated several subjects that had otherwise been contentious, such as investment and competition. Other than that, it called for revisiting flexibility and reciprocity which is not acceptable to a large number of poor countries, including India.

Most importantly, the report suggests better coherence among several global economic governance bodies and to reinforce multilateralism as the way forward.

First, the controversy was about the subjects of investment and competition. This was on the agenda of the Doha Round but was dropped due to opposition by developing countries after a debacle at the WTO's Cancun Ministerial in 2003.

The argument was that an investment policy will shrink their policy space and they do not have experience of a competition policy. The counter factual is that nearly all bilateral trade and/or investment agreements have provisions on investment and competition.

Second, the controversial issue is of revisiting reciprocity and flexibility which is being suggested by rich countries as a way out of the Doha deadlock. It is a reality, and therefore, one has to accept it. In no way it undermines development concerns and the right to trade, particularly those of the poor countries, including emerging countries, such as India.

Third is the issue of coherence and convergence. Primarily, members need to find a common ground on negotiations and their sequencing, so that progress is achieved. The international community need to find convergence of the multilateral system with the Preferential Trade Agreements (PTAs), which is causing trade diversion. Countries also need to develop better coherence internally and implement effective flanking policies, such as in health and education, to harness the gains from open trade.

Considering the heterogenic competition of the panel, like all such bodies, there is the usual disclaimer that all members of the panel do not agree with every word in the report.

Furthermore, the report says that it is for the WTO member states to decide, and that the report does not propose a negotiating agenda. One cannot run away from realty; multilateralism is in a crisis and the poor suffer more.

In the words of Benjamin Franklin: "We must indeed all hang together, or most assuredly we shall hang together separately."

Articles

Highlights

Japan the Model

– Paul Krugman

A generation ago, Japan was widely admired-and feared –as an economic paragon. Business best sellers put samurai warriors on their covers, promising to teach you the secrets of Japanese management. Japanese corporations were looked as unstoppable juggernauts rapidly consolidating their domination of world markets.

Then Japan fell into a seemingly endless slump, and most of the world lost interest except few handful of economist. These Japan-obsessed economists viewed the island's economic troubles, not as a demonstration of Japanese incompetence, but as omen for all of us.

If one big, wealthy, politically stable country could stumble so badly, they wondered, couldn't much the same thing happen to other countries?

Sure enough, it both could and did. These days we are, in economic terms, all Japanese- which is why the on-going economic experiment in the country that started it all is so important, not just for Japan but for the world.

Economic defeatism

In a sense, the really remarkable thing about "Abenomics"- the sharp turn toward monetary and fiscal stimulus adopted by the government by the government of Prime Minister Shinzo Abe- is that nobody in the advanced world is trying anything similar. In fact, the Western world seems overtaken by economic defeatism.

In America, for example, there are still more than four times as many long-term unemployed workers as there were before the economic crisis. And, to be fair, it has been long time since President Obama said anything forceful publically about job creation.

Similarly, problems persist in Europe's economy. It is back in recession, and it has actually grown a bit less over the past six years than it did between 1929 and 1935; meanwhile it keeps hitting new highs for unemployment. Yet there is no hint of a major change in policy.

Economic Times

At best we may look at a slight relaxation of the savage austerity programmes Brussels and Berlin are imposing on debtor nations.

It would be easy for Japanese officials to make the same excuses for interaction that we hear all around the North Atlantic: they are hamstrung by a rapidly ageing population; the economy is weighed down by structural problems (and Japan's structural problems, especially its discrimination against women, are legendary); debt is too high. And in the past, Japanese officials have, indeed, been very fond of making such excuses.

The truth, however-a truth that the Abe government apparently gets- is that all of these problems are made worse by economic stagnation. A short-term boost to growth won't cure all of the Japan's ills, but, if it can be achieved, it can be the first step toward a much brighter future.

So, how is Abenomics working?

The safe answer is that it's too soon to tell. But the early signs are good-and no, recent sudden drop in Japanese stocks doesn't change that story.

The good news starts with surprisingly rapid Japanese economic growth in the first quarter of this year-actually, substantially faster growth than that in the US, while Europe's economy continued to shrink.

Meanwhile, Japanese stocks have soared, while yen has fallen. A weak yen is very good news for Japan because it makes the country's export industries more competitive.

Some observers have raised the alarm over rising Japanese long-term interest rates, even though these rates are still less than one percent. But the combination of rising interest rates and rising stock prices suggests that both reflect an increase in optimism, not worries about Japanese solvency.

To be sure, recent sell off in Japanese stocks put a small dent in that optimistic assessment. But stocks are still way up from last year, and if one remembers the Black Monday in 1987, when US stocks suddenly fell more than 20 percent for no obvious reason, and the on-going economic recovery suffered not at all.

So the overall verdict on Japan's effort to turn its economy around is so far, so good. And Let's hope that this verdict both stands and strengthens over time. For if Abenomics works, it will serve a dual purpose, giving Japan itself much needed boost and the rest of us an even more much-needed antidote to policy lethargy.

As I said at the beginning, at this point the western world has seemingly succumbed to a severe case of economic defeatism; we're not even trying to solve our problems. That needs to change-and maybe, just maybe, Japan can be the instrument of that change.

– The Nobel Prize-winning Op-Ed columnist. Excerpts from an article appeared in the Economic Times, on May 25, 2013

IMF on Global Economic Outlook

The International Monetary Fund (IMF) has revised down its 2013 global growth forecast to reflect a three-speed world economy in which the Eurozone is lagging behind. Highlighting the differential outlook, Oliver Blanchard, IMF Chief Economist, said; "The world economy is as weak as its weakest link. Some tail risks have decreased but it is not time for policy makers to relax."

The IMF revised down its 2013 growth forecast from 0.2 percentage points to 3.3 percent but kept the 2014 forecast at 4 per cent. The downward revision is shared by all the advanced economies, except Japan.

In case of US the IMF lowered its prediction for 2014 US growth to 2.7 per cent from 3 per cent and said "effective communication" on the Fed's exit strategy and careful calibration are needed to avoid volatility in interest rates.

(FT, 17.04.13 & 30.04.13; BS, 15.06.13)

Oiling the Growth

A US report has revealed that in the latest demonstration of how rapid growth in Asia has upended trade and increased competition for resources. Led by surging growth in China, oil demand outside the wealthy nations' club of Organisation for Economic Cooperation and Development (OECD) has jumped by almost 50 per cent in the last decade, hitting 44.5 million bpd in April, the US Energy Information Administration (EIA) said.

The changing patterns in global oil demand have pushed countries including China into new strategic and economic alliances. West African producers like Angola and Nigeria once big suppliers of North American refiners, are also shipping far more crude to Asia than before.

While rising demand has boosted global oil prices to above US$100 a barrel, it has also encouraged wealthy nations to try to increase supplies, helping to keep a lid on prices. "This supply boost will contribute to lower crude oil spot prices this year and next year" EIA administrator Adam Sieminski said. *(FE, 12.06.13)*

'Robin Hood' Tax and the Market

Proposals by 11 eurozone countries for a "Robin Hood tax" on trading in bonds, shares and derivatives have run into strong opposition from the financial industry, which has warned they could dry up markets, increase costs for investors and erode bank profits.

European Central Bank (ECB) has offered to help EU with the design of the tax. It is looking especially closely at the tax's impact on bond trading and the "repos" markets by which assets such as government bonds are sold temporarily for cash and are essential source of liquidity. The ECB believes markets should efficiently "transmit" interest rate changes to the real economy. *(FT, 23.05.13, 27.05.13 & 28.05.13)*

Around Abenomics

South Korean Finance Minister and Deputy Prime Minister, Hyun Oh-seok, has warned that international co-ordinated action is needed to mitigate the impact of so-called "Abenomics" on currency markets.

Keen to defuse fears over the revival of what have in the past been called "the currency wars", the G8 and G20 have both issued statements this year saying countries should target domestic growth rather than exchange rates with monetary policy. Japan insists it is doing exactly that.

But Abe is likely to face more questions over the direction and impact of "Abenomics" at the G8 Summit in June 2013. *(FE, 04.06.13)*

Chinese Economic Dynamics

The Chinese government is planning for private businesses and market forces to play a larger role in its economy, in a major policy shift intended to improve living conditions for the middle class and to make China an even stronger competitor on the global stage.

"This is radical stuff, really," said Stephen Green, an economist at the British bank Standard Chartered and an expert on Chinese economy. "People have talked about this for long time, but now we're getting a clearly spoken reform agenda from the top."

China's leaders are under greater pressure to change as growth slows and the limitations of its state-led, investment- driven economy are becoming more evident. In the new policy foreign investors will be given more opportunities to invest in finance, logistics, health care and other sectors.

(ET, 25.05.13)

Boom in Commodities

The world's top commodities traders have pocketed nearly US$250bn over the past decade. The revelation of traders' profitability will heighten calls for greater transparency from an industry that, although central to the global economy, is little understood and largely unregulated.

They rode the commodities super cycle caused by the industrialisation of China and other emerging countries. The super cycle not only boosted commodities trading volumes, but also lifted the profitability of the groups' investments in oilfields, mines and farmland.

However, some documents suggest the industry is facing a slowdown as global economy weakens at the same time market has become more competitive and transparent. "The industry won't see the massive return on equity it enjoyed in the past" said Torbjorn Tornqvist, CEO of oil trader Gunvor. *(FT, 15.04.13)*

Ending Poverty

Between 1990 and 2010, the people living under poverty fell by half as a share of the total population in the developing countries, from 43 to 21 percent-a reduction of almost one billion.

The poverty rates started to collapse towards the end of 20th century largely because developing country growth accelerated, from an average annual rate of 4.3 percent in 1960-2000 to six percent in 2000-10

A one percent increase in incomes in the most unequal countries produces a mere 0.6 percent reduction in poverty; in the most equal countries, it yields a 4.3 percent cut.

It is expected that, in a globalised world economy the biggest poverty-reduction measure of all is liberalising markets to let poor people get richer. That means freeing trade between countries and within them.

(TE, 06.06.13, TH, 15.06.13 & FE, 02.06.13)

Devaluation Details

G-20 nations will affirm a commitment to avoid weakening their currencies to gain a trade advantage. According to the draft statement before the meeting, it further maintains the pledge to "move toward more market-determined exchange rate systems and exchange-rate flexibilities" and refrain from competitive devaluations.

A first draft communiqué describes the global outlook as "generally somewhat weaker and uneven" with "unbalanced" recoveries between advanced economies and emerging markets.

Draft says "Fiscal drag, policy uncertainty, impaired credit intermediation, private deleveraging, and an incomplete rebalancing of global demand continue to weigh on global growth prospects."

(FE, BS & FT, 18.04.13)

Keynesians in Europe

There is no magic Keynisian bullet for the euro zone's woes. But the spectacularly muddle-headed argument nowadays that too much austerity is killing Europe is not surprising, says Kenneth Rogoff.

He further adds, the euro zone's difficulties stem from European financial and monetary integration having gotten too far ahead of actual political, fiscal and banking union. This is not a problem with which Keynes was familiar, much less one that he sought to address, he said.

He is of the opinion that Europe is in constitutional crisis. No one seems to have the power to impose a sensible resolution of its peripheral countries' debt crisis. Instead of restructuring the manifestly unsustainable debt burdens of Portugal, Ireland and Greece, politicians and policy makers are pushing for ever-larger bailout packages with ever-less realistic austerity conditions". *(BS, 27.05.13)*

Growth Momentum Mismatch

China's economic growth unexpectedly lost momentum in the first quarter as gains in factory output and consumption weakened, driving stocks and commodities lower on concern global expansion will slow. The GDP expanded 7.7 per cent against forecasts of an 8 per cent growth; industrial production growth too below expectations in China.

"While the economy has had a smooth start to the year, China still faces a complex situation due to instability and uncertainty domestically and abroad," Premier Li said.

In Europe the rethink by leaders of their budget cutting is gaining momentum- austerity has reached its peak as a policy, says Jose Manuel Barroso, EU President.

(Mint, 16.04.13 & FE, 23.04.13)

India- An Emerging Power

India is among the top 10 most powerful countries in the world. In a first-of-its-kind study of "national power" a group of eminent strategic experts and scholars have placed India at the eighth position among a group of 27 most powerful countries in the world.

The study conducted by the New Delhi-based Foundation for National Security research, judged "national power" by various indies, including energy security, population, technological capabilities etc.

According to the study, "India's economic capability stands at the eighth position and military capability at the seventh position. In technological capability, it ranks low, at 12th position, and in energy security still lower at twentieth position."

Despite boasting a formidable array of foreign policy experts, the study found in foreign affairs capability, India holds the 11th position and has a long way to go "to be able to discharge responsibilities commensurate with its large size and geopolitical importance." *(ToI, 27.04.13)*

Another Bubble Fear?

Economist Nouriel Roubini warned that the lower crude oil and gold prices may not lead to equities doing well because the growth scare in China. The Chairman of Roubini Global Economics said, quantitative easing by global central banks was creating new asset bubbles.

On the one side growth is weak in advanced economies and unemployment rate is high and that justifies more quantitative easing. Existing quantitative easing and zero policy rate very slowly will try and support recovery but on the other side, a lot of this liquidity is not creating credit for the real economy and is going into asset prices, greater risk taking and greater leveraging into the financial system.

There is already frothiness in the asset market in the US and over time low rates are going to cause credit, asset and equity bubbles which may become dangerous, he warns. *(Mint, 24.04.13)*

Agriculture Production Vs Prices

"Global agricultural production is expected to grow 1.5 per cent a year on average over the coming decade, compared with annual growth of 2.1 per cent between 2003 and 2012" said a joint report Agricultural-Outlook 2013-2022, by OECD and Food and Agricultural Organisation (FAO).

The report further expects prices to remain above historical averages over the medium term for both crop and livestock products due to a combination of slower production growth and stronger demand including biofuels.

This was supported by Deepak Mohanty, RBI executive director "We see food prices continue to remain high, partly because income levels have gone up. Increasing real informal wages have been a major drive of inflation" he said.

(FE, 06.06.13)

Growth in World Economies

Global economies are on the mend, said OECD. Looking at major global economies, an OECD statement said "growth is returning to trend" in China, while in US the OECD's composite leading indicator (CLI) "continues to point to economic growth firming". In the 17-nation euro zone, the CLI indicated "a gain in momentum'" although no detailed growth forecasts were issued.

OECD issued one less favourable outlook for India where the CLI "continues to indicate growth below trend". This was however, contrasted by Chief Economic Advisor, Raghuram Rajan, he said "India aims to enter the coveted 'Factory Asia' league.

He further added, "India has shown impressive gains in manufacturing, which has focused more on serving its relatively large domestic market". India has also moved up from 14th place in 1980 to 10th place in 2011, in country ranking by 'manufacturing nominal gross value added'.

(Mint, 15.05.13 & TH, 03.05.13)

Unemployment and Inequality

In its Annual World of Work report, the International Labour Organisation (ILO) forecast that global unemployment would grow from 200m in 2013, or nearly 6 per cent of the workforce, to 208m by 2015. It predicted that the biggest raises in south Asia, the Middle East and Africa.

The ILO said that income inequalities had risen in 14 out of 26 advanced economies including France, Denmark, Spain and the US between 2010 and 2011.

In seven others, inequality remained higher than before crisis. Even in cases of wages, ILO expressed concerns over the wide divergences despite high growth in salaries in some regions.

(FT, 04.06.13 & FE, 30.05.13)

Trade Surplus?

China's trade swung to a surplus of US$18.16bn in April after showing a small deficit of US$888mn in March as exports posted a better-than-expected rise that is likely to ease some concerns over the health of the world's second-largest economy.

"Trade statistics have been significantly inflated in recent months by arbitrage behaviour of enterprises, which bypassed the stricter regulation of capital account transactions and were disguised instead as regular current account items. This has intensified the pressures of foreign exchange inflows and renminbi appreciation," USB economist Wang Tao wrote, referring to the Chinese yuan currency by its other name. *(Mint, 09.05.13 & BS, 31.05.13)*

FDIs in India

The government's efforts to refine and liberalise norms for foreign direct investment (FDI) in India are useful and welcome steps in many ways. The central purpose of FDI, to introduce greater discipline to Indian sectors and permit consumers greater choice, is a valid and important goal.

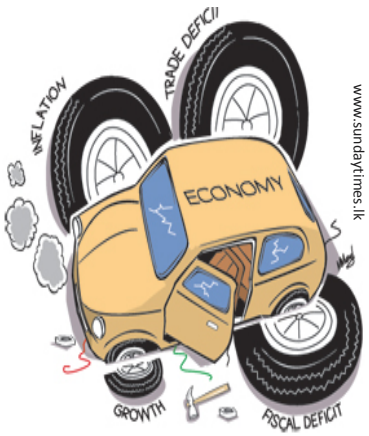
In addition, regulations continually need to be tweaked to ensure that the private sector, which is always more dynamic than regulators, does not get too far ahead in terms of exploiting any loopholes that may exist.

However, it has been argued by many analysts the larger problem with government attitudes to reform in India is: reforms should be pro-markets, and not merely pro-business.

If business is helped in the process, then all to the good; but designing or introducing reform measures specifically to help business gives rise to cronyism and corruption of the sort that has bedevilled the Indian state in the recent past. *(BS, 25.06.13)*

Working Manipulations

Economic conditions are improving globally despite government and central bank policies that seem to be incoherent. It has been a proven fact that the effectiveness of public policies and their ultimate desirability is in practice judged not by their motivations, but by their results.



Many investors on Wall Street believe that stock prices cannot keep rising because they have been propelled by monetary manipulation which they consider is irresponsible and immoral. Yet the bull market continuous, despite this manipulation or may be because of it. In Japan, the Abe administration is planning to increase inflation to two per cent but trying to prevent bond yields from rising above one per cent which cannot be done by getting cynically persuaded savers to disregard rational investment strategy. Yet the Japanese economy palpably improving, despite this or may be because of it.

(FE, 17.06.13)

Climate Slips off Govt Agenda

India, like major economies such as China, the US, European Union, Japan, will need to strengthen its energy efficiency policy, push for clean coal technologies, and reduce subsidies on fossil fuels, in order to help meet the target of limiting the long-term rise in the global temperatures.

Worried that the issue of climate change has slipped down governments' policy agendas, the International Energy Agency says intensive action is required to keep the target for sustaining the global average temperatures at not more than 2 degree Celsius by 2020 alive.

In US, President Obama is preparing to take action against coal fired power plants. Though emerging economies are stepping up efforts in clean energy, global policy development is mixed.

(BL, 10.06.13)

India Opposes Emission Cut Goals

India will not support a global climate change regime that simply links commitment to reduce carbon emissions to a country's financial resources. This would in effect put the burden on the developing countries; India said at the latest round of UN sponsored climate change negotiations at Bonn.

Instead, India has strongly advocated efforts on science and the principles of equity enshrined in the UN Framework Convention on Climate Change. Mindful the countries need to be aggressive in reducing emissions, India has stressed that rich industrialised countries must meet their pre-2020 commitments.

(ET, 12.06.13)

EU Debates over Carbon Permit

In Europe, data by the European Commission has propped up a debate over free carbon permit. The data shows that free carbon permits given to its industries have decreased the price of carbon prices in the market.

The free carbon permit has created an excess supply of permits and reduced the price; this will remove the incentive to move towards a cleaner energy.

The Commission will use the data to challenge a claim from European manufacturers that the carbon market has become costly burden that threatens their competitiveness.

That argument proved surprisingly successful last month when the European parliament rejected the proposal to postpone the auction of some allowances in order to support prices. *(FT, 17.05.13)*

Climate Talks in Bonn

The latest round of UN-sponsored climate talks kicked off in Bonn on Monday amid mounting concerns of high levels of carbon dioxide in the atmosphere.

The Bonn round of talks follows fresh data released by the Scripps Institution of Oceanography in San Diego that carbon dioxide concentration in the atmosphere is set to remain extremely high – at 400 parts per million, which is considerably higher than 350 ppm limit suggested by scientists to ensure that the earth's temperature does not increase by more than 2 degrees.

Two important steps are to be taken at Bonn, one stepping up emission efforts and laying foundation for a strong global climate change.

(ET, 30.04.13)

EU Votes Against Emission Policy

Ministers from Germany, France and the UK, along with those from four other countries had backed price rise for EU carbon emission. But confusion over Germany's position meant it was unclear if it would have been possible to prop up Europe's flagship policy to tackle climate change.

But the European Parliament voted against the price rise, this caused the carbon market to tumble to a new low of 2.63 euros a tonne. The carbon industry said this has sent a worrying political signal about the blocs support for reduction in carbon emissions.

Some business houses have welcomed the decision saying a move to raise the carbon prices in a downturn was ill – timed. *(FT, 17.04.13)*

Why the World Faces Climate Chaos?

Martin Wolf, Chief Economics Commentator, Financial Times, London points out some of the common reasons given for inaction when it comes to climate change. More important reasons for this behaviour are, according to him, due to the reliance on the fossil fuel for energy since industrial revolution.

A second reason is opposition to any intervention in the free market and the third reason is the crises that have consumed most of the developing world.

Financial Times

A fourth reason he points out is the confidence that people have on human ingenuity to find ways out of this situation, another reason is the complexity of reaching a global agreement and sixth and final reason he gives is the indifference towards interests of people to be born in the future.

(FE, 16.05.13)

Energy Meet Won't Dilute Climate Pact

Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission, Government of India said that the Clean Energy Ministerial being held in Delhi would not lead to the dilution of international climate change negotiations.

He was responding to a question on whether the 23-member global forum will create a parallel track to the globally binding climate change negotiations at the United Nations Framework Convention on Climate Change (UNFCCC).

"There are two key issues before UNFCCC. First is binding emissions reduction obligations. The Clean Energy Ministerial will not discuss those at all. Another key issue is in order to take on the obligations how much money is on the table. The Ministerial does not discuss that either," said Ahluwalia.

(Mint, 13.04.13)

India's Tough Stand on Carbon Tax

Taking tough stance against the European Union's (EU) emission norms for airlines, the Environment Ministry has indicated that it would approach the UNFCC and international civil aviation organisation to resolve the issue.

Emission trading scheme which came into effect in 2012, requires airlines to report emission data on an annual basis for flights within and to/ from Europe and purchase credits in case the emission exceeds capped limit.

The Aviation Ministry has also been up in arms against the move, stating the EU was overstepping its jurisdiction. An official said India and other countries were against the unilateral measures by the EU. Jet Airways and Air India are staring at a fine of Rs 22.66 lakh. *(BS, 09.06.13)*

Airlines Agree to Tackle Emissions

Global airlines have agreed on a proposal for tackling aircraft emissions in a bid to break international deadlock over an issue that has stoked fears of a carbon trade war.

Airlines representing 85 per cent of global traffic urged governments to adopt a single market-based system designed to offset growth in their post-2020 emissions against the funding of projects to cut emissions deemed harmful to the environment.

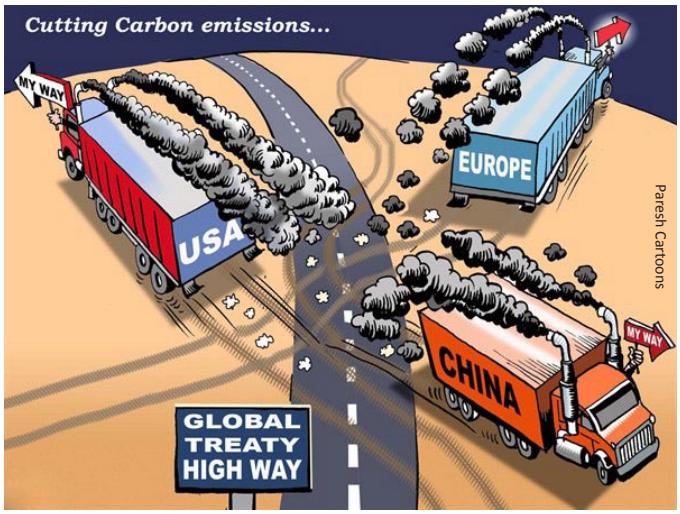
Airlines have been racing to avert a trade war after the EU suspended an emissions trading scheme for a year to give opponents time to agree on a global system.

One of the most sensitive topics is whether the whole industry should pay for its emissions or whether the airlines growing the most should pay the most.

(Mint, 04.06.13)

China Weighs Cap on Carbon Emissions

China is looking at introducing tough controls on carbon pollutions as soon as 2016, this shift could boost talks on a global agreement to curb greenhouse gas emission. China accounts for nearly a quarter of global carbon dioxide emission, has resisted international pressure to commit to absolute cuts in its emissions, which are the world's highest.



However, the government of china is considering an outright cap on emissions for its next five year plan which is from 2016-20.

A reason for this change in stance is because pollution has become a major cause for public health crises. This move could help break a dead lock at the heart of UN climate talks to agree a binding global deal. *(FE, 23.05.13)*

Global Warming to Hit Crop Yield

An unexpected rise in global temperature during the next decade is expected to result in reduction in crop yields and impact food adequacy in India because of reduction in water availability, a study by World Bank warned.

The report cited Kolkata and Mumbai along with Bangladesh as 'potential impact hotspots' threatened by "extreme river floods, more intense tropical cyclones, rising sea levels and very high temperatures".

With South Asia close to the equator, the sub-continent would see much higher increases in sea levels than higher latitudes, with the Maldives confronting the biggest increases of 100-115 centimetres.

In collaboration with the government, the World Bank is taking steps to build resilience against the impact of the present warming trends in India. World Bank-supported projects in Karnataka, Himachal Pradesh and Uttarakhand are helping local communities conserve their watershed better. *(FE, 19.06.13)*

'Climate Bomb' Warning in China

A climate bomb of potent greenhouse gases 15,000 times more damaging to the climate than carbon dioxide is set to be released by some of the leading producers of refrigerants following a ban on climate credits.

The companies argue that a ban on trading of climate credits for the incineration of HFC-23 makes it no longer financially viable to destroy the gas, which is a by-product of a substance used in the air conditioners and refrigerators.

Releasing HFC-23 is not illegal in China; China has been blocking proposals for a ban as part of multilateral talks under the Montreal protocol to phase out hydroflurocarbons, which continue today in Bangkok. *(FT, 24.06.13)*

Climate Sceptics Have Already Won

– Martin Wolf

Global inaction shows that the climate sceptics have already won

Humanity has decided to yawn and let the real and present dangers of climate change mount. That was the argument I made in last week's column. Nothing in the responses to it undermined that conclusion.

If anything, they reinforced it. Judged by the world's inaction, climate sceptics have won. That makes their sense of grievance more remarkable. For the rest of us, the question that remains is whether anything can still be done and, if so, what?

An analysis of abstracts of 11,944 peer-reviewed scientific papers, published between 1991 and 2011 and written by 29,083 authors, concludes that 98.4 per cent of authors who took a position endorsed man-made (anthropogenic) global warming, 1.2 per cent rejected it and 0.4 per cent were uncertain. Similar ratios emerged from alternative analyses of the data.

Data do, it is true, show a slowdown in the rate of rise of annual emissions in the 1980s and 1990s. But this slowdown was reversed in the 2000s, as China's coal-burning increased. Today, 30 per cent of CO2 in the atmosphere is directly due to humanity.

Emissions to Surge

What is behind this recent surge in emissions is quite clear: catch-up growth. China was responsible for 24 per cent of the global total emissions in 2009, against 17 per cent for the US and 8 per cent for the eurozone. But each Chinese person emits only a third as much as an American and less than four-fifths of a resident of the eurozone. China is a relatively wasteful emerging economy, in terms of its emissions per unit of output.

But it still emits less per head than the high-income countries because its people remain relatively poor. Its leaders feel, rightly, that there is no moral reason to accept a ceiling on the emissions allowed for each Chinese individual far lower than the level Americans insist upon for themselves.

A Global Approach to Reduce Emissions

The chances that humanity will achieve the reduction in emissions needed to keep CO2 concentrations below 450 parts per million and so greatly reduce the risks of a rise in global temperature of more than 2°C are close to zero. The 25-40 per cent cut in emissions of high-income countries by 2020, needed to put the world on that path, will not happen.

But in no sense does this mean inaction should continue. So in this grim situation, what is to be done? Here are eight possibilities.

First, implement carbon taxes. Taxing bad things is always a good place to start. Taxes are the simplest way to shift incentives. Since the revenue would accrue to each government, the proceeds could be deliberately used to lower other taxes – on employment, for example.

Second, go nuclear. This is why France is such a remarkably low-carbon economy. It is a model others should embrace, not run from.

Third, impose really tough emissions standards on cars, domestic appliances and other machinery. Innovation will flower in response to the mixture of price and regulatory standards.

Fourth, create a secure global trade regime in the lower-carbon fuels. This is one way to persuade China to shift away from coal.

Fifth, develop ways of financing the transfer of the best available technologies for creating and, still more important, saving energy across the entire planet.

Sixth, let governments invest in research and early-stage innovation, through a mixture of funding university research and supporting public-private partnerships.

Seventh, invest in adaptation to the effects of climate change. This will surely also have to be a focus of development assistance in the future. Such adaptation may well include large-scale movements of people.

Finally, think through geo-engineering, large-scale manipulation of the planet to reverse climate change, dire though that idea is.

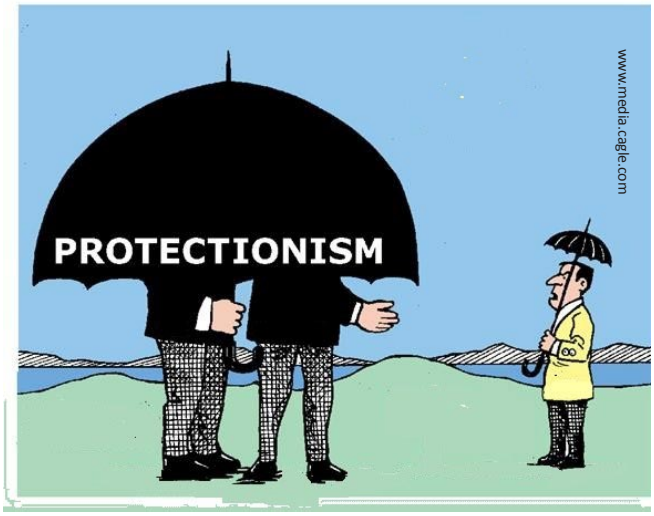
The attempt to shift our choices away from the ones now driving ever-rising emissions has failed. It will, for now, continue to fail. The reasons for this failure are deep-seated. Only the threat of more imminent disaster is likely to change this and, by then, it may well be too late. This is a depressing truth. It may also prove a damning failure.

– Chief Economics Commentator, Financial Times, London. Excerpts from an article appeared in the Financial Times, on May 22, 2013

Protectionism's Quiet Return

– Simon J Evenett

The Global Trade Alert is a comprehensive overview of the current state of protectionism and trade liberalising dynamics. Whilst certain protectionist measures attract public recrimination such as the Sino-EU trade dispute on solar panels which has shown how favouring domestic firms at the expense of foreign rivals can be 'transparent, noisy and diplomatically painful', the Global Trade Alert report in 2013 demonstrates how governments have artfully introduced and maintained many other protectionist measures which are so well camouflaged that they are not detected by the usual monitoring institutions like the WTO.



Startlingly, Q4 2012 and Q1 2013 present the worst picture which has been compiled in the Global Trade Alert since November 2008. This is significant especially because the current holder of the G8 presidency, the UK has noted that combatting protectionism is a priority. This was echoed by the Director-General of the World Trade Organisation, Pascal Lamy, who noted that the threat of protectionism was likely to be more strongly felt at this juncture, than at any point of time.

Currently, the Global Trade Alert contains 3,334 reports on government measures, 904 of which were new entries! The rampant proliferation of beggar-thy-neighbour policies has increasingly become a cause for concern.

Governments have become skilled at tilting the playing field in favour of domestic firms without provoking the ire of trading partners. The G8 members and the members of the G20 account for the 'lion's share' of the 43 protectionist measures implemented from June 2012-May 2013.

As per a table which ranks countries per the number of discriminatory measures deployed, the rankings are as follows: The EU has used 372 protectionist measures, the Russian Federation 231 measures followed by Argentina which has maintained 185 measures, India at 113 measures and Belarus at 101 measures.

Trading Partners

While tabulating the number of trading partners which have been affected by the discrimination the ranking of countries which have meted out the most harm is as follows: the EU leads the list by deleteriously impacting 201 countries, this is followed by Italy with 194 trading partners negatively affected, China's measures have affected 193 members, Indonesia's measures have impacted 170 countries and India has impacted 164 trading members.

Interestingly, it is only Canada and Japan are the only members of the G8 which are not reflected in any of the rankings of the Global Trade Alert. While the European Union itself tops three of four rankings on protectionism (including the number of tariff lines which were affected, and the number of sectors which were subject to discriminatory measures), Argentina, China, India and Italy also appear twice in the top five lists of most protectionist nations.

Protectionist Measures

The article notes the alarming trend where the governments maintaining protectionist measures have not openly flouted WTO rules either. They either used 'wiggle room' in existing rules or formulated policies which were not disciplined by multilateral trade rules.

The Global Trade Report this year has revealed that the most striking surge in the deployment of protectionist measures has occurred in Q4 2012 and Q1 2013.

The significance of this spurt in the use of protectionist measures is chronicled thus – When protectionist dynamics were viewed as a compelling threat to the world economy in early 2009, defenders of an open trading system took up arms. They would be wise to do so again before international commerce fragments along national lines.

The article concludes by noting that it is the responsibility of the G8 to address these troubling trends at the latest summit. As opposed to the usual trend of making soothing comments, the G8 should actually begin to remove these troubling trends by eliminating the 37 measures which have been implemented by the G8 governments which harm least developed countries.

– *Professor of International Trade and Economic Development, University of St. Gallen, Switzerland. Excerpts from an article appeared in www.voxeu.org, on June 13, 2013*

Can India-EU Sign an FTA?

India is determined to cash in on its negotiations with the EU in the IT sector. However, access to the EU IT market may be limited on account of EU not having granted India the coveted 'data secure' status.

India has also stressed that it cannot go beyond the Trade Related Aspects of Intellectual Property Rights agreement in its regime for intellectual property to which EU responded that data exclusivity and patent extension was not on the agenda for India-EU free trade.

Further, India is concerned that concluding such engagements with EU will result in flooding Indian markets with surplus EU dairy products.

This is expected to hurt the interests of cooperatives, such as Amul. Further, The Society of Indian Automobile Manufacturers has observed that customs duties on fully imported cars and engines must not be lowered as is being proposed in the negotiations currently. *(BL, 15.06.13 & Mint, 17.04.13)*

What is Expected at Bali Ministerial?

The Agreement on Trade Facilitation is intended to reduce red tape and enhance customs cooperation and provide a boost of US$1tn to the world economy. The need for concluding this agreement has been escalated for the development of global value chains.

Meanwhile, India has refused to eliminate duty on industrial goods in sectors like electronic products, chemicals and industrial machinery. India is looking for 'balance' within and amongst the different subjects being negotiated at Bali.

India is particularly keen on the results of the agriculture negotiations and the resultant impact on the new food security legislation being negotiated. Without an amendment in the current policy on agriculture, India may breach subsidy limits set out under the WTO Agreement on Agriculture.

(BS, 06.05.13 & BL, 07.05.13)

India to Phase out Textile Export Sops

The Foreign Trade Policy contains incentives for the textiles industry which have been a cause of concern for Turkish textile industry.

EU, Japan, the US and Turkey have together begun voicing that India has to stop providing incentives to the textiles sector and it has to gradually phase out existing incentives because the textile sector in India is competitive.

WTO rules allow countries which have a per capita income below US$1,000 to provide export subsidies to exports which are lower than 3.25 per cent of world trade in that commodity. India's trade in textiles is now almost four per cent. India however posits that the subsidies which have been impugned are merely reimbursements of input duties and not really subsidies in the true sense.

(BL, 17.05.13)

Concerns over B'desh Labour Standards

An eight storey building (Rana Plaza) collapsed in Bangladesh resulting in the death of over 900 workers. Bangladesh temporarily shut down around 18 garment factories to pre-empt outrage in the international scene resulting in erosion of trading opportunities.

The US suspended trade privileges under the Generalised System of Preference (GSP) for Bangladesh owing to the proven inability to protect worker's rights.

Bangladesh has committed to respect labour rights, ensure structural integrity of its buildings and to assure workers of occupational safety and health through a 'Sustainability Compact' being concluded with the EU.

Bangladesh has over 5000 garment factories which employ more than 3.5 million workers. It is the third largest textile exporter in the world after China and Italy.

(BL, 27.06.13; 30.05.13; & 09.05.13)

Reactions against India's Go Local Policy

More than 20 American Industry Associations have written to US President asking him to take action against India's 'Go-local' policies which may engender from than US$60bn in trade – a USTR report entitled "2013 National Trade Estimate report on Foreign Trade Barriers" has been released to this effect.

Some participants have suggested denying India's access to the GSP. The trigger for these disputes were the growing number of court orders which revoked patents on pharmaceutical products and the decision to provide preferential market access to electronic and telecom products in the country.

For example, if Cisco and Hewlett Packard wish to deal with the government, they are required to set up manufacturing facilities in India.

(BL, 18.06.13; FE, 15.06.13; & FT, 06.06.13)

Stunted Progress on the Trans-Atlantic Agreement

The world's largest two-way trading relationship launched talks on concluding the biggest bilateral trade deal in history in June which could be worth as much as which could be worth as much as £100 bn for EU and £80bn for the world.

While France has its interests on excluding film, music and TV industries from the talks under the 'cultural exception', the US would like the EU to open up its market for genetically modified foods.

The EU has carried over its tendency to insist on geographic indications for agricultural products like cheese. Currently, EU negotiators are circumspect owing to the recent findings that the US National Security Agency may be spying on other countries. *(WSJ & FT, 18.06.13; & BL, 13.06.13)*

India's Engagement with Neighbours

India's relations with its close trading partners will gain a considerable fillip as work on the India-Myanmar-Thailand highway will be operational by 2015-16.

The highway will connect India and South-East Asian countries and facilitate trade between Indian and the Association of Southeast Asian Nations (ASEAN) following the conclusion of a free trade agreement between India and the ASEAN.

On a positive note, the Pakistan High Commission Minister Naeem Anwar has stated that Pakistan will grant Most-Favoured Nation status to India soon.

(Mint, 07.06.13 & ET, 15.05.13)

WTO Cuts Global Trade Forecast

The WTO has altered its global trade forecast from 4.5 to 3.3 per cent owing to the slow recovery from the crisis and fears of increasing protectionism. This is of specific concern to India because of its gaping current account deficit.

However, China will continue to export widely, but for the fall in exports to the EU market. India has itself been shifting focus from Europe and North America to Latin America, Africa and Asia.

This has been backed by the latest figures on the DHL Global Connectedness Index which tracks the depth of trade, capital, information and people flows across 140 countries which states the global connectedness declined sharply owing to the 2007-08 crisis.

(FE, 24.04.13 & 02.05.13; & ET, 03.06.13)

Rush for the Arctic

Interest in the Arctic has heightened owing to the presence of oil (more than a fifth of the world's oil and gas reserves may lie in the Arctic), and the possibility of concluding quicker shipping routes between Europe and Asia.

The countries which applied for observer status in the Arctic Council are China, Japan, South Korea, Singapore, India, the EU and Italy.

China and India have obtained observer status in the Arctic Council. China has already strategically invested in Greenland, and is in the process of concluding a free trade deal with Iceland. One of the issues which was highlighted by the Arctic States was the EU ban on imported seal products because the trade by these groups is heavily dependent on seal-exports. *(FT, 15.05.13 & ToI, 16.05.13)*

Indo-Chile Free Trade Pact

Chile is the only Latin-American nation to have a trade pact with India. A proposed expansion in the Indo-Chile Free Trade pact will afford market access to nearly all Chilean products into India. The FTA may soon be elevated to a Comprehensive Economic Partnership agreement (CECA).

The trade agreement will also minimise trade fees and eliminate double taxation of businesses from India and Chile. More than 3,500 items are to be included owing to the narrow trade basket for Chilean items. These will include over 1,000 Chilean items which encompass more than 98 per cent of the products exported by Chile.

The sectors which present opportunity for expansion include IT, oceanography, pharmaceuticals, chemicals, science & technology, agriculture & food processing, automobiles, engineering & machinery.

(FT, 17.06.13)

India to Gain from Trade

The trade deficit between India and China has crossed that of US$40bn in 2012-13, symptomising a drop in exports of more than 24 per cent from the past year.

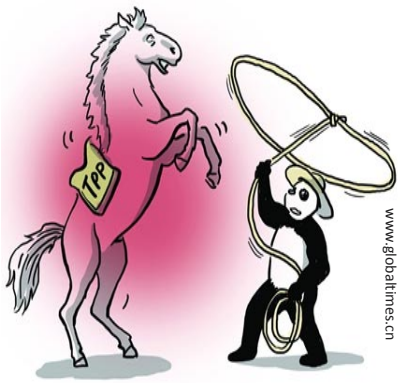
Currently, India exports iron ore, copper and raw cotton to China. However, the Commerce Department is of the view that there is tremendous scope to export pharmaceuticals, IT and agriculture products.

Similarly, India has raised concerns over its growing trade deficit (US$3.6bn in 2010-11 and US$6.3bn after the conclusion of the CECA) with Japan following the conclusion of CECA about two years ago.

India seeks to ameliorate the difference in gains from trade by requesting market access for Indian pharmaceuticals, agriculture and marine produce, buffalo meat, tobacco and oilmeal. Statistics record a fall in exports to Japan and South Korea despite India's free trade engagements with them. *(BL, 18.05.13 & TH, 09.05.13)*

Conclusion of Strategic Agreements

China is considering joining the Trans-Pacific Partnership. This is significant because it will allow China to improve its ties with the US. Similarly, China, Japan and South Korea will engage in a free trade pact.



This agreement will create a massive economic zone which is smaller than only the North American Free Trade Agreement. This is quite significant to India because China, Japan and South Korea account for around 35 percent of global trade.

However, they have been divided over political interests like territorial disputes over the Senkaku Diayo islands and the Takeshima/Dokdo islets. Despite India having concluded economic partnership agreements with Japan and Korea, the results are 'far from satisfactory'. Further China and Japan are already party to the RCEP negotiations which is another contender for the world's largest trading bloc. *(FT, 18.06.13)*

US Hauled over Renewable Energy

India's leading solar photovoltaic module manufacturers like Tata Power and Moser Baer have reported difficulties in penetrating the US market because of the preferential treatment meted out to US manufacturers, and the fiscal incentives provided by the US Department of Defense for locally made solar panels.

While India's local content requirement in renewable energy was impugned by the US and assailed at the WTO, India has responded likewise by identifying subsidising measures at both the federal and state government levels by offering subsidy programmes which posit local content requirements and contending that these programs violate Trade Related Investment Measures (TRIMS) norms.

(BL, 02.05.13 & BS, 22.04.13)

Argentina Assails EU Biodiesel Policies

Another interesting instance of disputes pertaining to renewable energy at the WTO includes Argentina which is significant considering Argentina is the world's top biodiesel exporter.

Argentina has particularly focussed on the requirement that in order to be termed 'sustainable', biofuels and bioliquids are required to result in the saving of at least 35 per cent of greenhouse gas emissions with respect to fossil fuels. Argentina has observed that his requirement is vague and not based on a recognised international norm or standard.

Argentina has not only contended that EU heavily subsidies its biodiesel sector at the WTO, it also notes that the some of the regulations of the EU impede importation and marketing of Argentine biodiesel.

(BWTND, 16.05.13 & WSJ, 28.05.13)

India Plans Safeguard Duties

The specific product which has been identified as suffering as a result of imports from China and Italy is seamless pipes. The imports increased to as much as 373,777 tonnes in 2012-13 from 307,581 tonnes in 2009-10 which is an increase of 22 percent.

The application for the imposition of safeguards duty was filed by Jindal Saw Ltd, Indian Seamless Metal Tubes Ltd, and the application was supported by Maharashtra Seamless Ltd – together these industries constitute for than 50 percent of the total domestic production of seamless pipes and tubes in India.

Owing to an increase in imports and subsequent loss of market share, the inventories of the domestic industry increased to 14,170 tonnes in the April-December 2012-13 fiscal. The safeguard duty may be applied for four years.

(BS, 02.05.13)

Dumping Duty on Plaster Boards

The Finance Ministry has imposed anti-dumping duties on gypsum plaster boards from China, Indonesia, Thailand and the United Arab Emirates. The petition for imposing anti-dumping duties was filed by Saint Gobain Gyproc India Ltd.

While in the case of gypsum plaster boards produced and exported from China, the duty was US$32.85 per cubic metre, in case of Indonesia, the duty was US$24.11 per cubic metre.

Interestingly, in the case of Thailand the duties are as high as US$73.80 for most producers and exporters, but for Siam Gypsum Industry Co Ltd and Siam Gypsum Industry (Songkala) Co Ltd for which the duty was pegged at US$54.56 per cubic metre. *(BL, 14.04.13)*

Anti-dumping Duty on Soda Ash

Soda ash find wide applications in the manufacture of cleaning compounds, float glass, silicates, industrial chemicals, textiles, paper, metallurgical industries and desalination plants.

The petition to levy anti-dumping duties on soda ash imports from Russia and Turkey was filed by the Alkali Manufacturer's Association of India and was made on behalf of the domestic industry (Nirma Law., Saurashtra Chemicals ltd, Gujarat Heavy Chemicals Ltd, and DCW Ltd).

While in the case of soda-ash imports from Russia, the anti-dumping duty has been pegged at US$35 per tonne, the anti-dumping duty on soda-ash imports from Turkey has been pegged at US$18.39 per tonne to as high as US$75.16 per tonne based on the producer and exporter. The term for which the anti-dumping duties will be imposed is five years. *(BL, 04.04.13)*

EU-China Trade Disputes – Is this a trade war?

After an anti-dumping investigation by SolarWorld, a German solar panel market, the EU has threatened to slap Chinese solar panels with a tariff of up to 47 per cent (lowered for two months to 11.8 per cent).

It has been opined that the EU trade commissioner picked the wrong sector to initiate a dispute in – this is because renewable energy is a high priority for many states requiring them to subsidise it. The fact that the trade dispute may result in higher costs of solar energy is symptomatic of a pyrrhic victory, at best, especially because German groups themselves supply high-tech materials to targeted Chinese producers.

It is noteworthy that China sought to retaliate by initiating an investigation against European wine sales (particularly Bordeaux). Owing to the nervousness of EU companies to launch actions against China, the trade commissioner Karel De Gucht has taken to initiating ex-officio cases. A critical example is the probe against Huwawei Technologies and ZTE Corp, leading players in telecommunications network equipment.

(FT, 19.06.13 & 28.05.13; & BL, 14.06.13)

ASEAN to Start Smart Visa

In what will help towards the economic integration of Association of Southeast Asian Nations (ASEAN), Myanmar, Cambodia, Indonesia and the Philippines announced their intent to set up a common smart visa system.

It will be on the lines of the Schengen visa that applies to the group of 26 European countries, and follows a call for a common visa by Asean leaders at Jakarta in November 2011.

The move comes in the backdrop of a planned economic integration of one of the three major industrial and economies groupings in the region.

(Mint, 06.06.13)

GM Wheat Strokes Consumer Fears

A strain of genetically modified wheat found in the US fuelled concerns over food supplies across Asia, with major importer Japan cancelling a tender offer to buy US grain.

Other top Asian wheat importers South Korea, China and the Philippines were closely monitoring the situation after the US government found genetically engineered wheat sprouting on a farm in the state of Oregon.

Genetically modified crops cannot be grown legally in the US unless the government approves, the USDA said there was no sign that genetically engineered wheat had entered the commercial market, but grain traders warned the discovery could hurt export prospects for US wheat. *(FE, 30.05.13)*

New Law to Regulate Labour

Close on the heels of Saudi Arabia's Nitaqat law, the Gulf Cooperation Council (GCC) is expected to soon pass a law regulating foreign labour in member countries, raising concerns in India and other nations over the future of their workers.

Saudi Arabia's Nitaqat law seeks to reserve 10 per cent jobs for locals. The new law, being mulled by the GCC, would include returning 'marginal' and unskilled foreign workers to their homeland. The GCC is a six-member grouping comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

(FE, 06.06.13)

US Bars Patents on Human Genes

In a landmark ruling, the Supreme Court of the US has declared that isolated chunks of human DNA cannot be patented. And thank goodness for that. But it is a ruling that comes with a compromise: Moving forward, companies can still patent synthetic genetic material.

The court concluded that human DNA is a product of nature and a basic tool of scientific and technological work. It is outside the domain of patent protection and not something that can be deemed an invention or a technological discovery.

As a result of the ruling, the court struck down patents held by Myriad Genetics on a pair of genes linked to a higher risk of breast and ovarian cancer, namely BRCA1 and BRCA2.

(Mint, 14.06.13)

India-EU to End in Transit Drug Seizure

India wants the European Union (EU) to stop disrupting its shipment of generic drugs in transit to third countries in West Africa and South America on the ground that they infringe upon European drug manufacturers' intellectual property rights and has sought a clause to prevent this under the 'border measures' chapter of the proposed India-EU free trade agreement (FTA).

The EU continues to pursue similar steps in the Anti-Counterfeiting Trade Agreement, the EU-India FTA negotiations and in FTA negotiations with other countries, border measures that allow in-transit seizure of drugs on grounds of patent infringement are contained in Article 10.67 of the recently concluded EU-South Korea FTA.

(FE, 03.05.13)

UN Calls for Balanced 'Social Benefit'

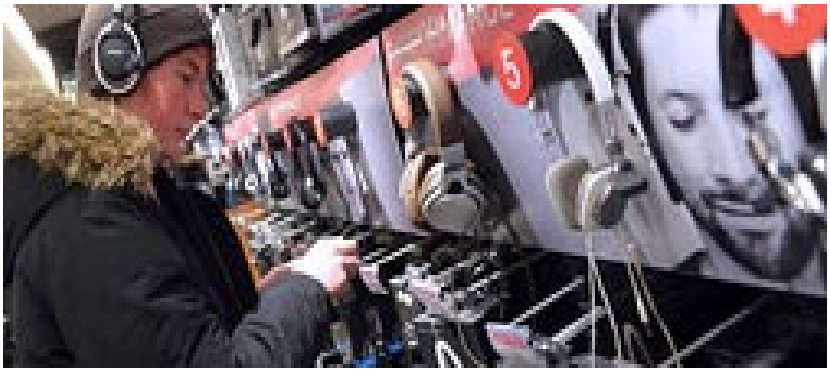
The World Intellectual Property Organisation, a UN body, has pointed out the need for a second interpretation of global intellectual property law, one that balances social benefit with the need to protect investment, which could help reconcile the differences between developing nations such as India, and the concerns of multi-national companies and developed nations.

An intellectual property (IP) regime that balances social benefit perhaps could be in the offing, it is basically a problem of variance in purchasing power between countries. There is a global market, but no global consumer as of yet.

"…We will have more and more situations like Novartis in India, and we must see how IP can not only be about protecting investment, but also social benefit", Francis Gurry, Director General, WIPO said. *(TH, 25.04.13)*

Fights on Fake Electronic Goods

Manufacturers of high-performance consumer electronics products are battling a flood of low-quality counterfeit products, with Germany's Sennheiser estimating that about a third of its branded headphones and audio products sold online are fakes.



Consumer electronics companies said the scale of the problem was difficult to quantify, but many of the counterfeit products were bought unwittingly online.

Sennheiser, the maker of high-performance headphones costing several hundred dollars, said the fakes cost the company at least US$2m a year in lost sales.

Sennheiser, which has been manufacturing high-performance audio products for 65 years, has become a leader in the battle against this new breed of high-tech counterfeiters and those who import and sell the fake products, but the company is not the only target. *(FT, 13.05.13)*

Senate Bill to Expand Number of Visas

The final Senate bill would expand the number of H-1B visas that allow US tech companies to bring foreign workers temporarily.

The bill does include labour-backed protections pertaining to the tech sector. Furthermore, under the so-called "50-50 rule," firms would no longer be allowed to have more than 50 per cent of their workforce on H-1B visas or L-1 visas, a similar visa category used primarily by tech companies.

The Government of India has told the US that the latter's under-discussion legislation to change the rules on H-1B and L-1 work visas are against WTO rules. It has warned that if the law is passed in its present format, India is likely to challenge it at the WTO's dispute panel. *(BL, 18.06.13)*

Prosperity Requires Rule of Law

The requirements for a stable and wealthy economy go beyond property rights. The idea that "institutions matter" is a relatively recent amendment to the standard corpus of economic thinking. Only in the past two decades has it become a mantra of development economists.

The continued poverty of many countries could not be fully explained by a shortage of capital or the legacy of foreign exploitation. Economic historians emphasised that the industrial revolution was the product not just of technological change and related investment in plant and machinery; it had also required the contemporaneous evolution of political and economic institutions.

The perceived illegitimacy of the distribution of property rights has often obstructed the achievement of these economic goals. *(FT, 09.04.13)*

Tech Cos. Demand Open Surveillance

Three of the largest US internet companies called on the US government to provide greater transparency on national security as they sought to distance themselves from reports that portrayed the companies as willing partners in supplying mass user data to security agencies.

Google Inc was the first to go public, releasing an open letter asking the US Department of Justice for permission to disclose the number and scope of data requests each receives from security agencies, including confidential requests made under the Foreign Intelligence Surveillance Act. Microsoft Corp and Facebook Inc soon followed with similarly worded statements in support of Google.

(Reuters, 11.06.13)

Wheat Rusts to Affect Global Output

Wheat rusts, a type of fungal disease particularly develops in wet seasons, could affect 30 per cent of global wheat output and nearly 40 per cent of the total land area dedicated to wheat planting, a note from the Food and Agricultural Organisation of the UN (FAO) said.

Wheat rusts manifest themselves as yellow, blackish or brown-coloured blisters that form on wheat leaves and stems, full of millions of spores. These spores, similar in appearance to rust, infect the plant tissues, hindering photosynthesis and decreasing the crop's ability to produce grain.

Monitoring and surveillance should be stepped up for rusts especially in countries like Ethiopia and Kenya, where the growing season is under way and rains have been favourable. If wheat rusts strike on susceptible varieties at an early stage, almost the entire crop can be lost. *(BS, 13.06.13)*

Pfizer, Sun, Teva Reach Settlement

Pfizer Inc said Teva Pharmaceuticals Industries Ltd and Sun Pharmaceutical Industries Ltd would pay US$2.15bn to settle a patent suit related to its acid-reflux drug.

This is the first instance of generic drugmakers paying damages for marketing a copy of an existing drug for which patents have yet to expire - known as an 'at-risk' launch.

The Pfizer drug, Protonix, recorded peak annual revenue of almost US$2bn in 2007, before sales plunged following the launch of generic versions by Teva in 2007 and Sun Pharma in 2008. The patent covering the active ingredient in Protonix – pantoprazole – expired in January 2011. *(Reuters, 12.06.13)*

Barack Obama Defends US Surveillance Tactics

US President Barack Obama has defended newly discovered US government phone and internet surveillance programmes, saying they are closely overseen by Congress and the courts. He also stressed US internet communications of US citizens and residents were not targeted.

He tried to reassure the US "nobody is listening to your phone calls", he disclosed that the US National Security Agency (NSA) was collecting vast amount of telephonic and internet communication data.

It was reported that the NSA tapped directly into the servers of nine internet firms including Facebook, Google, Microsoft and Yahoo to track online communication in a programme known as Prism. Prism was developed in 2007, after the attack of 9/11 and is able to pull out data that matches set of search terms. *(BBC, 07.06.13)*

http://2.bp.blogspot.com

How to End Poverty: UN Sustainable Development

– Jeffrey Sachs

The UN Secretary General Ban Ki-moon is mobilising global action around the great challenge of our time: sustainable development. It is a call that the world must heed. It is no longer good enough for economies simply to grow. We must also end extreme poverty, a goal within reach by 2030. We must promote a fairer distribution of prosperity, rather than a society divided between the very rich and the very poor.

UN's sustainable development blueprint on how to end poverty

Economic Growth

We use the term "sustainable development" precisely to mean economic growth that ends extreme poverty, increases social inclusion, and is environmentally healthy.

Sadly, the world is way off track. Many poor countries' economies are not growing, and extreme poverty remains widespread. Humanity is dangerously changing the climate, depleting freshwater supplies, and poisoning the air and oceans.

Most economies are becoming less fair as well, with widening gaps between the rich and the poor. And violent conflict remains widespread, with the world's poorest regions the most vulnerable to outbreaks.

RIO+20 Summit

With these challenges in mind, world leaders agreed last year at the Rio+20 Summit to adopt Sustainable Development Goals (SDGs). The world's governments asked the UN secretary general to coordinate the preparation of these goals by the year 2015, to ensure a seamless transition from the Millennium Development Goals (MDGs), which expire that year.

Ban Ki-moon has put into motion several high-level processes to help devise the SDGs that will have maximum benefit for humanity during the years 2015-30.

First, the UN itself is leading a large outreach effort to generate global discussion. Second, intensive intergovernmental negotiations, as called for by the Rio+20 Summit, are being held. Third, a high-level panel of eminent persons has recently issued its report.

Knowledge Network

The SDSN Leadership Council has now delivered to the UN Secretary General a new report: "An Action Agenda for Sustainable Development". It will bring together scientists, technologists, businesses, and development specialists from all regions of the world. The SDSN's Leadership Council consists of dozens of top global thinkers and development leaders from rich and poor countries alike.

High Priority Goals for Sustainable Development

- End extreme poverty and hunger;
- Achieve development and prosperity for all without ruining the environment;
- Ensure learning for all children and youth;
- Achieve gender equality and reduce inequalities;
- Achieve health and well-being at all ages;
- Increase agricultural production in an environmentally sustainable manner, thereby achieving food security and rural prosperity;
- Make cities productive and environmentally sustainable;
- Curb human-induced climate change with sustainable energy;
- Protect ecosystems and ensure sound management of natural resources;
- Improve governance and align business behaviour with all of the goals.

Sustainable Development *Goal: 2015 to 2030*

The idea behind these priorities is to combine the four key dimensions of sustainable development: economic growth (including ending poverty), social inclusion, a healthy natural environment, and good governance (including peace). They can thus form the basis for the SDGs that would apply to all countries from 2015 to 2030.

Well-crafted SDGs will help to guide the public's understanding of complex sustainable-development challenges, inspire public and private action, promote integrated thinking, and foster accountability.

The SDGs will be complementary to the tools of international law, such as global treaties and conventions, by providing a shared normative framework. They will also mobilise governments and the international system to strengthen measurement and monitoring for sustainable development.

The world has at its disposal the tools to end extreme poverty in all its forms by the year 2030 and to address the sustainable-development challenges that we all face.

With rising incomes and unprecedented scientific and technological progress, rapid positive change on the required scale is feasible.

Ours can be the generation that ends extreme poverty, ensures that all people are treated equally, and eliminates, once and for all, the dangerous climate risks facing our planet - but only if the world mobilises around a shared agenda for sustainable development and ambitious, time-bound SDGs.

– *American Economist and Director of the Earth Institute, Columbia University. Excerpts from an article appeared in The National, on June 18, 2013*

ReguLetter

The April-June 2013 issue of ReguLetter encapsulates 'Is Competition Compatible with Equity' in its cover story. Competition usually brings benefits to consumers, as they said, but sometimes for the benefit of foreign consumers to the detriment of local employees. Then can we talk about equity? or even efficiency?

A special feature by Michael Martina states that foreign companies often feel antimonopoly considerations come second to a trade agenda.

There is another special article by Martin Wolf which opines that an industry that has taken the public for a ride must be made to change its ways.

This newsletter can be accessed at: www.cuts-ccier.org/reguletter.htm

PolicyWatch

The April-June 2013 issue of PolicyWatch encapsulates 'Going Down the Wrong Road' in its cover story which states that according to some, the idea of a road regulator does not make sense. On the other hand, we do need an exclusive body to deal with problems in all types of Public Private Partnership (PPP) contracts, which include roads. Indeed, there is a case for a regulatory and dispute settlement board for PPPs, which can work across all PPP contracts, including roads. The Planning Commission has suggested such a body.

A special article by Ravi Shanker Kapoor says that most NAC-dictated laws and policies have been economically and fiscally flawed. Another article by Sunanda K Datta-Ray states that two decades on, India is still an attractive destination for foreign funds.

Besides, it carries regular sections on Infrastructure, Trade & Economics, Governance & Reforms, Corporate Governance, Report Desk, Competition Insight etc.

To access the newsletter online, please click on the following link: www.cuts-ccier.org/pw-index.htm

How to Design Trade Agreements in Services: Top Down or Bottom Up?

– Rudolf Adlung and Hamid Mamdouh, WTO

This paper deals with claims, recently raised in various circles, that structural faults in the General Agreement on Trade in Services (GATS) have prevented WTO Members from advancing services liberalisation under the Agreement. The GATS is generally associated in this context with a bottom-up (positive-list) scheduling approach where the sectors on which trade commitments are undertaken are selected individually. This is claimed to be less efficient, in terms of liberalisation effects, than alternative approaches under which everything is considered to be fully committed unless specifically excluded (top-down or negative listing).

However, a closer look at services negotiations conducted in various settings, including the Doha-Round process, WTO accession cases and different types of regional trade agreements, suggests that such structural issues have limited, if any, impact on the results achieved. What ultimately matters are not negotiating or scheduling techniques, but the political impetus that the governments concerned are ready to generate.

This Working paper can be viewed at: http://www.wto.org/english/res_e/reser_e/ersd201308_e.pdf

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