ECONOMIQUITY

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Who Killed Tariffs? Modern Trade

Although tariffs are trade-distorting, they are part-and-parcel of the international trading system. But do they matter much in today's emerging regime of international trade where global and regional value chains and associated factors determining trade costs are gaining more importance?

Trade is about relative competitiveness of competing products produced by different firms. Suppose an Indian clothing product is facing 10 percent tariff in an export market and a Bangladeshi producer of a similar product is facing zero percent tariff in that market. These tariffs are over the base price they would charge for their products. Even in that case, the Indian product could be more competitive if its other factors of competitiveness capital cost, labour cost and other costs, including trade logistics can offset this difference in tariff.

This is particularly relevant in today's world because countries have considerably reduced their import tariffs. Given the low levels of applied tariffs, it is no longer impossible to counter trade-distorting effects of tariffs through other means of generating greater competitiveness. Some countries do it by simply manipulating their exchange rates regime.

In today's world, non-tariff barriers (NTBs) are much more trade-distorting since they add to trade costs. Various efforts are being made to address the menace of NTBs, including converting them to tariff-equivalence. While there are efforts at bilateral, regional and multilateral level to harmonise and minimise NTBs by adhering to a rules-based system, the emerging nature of international trade has a built-in mechanism to reduce them.

The world has moved on from simple intra-industry trade to a complex web of regional and global value chains. Given that producers in a value chain collaborate with each other to reduce trade costs, there is a possibility that they nurture their governments to reduce NTBs.

In future, the multilateral trade regime should devise rules in a manner that further encourages vertical specialisation. Tariffs are related to prices of products and they matter less in this new scenario because products - in vertical specialisation – are so specific that there is hardly a scope for product differentiation and, therefore, price competition. What matters most is quantity of production – economies of scale through technological advancement and otherwise - and reduction in trade logistics.

Headlines

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Small Blessings for US

The tentative deal to avoid a crushing debt default is at best a mild relief for the US economy. It nearly stalled in the first half of 2011 year and is yet to show signs of any realistic pickup.

The plan for a US$2.4tn in spending cuts over a decade would help lift some of the uncertainty that has weighed on investors, businesses and consumers. Most of them are unsettled by talk about a possible new and deep US financial meltdown.

Reacting to this move, President Barack Obama said that the initial discretionary cuts "wouldn't happen so abruptly that they'd be a drag on a fragile economy." *(ET, 02.08.11)*

MNCs Flocking to India

Consumer durables, automobiles, food and personal care products have the maximum growth potential in India as multinationals shift focus to Asia Pacific and Latin America to drive up their sales.

According to a report prepared by Ambid Capital Research: "Despite being impacted by several challenges, we expect India's consumption growth story to maintain its course of 14 percent growth over the next three years driven by three factors – inclusiveness, mix changes and specific consumption categories."

Paul Polman, Chief Executive Officer of Unilever said: "We have to shift our thinking to New Delhi, not New York." Calling Unilever an "emerging markets company" he said the "shift of economic power to the East and the South" was forcing the world's second largest consumer products firm to make extraordinary changes. *(ET, 16.07.11)*

Battling High Inflation

Brazil, Russia, India and China (BRIC countries) have been raising interest rates as part of their strategies to battle high inflation. Among them, Brazil has been most aggressive – its policy rate is at 12.5 percent while inflation stood at 6.7 percent in June 2011.

Similarly, China raised its interest rate to 6.56 percent to combat the inflation rate of 6.44 percent. Russia kept its refinancing rate unchanged at 8.25 percent as inflation showed signs of softening.

India increased its short-term lending rate to 8 percent to check inflation which was at 9.44 percent in June this year. *(FE, 02.08.11)*

Risk Factors and FDI Recovery

Global foreign direct investment (FDI) is yet to scale its pre-crisis peak achieved in 2007. Post-crisis business environment is still beset by uncertainties, says the World Investment Report 2011 of the United Nations Conference on Trade and Development.

In 2010, global FDI inflows rose modestly by five percent to reach US$1.24tn. The report foresees such FDI flows to continue their recovery to reach US$1.4-1.6tn or the pre-crisis level in 2011. However, the following risk factors may derail the FDI recovery:

- unpredictability of global economic governance;
- a possible widespread sovereign debt crisis;
- fiscal and financial sector imbalances in some developed countries;
- rising inflation; and
- signs of overheating in major emerging market economies.

(BL, 27.07.11)

Easing of Inflation Headache

There is a growing sense of confidence in Asia that the pace of inflation is moderating across most of the region. "In China, almost certainly, we have come over the hump for the time being. But elsewhere, too, inflation is bound to ease noticeably into the fourth quarter," said Frederic Neumann, Co-Head of Asian Economies at HSBC.

The fight against inflation has been aided by gradual monetary tightening combined with a fall in commodity prices and a general appreciation in local currencies against the US dollar.

"With the exception of India and perhaps China, central banks can afford to make growth the priority if necessary," said Iwan Azis, Head of the Office of Regional Integration at the Asian Development Bank. *(FT, 11.08.11)*

Debt Crises: Policymakers put Head together

Global policymakers held an emergency conference in August 2011 to discuss the debt crises in Europe and the US. French President Nicolas Sarkozy conferred with the British Prime Minister David Cameron amidst global stock markets turmoil and fear of the rich world sliding back into recession. Leaders reassured investors that Western governments have the ability to reduce their huge and growing public debt loads.

Washington's Asian allies rallied around the battered superpower, with Japan and Korea both saying their trust in US treasuries remained unshaken. Japanese Finance Minister, Yoshiki Noda said global policymakers needed to confront currency distortions, the debt crises and concerns about the US economy.

Investors saw the European Central Bank's failure to include Italy and Spain in a relaunch of its bond purchases in August 2011 as a sign of the depth of political divisions over the role of the Euro zone currency. *(FE, 08.08.11& 06.08.11)*

Act Now to Save Global Recovery

The Managing Director of the International Monetary Fund Christine Lagarde called on global policymakers to pursue urgent actions including forcing European banks to bulk up their capital to prevent a descent into a renewed global recession.

Similarly, World Bank President Robert Zoellick indicated that risks to the global economy are intensifying, with the Euro zone's outlook dependent on European leaders making the right decision. While the US is likely to avoid a return to recession, escaping with slow growth, the Euro zone is facing a "particularly sensitive time" he said.

Borrowing costs for European banks are rising as lenders balk at providing any but the shortest maturity funds on fears over bank exposure to shaky Euro zone sovereign debts. European leaders are fighting over who should pay the bill for taming a raging sovereign debt crisis.

(FE, 29.08.11 & ET, 07.09.11)

Indian Procurement Law

By the end of this financial year (March 2012) India will have a whole new procurement law, both for the public sector undertakings and the government departments.

Gradually e-procurement will be introduced even to disposal by PSUs and government departments. The concept gained credence last year with several instances of corruption coming to light and the success of e-auction of 3G spectrum.

It was felt that the e-auction methodology for buying and selling is the best way to bring in transparency and reduce corruption. *(FE, 04.07.11)*

Slowdown in Service Sector

Global growth in services came to a virtual standstill as new business all but dried up, adding to fear that the world economy is facing another recession. Weak purchasing managers' indexes from the Euro zone, China, India and Britain showed world factory output slowed in August 2011.

The 17-member Euro zone recorded a two-year low service PMI of 51.5 down from 51.6 in July. At 50.6 China's PMI was barely in the expansion zone. From 58.2 in July, India's PMI came down to 53.8.

India is hoping to ride on strong services to achieve an eight percent growth in the current fiscal. Despite a drop in services activity, prices charged by service companies rose at a fastest pace in just over three years.

(FE & ET, 06.09.11)

Big Economies Hurt India

Economists said the impact of Standard & Poor's one-notch downgrade of US sovereign credit will be visible in India's financial markets. Capital and trade flows to and from India would hinge on the long-term prospects of the developed economies.

The Economic Advisory Council to the Prime Minister of India said that foreign institutional investments into equities and other portfolio inflows could be US$14bn this year, less than half of what it was last fiscal.

In 2010, India slipped to the 14th place from eighth position in the list of countries that attracted the highest FDI. Inflows into India declined by about US$10bn to US$25bn. China recorded inflows worth US$106bn and the US saw the maximum of US$228bn.

(FE, 08.08.11 & TH, 27.07.11)

Call to Tax the Rich

Some of France's wealthiest individuals have called for a tax on the rich in a gesture of national solidarity as the French government prepare to announce swinging cuts to bring public finances under control.

"We are aware that we have benefitted fully from a French model and European environment to which we are attached and that we want to help to preserve," the signatories said.

It follows a similar demand in the US. "While the poor and middle class fight for us in Afghanistan, and while most Americans struggle to make ends meet, we mega-rich continue to get our extraordinary tax breaks," said Warren Buffet, one of the world's three richest men. *(FT, 24.08.11 & FE 17.08.11)*

EU Leaders Struggle

The European Commission (EC) has called for another reinforcement of US$623bn rescue fund as part of solutions to a rampaging debt crisis. "To be effective, this European Financial Stability Facility needs to be credible and respected by the markets," said Olli Rehn, European Union Economic and Monetary Commissioner.

Investors said policy differences among European Union (EU) governments and central bankers were heightening anxiety about Europe's systemic capacity to stem the debt crisis.

"Certainly the European Central Bank is ready to make major efforts to relieve the situation, but first the countries have to take steps. It doesn't make sense to pour water into a bucket with a hole in it," said Luc Coene, ECB Council Member. *(ET, 06.08.11)*

A Contagion of Bad Ideas

–Joseph E Stiglitz

Both Europe and the US have been impacted by misguided economic notions spreading across continents

The Great Recession of 2008 has morphed into the North Atlantic Recession: it is mainly Europe and the US, not the major emerging markets, that have become mired in slow growth and high unemployment. And it is Europe and America that are marching, alone and together, to the denouement of a grand debacle. A busted bubble led to a massive Keynesian stimulus that averted a much deeper recession, but that also fueled substantial budget deficits. The response – massive spending cuts – ensures that unacceptably high levels of unemployment will continue, possibly for years.

The EU has finally committed itself to helping its financially distressed members. But, even as Europe's leaders promised that help was on the way, they doubled down on the belief that non-crisis countries must cut spending. The resulting austerity will hinder Europe's growth, and thus that of its most distressed economies: after all, nothing would help Greece more than robust growth in its trading partners. And low growth will hurt tax revenues, undermining the proclaimed goal of fiscal consolidation.

The discussions before the crisis illustrated how little had been done to repair economic fundamentals. The European Central Bank's (ECB) vehement opposition to what is essential to all capitalist economies – the restructuring of failed or insolvent entities' debt – is evidence of the continuing fragility of the Western banking system.

The ECB argued that taxpayers should pick up the entire tab for Greece's bad sovereign debt, for fear that any private-sector involvement (PSI) would trigger a "credit event," which would force large payouts on credit-default swaps (CDSs), possibly fueling further financial turmoil. But, if that is a real fear for the ECB – if it is not merely acting on behalf of private lenders – surely it should have demanded that the banks have more capital.

Likewise, the ECB should have barred banks from the risky CDS market, where they are held hostage to ratings agencies' decisions about what constitutes a "credit event." Indeed, one positive achievement by European leaders at the recent Brussels summit was to begin the process of reining in both the ECB and the power of the American ratings agencies.

Indeed, the most curious aspect of the ECB's position was its threat not to accept restructured government bonds as collateral if the ratings agencies decided that the restructuring should be classified as a credit event. The whole point of restructuring was to discharge debt and make the remainder more manageable. If the bonds were acceptable as collateral before the restructuring, surely they were safer after the restructuring, and thus equally acceptable.

This episode serves as a reminder that central banks are political institutions, with a political agenda, and that independent central banks tend to be captured by the banks that they are supposed to regulate.

The end of the stimulus itself is contractionary. And, with housing prices continuing to fall, GDP growth faltering, and unemployment remaining stubbornly high (one of six Americans who would like a full-time job still cannot get one), more stimulus, not austerity, is needed – for the sake of balancing the budget as well. The single most important driver of deficit growth is weak tax revenues, owing to poor economic performance; the single best remedy would be to put America back to work. The recent debt deal is a move in the wrong direction.

There has been much concern about financial contagion between Europe and America. After all, America's financial mismanagement played an important role in triggering Europe's problems, and financial turmoil in Europe would not be good for the US – especially given the fragility of the US banking system and the continuing role it plays in non-transparent CDSs.

But the real problem stems from another form of contagion: bad ideas move easily across borders, and misguided economic notions on both sides of the Atlantic have been reinforcing each other. The same will be true of the stagnation that those policies bring.

– University Professor at Columbia University, a Nobel laureate in Economics. Abridged from an article that appeared in The Economic Times*, on August 10, 2011.*

Slow Decline of America

–Thomas L Friedman

The ratings downgrade and debt deal were disappointing. Until we find ways to forgive debts from consumers and governments, spending cannot drive growth

In the wake of the hugely disappointing budget deal and the S.& P.'s debt downgrade, maybe we need to hang a new sign in the immigration arrival halls at all US ports and airports. It could simply read: "Welcome. You are entering the US. Past performance is not necessarily indicative of future returns."

Because our country is now finding itself in the worst kind of decline — a slow decline, just slow enough for us to keep deluding ourselves that nothing really fundamental needs to change if our future is to match our past.

Our slow decline is a product of two inter-related problems. First, we have let our five basic pillars of growth erode since the end of the cold war — education, infrastructure, immigration of high-I.Q. innovators and entrepreneurs, rules to incentivise risk-taking and start-ups, and government-funded research to spur science and technology.

We mistakenly treated the end of the cold war as a victory that allowed us to put our feet up — when it was actually the onset of one of the greatest challenges we've ever faced. We helped to unleash two billion people just like us — in China, India and Eastern Europe. For us to effectively compete and collaborate with them — to maintain the American dream — required studying harder, investing wiser, innovating faster, upgrading our infrastructure quicker and working smarter.

Instead of doing that at the scale we needed — that is, building muscle — we injected ourselves with massive amounts of credit steroids (just like our baseball players). This enabled millions of people to buy homes they could not afford and to fill jobs in construction and retail that did not require that much education. Our European friends went on a similar binge.

All this debt blew up in 2008 in the U.S. and Europe, and that led to the second problem: Homeowners, firms, banks and governments are all now "deleveraging" or trying to — meaning that they are saving more, shopping less, paying off debts and trying to dig out from mortgages that are under water.

Our challenge now, therefore, is to deleverage the economy as fast as possible, while, at the same time, getting back to investing as much as possible in our real pillars of growth so our recovery is built on sustainable businesses and real jobs and not just on another round of credit injections.

Regarding deleveraging, Rogoff suggests, for example, that the government facilitate the writing down of mortgages in exchange for a share of any future home-price appreciation.

Regarding growth, we surely need a much smarter long-term fiscal plan than the one that just came out of Washington. We need to cut spending in areas and on a time schedule that will hurt the least; we need to raise taxes in ways that will hurt the least; and we need to use some of these revenues to invest in the pillars of our growth, with special emphasis on infrastructure, research and incentives for risk-taking and start-ups. We need to offer every possible incentive to get Americans to start new businesses to grow out of this hole.

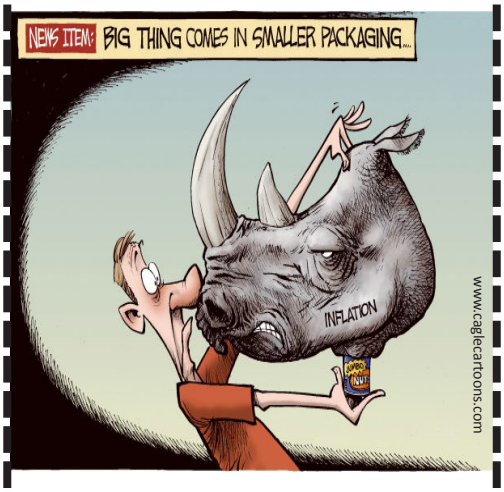
If juggling all these needs at once sounds hard and complicated, it is. There is no easy, one-policy fix. We need to help people deleverage, cut some spending, raise some revenues and reinvest in our growth engines — as an integrated strategy for national renewal. Something this big and complex cannot be accomplished by one party alone. It will require the kind of collective action usually reserved for national emergencies. The sooner we pull together the better.

– *American Journalist, Columnist and Author. Abridged from an article that appeared in* The Hindu Business Line, *on August 08, 2011.*

Global Food Prices Climb

World food prices rose in June, 2011, as the cost of sugar, meat and dairy increased, adding to inflationary pressure that has prompted central banks across the world to raise interest rates. An index of 55 food commodities rose to 233.8 points from 231.4 points in May, 2011, said FAO in its report.

UN agency said that the reason for the global food prices to remain high is due to underinvestment in agriculture over decades leaving supplies unable to meet demand. Nwanze, President of the International Fund for Agricultural Development, urged the global



community for more investments in rural development to help meet growing food demand led by emerging economies including China, India and Brazil.

The question of how to satisfy the food needs of an expanding population is getting even more pressing; as a consequence the world output will have to rise 70 percent by 2050 as per FAO estimates. However, growth in agricultural output will slow to 1.7 percent a year through 2020, compared to 2.6 percent in the previous decade.

(FE, 25.07.11)

Macro Concerns in Commodities

The global commodity markets, in general, and metals market, in particular, are currently groping for direction, buffeted as they are by a clutch of uncertainties. Macroeconomic concerns have not waned and are currently dictating the direction of prices. Questions such as the immediate future for the commodity markets, in general, and metals market in particular, the possibility of a benign macro picture emerging during the rest of the year, if it emerges then the trigger point for it and so on.

The search of these answers makes one thing certain that the regulatory risks the market faces are not unreal. A stringent regulation of speculative capital flows into the derivatives market can potentially drive prices down. *(BL, 02.08.11)*

Beijing Lifts Price Control

Cooking oil and pork prices in China have been the main driver of inflation after rising nearly 60 percent, have eased slightly. Now, China has lifted a ban that prevented cooking oil producers from raising prices, the most concrete policy action yet from the government to show that it believes inflation is coming under control.

Prices were unofficially frozen in November, 2010, but Beijing has struggled since then to put a lid on inflation, which has been running at a three-year high. The National Development and Reform Commission's primary objective for the second half of the year would be to keep the overall price level "basically stable".

(FT, 04.08.11)

Reshaping of Wheat Business

Whereas Australia has dismantled the country's grain monopoly, the Australian Wheat Board, in 2008, the prospect of the lucrative Canadian grain market opening up to private sector competition would end the monopoly of the Canadian Wheat Board paving way companies such as US-based Cargill, Archer Daniels Midland, Bunge, Louis Dreyfus of France and Glencore to buy cereals directly from Canadian farmers just as demand and prices for agricultural commodities rise sharply.

On one hand there is reshaping in agribusiness in the commodity market of wheat with deregulation of wheat monopoly in important markets in Canada, Australia, on the other hand India which is the one of the world's largest grain producers have now lifted export ban on wheat making the wheat market more competitive.

(FT, 17.08.11 & BS, 16.07.11)

Food Commodity Prices Soar

Fears of a steep rise in food prices have increased, after the US government cut its forecasts for stocks of key crops including corn due to the impact of a heatwave and drought. It appears that the inflation woes will continue in 2012 in the wake of smaller corn crop, which is a critical feeding commodity, pushing prices higher and translate into more expensive beef, lamb and poultry and further higher food inflation.

On the other hand, the rising cost of food in emerging markets could heighten social pressures and force central bankers to raise interest rates especially in China and India. Nonetheless, experts state that the buoyant outlook for food commodities prices bodes well for the agribusiness sector. *(FT, 29.08.11 & 12.08.11)*

Farm Subsidies Cropped Low

The rise in agricultural commodities prices led to the lowest support by rich countries to their farmers in nearly three decades, according to new figures released by the OECD. The OECD said its 34 members spent US$227bn in 2010 subsidising their farmers, down nearly six percent from 2009 and 13 percent from 2008. Further, the share of farmers' income derived from subsidies fell in 2010 to 8 per cent in OECD countries, down from 22 percent in 2009.

The subsidies are also a key obstacle in the moribund Doha trade round. Therefore, OECD has urged governments to use the current period of high agricultural prices to reform their agricultural policies.

(FE, 23.09.11)

Bone of Contention in Fishing Reforms

The right to fish in the European Union (EU) would become a tradable concession under a market-based plan that Brussels has recently proposed.

Some of the members are weary like the Irish Fisheries Minister Simon Coveney, who feels it would concentrate fishing "into the hands of large international fishing companies". EU is quite keen on its proposal, as such market-based approaches have worked in Norway, Denmark and the US. It's high time for reforming the archaic European fishing policy, in order to ensure sustainability of the industry.

One of the most contentious elements of the new proposal is the tradable fishing concessions. While this would help countries with thin fishing fleet, members are worried that big companies might abuse these concessions, as has happened in Iceland. *(FT, 14.07.11)*

EU under Fire over Trade Barriers

The EU came in for much criticism in its recent Trade Policy Review (TPR) by the WTO. Over 40 countries have expressed their frustration at the trade barriers and submitted over 1,000 written questions to the EU already.

India took up the incidents of seizure of Indian pharmaceutical consignments for Latin American and African countries during their transit through Europe in 2008-09. India also complained about the anti-dumping duties imposed on PET film exports from India, without following appropriate procedures. Resentment was also expressed about ban of Indian honey, without adequate scientific justification.

India is highly concerned over the EU subsidies for agricultural products, which it feels distort trade when world prices are low. They also severely affect the livelihood of the poorest economies, including hundreds of millions of milk producers in India. *(FE, 21.07.11)*

Doha is Deadlocked, Lamy

The Doha Round of global trade negotiations under the World Trade Organisation (WTO) has reached a hiatus yet again, said WTO Director General Pascal Lamy. He urged all member-countries to exhort faith in the multilateral trading system and recognise contributions made by the multilateral trading system during the recent financial crisis through smooth flow of goods and services.

"I guess it is also time to think seriously about how we can continue to advance global trade opening, how we can progress in updating the existing trading rules. For the moment, we know the Doha round of trade negotiation is deadlocked. To exit this, we need three basic ingredients of leadership, pragmatism and determination," Lamy said. He added that, "I am confident that the WTO members, the stakeholders of this global trading system, will be able to chart a path forward." *(BS, 05.09.11)*

Asian Leaders for Deeper Ties

Leaders of the Association of Southeast Asian Nations (ASAEN) are trying to advance plans to form the ASEAN Economic Community by 2015. So far ASEAN has eliminated 95 percent of tariffs and NTBs, and is working on deepening transport links and on a common visa.

"Intra-regional trade that's improving clearly provides a buffer for the region itself against headwinds which may develop in other parts of the world, primarily the developed countries," said Prakriti Sofat, Barclays Capital (Singapore). The role of China as a trade partner is also critical.

A recent Asian Development Bank report said Asean lacks labour mobility, convergence of laws on competition, and common monetary or fiscal policy. *(FE, 08.08.11)*

Global Farm Trade and Middle-Class

Global agriculture trade may climb 43 percent by 2020 as an expanding middle-class in emerging markets boosts demand for commodities, according to the US Department of Agriculture. "Trade may easily exceed US$1tr by 2020, from an estimated US$700bn in 2011," observed Michael Dwyer, at the US Department of Agriculture.

Rising incomes in emerging markets including China and India have boosted demand for proteins, helping push global food costs higher. Surging prices are likely to attract investment to agriculture and boost plantings, while countries may look to acquire foreign farmland to secure food supply. *(FE, 27.07.11)*

Trade Pacts to Align with WTO

The World Trade Report 2011 has observed emergence of 'deep PTAs', as Preferential Trade Agreements (PTAs) evolve towards deeper integration globally and include domestic policies such as IP protection, competition and regulation of investment and services.

Some of the main highlights of the report pertaining to PTAs are:

- Countries participation in PTAs transcend regions
- Explosion of PTAs not accompanied with surge in trade flows
- PTAs include wide range of issues beyond tariffs, viz. services, investment, IP and competition policy

Under such circumstances, the report recommends a set of measures to align the multilateral trading system with the PTAs, which include both structural and functional reforms.

(WTO Press Release, 20.07.11)

India-Bangladesh Revive Border Trade

India and Bangladesh have revived the traditional border trade after nearly 40 years, by opening the first border *'haat'* (village market) in Kalaichar, Meghalaya.

Both, the Bangladeshi and Indian Commerce Ministers graced the occasion, and reiterated both governments' commitment to strengthening economic ties between the neighbours. Though, it provides for 25 vendors from each side at the moment, but ultimately the revival of such *'haat'* would help reduce informal border trade and enhance opportunities for the local people. Locally grown agriculture and manufactured items would be traded here.

This is a part of a number of measures that both governments are taking to enhance trade and economic ties, through the land route. A plan for seamless movement of trucks on both sides of the border is being worked upon. *(TH, 24.07.11 & BS, 28.08.11)*

Deepening Ties with LatAm

At a time when the demand for Indian goods in developed countries is declining, the country is trying to deepen its trade relations with Latin American countries. India already has a PTA with the Mercosur bloc, and is now exploring possibilities of a bilateral agreement with some others in the Andean community.

Exports to Latin American countries have seen a significant jump (over 72 percent) in 2010-11 to US$10.7bn. India, still however, has a trade deficit of US$3.2bn with the continent. There's a great demand for Indian engineering and textile products.

Strengthening of trade ties with these countries, complemented with expanding economic relations with Africa would help the Indian economy substantially. *(Mint, 29.08.11)*

Looking Inwards in SAARC

India would meet its commitment of reducing tariff lines under sensitive list by 20 percent, under the South Asian Free Trade Area (SAFTA) agreement signed by the SAARC members. "SAFTA is moving forward on the path of economic integration and India should give full support so that the region realises its full potential", observes Anand Sharma, Indian Commerce Minister.

India's trade with SAARC stands at a mere US$13bn, at a time when our global trade has expanded beyond US$600bn. Over 90 percent of the investment by Indian firms has been outside this region. "This clearly brings out the imperative of creating a more conducive investment climate in the region", the Minister added. *(TH, 09.09.11)*

India to Allow Trade-aid for Pakistan

India is likely to finally withdraw its opposition on the controversial trade-aid package proposed by the EU for Pakistan. Around 75 tariff lines would get concessional access to EU market for three years. These concessions were offered to Pakistan in the wake of the devastating floods in 2010 that badly affected the country's economy. It is slated to provide US$300mn benefits annually to the country.

In addition to India, the EU package was opposed by Brazil, Bangladesh, Peru and Vietnam, as it would impact their exports to EU as well.

The matter was discussed between the two Prime Ministers in March 2011, but did not feature in the joint communiqué that was issued after the two Commerce Secretaries met subsequently in Islamabad. *(BS, 21.08.11)*

Opening up Markets for US

The Indian Finance Minister and his US counterpart have pledged to deepen efforts to open up India's financial, retail, manufacturing and infrastructure sectors for US companies.

US Treasury Secretary, Timothy Geithner observed that American companies face entry barriers in various sectors in the country. He added, "Easing those barriers, which are limiting economic growth and job creation in both the countries would be an important step in integrating our economies".

Finance Minister Pranab Mukherjee confirmed that interactions between the two countries have increased substantially, but reiterated that considerable efforts is still needed to arrive at a consensus for these reforms. *(FE, 29.06.11)*

Trade Talks Stalled with EU

Negotiations between India and the European Union over a trade and investment agreement have stalled because EU is aggressively seeking additional concessions. An Indian Commerce Ministry official observes, "In the last one-and-a-half months, when we had three rounds of talks, the EU has changed its position and is asking for more".

A EU spokesperson, however, maintains, "As the agreement is quite extensive and comprehensive, there are some areas that need clarifications and discussions". He adds, "Ensuring that the agreement is meaningful, mutually beneficial and balanced is more important than the timeframe itself."

The agreement is being opposed by NGOs over concerns that the proposed trade related aspects of the Intellectual Property Rights in the deal will affect India's ability to produce and export life-saving generic drugs to developing countries. *(Mint, 28.07.11)*

A Union of Indian Ocean nations

–B S Raghavan

The Indian Ocean community can, like the EU, transform itself into a free trade zone, and can even work towards adopting a common currency. The 59 countries in the region constitute a US$6tr powerhouse

The Hindu Business Line

Caught in the stranglehold of concepts and models emanating from the West, the opinion leaders, strategic thinkers and policymakers of Asian countries have long shied away from examining boldly and with a fresh mind the new and exciting vistas of social, cultural and economic partnership that exist right at their doorstep.

The thought occurred to me as I was talking to Dr S Kalyanaraman who had held leadership positions in the Asian Development Bank, and been engaging himself in giving a new thrust, suited to the genius of Asian region, to new paradigms of collaboration and synergy which would put these countries on the fast track, if not ahead of so-called advanced countries. He is convinced that the combined strengths of 59 countries of the Indian Ocean Rim, which together constitute a six trillion dollar powerhouse, are capable of setting in motion hitherto undreamt of enterprises for making the most of their abundant human and natural resources.

On the lines of EU

Dr Kalyanaraman has elaborated the strategic calculus in his book bearing the unusual title *Rastram* which is not amenable to any precise translation. In his view, if only the countries of the Indian Ocean Rim constitute themselves into a collective entity, the tremendous financial and economic leverage that it will exercise will redress the imbalance of the present world economic order.

The idea has great appeal as well as relevance. The Indian Ocean Community, as expounded in Dr Kalyanaraman's book, is predicated on the same rationale as the supra-national European Community which was initially conceived as a mechanism for joint policy making with reference to production and marketing of coal and steel but got expanded to full-fledged and integrated economic organisation with Euro as a common currency and a European Central Bank as a provider of banking services based on homogenous norms and criteria to all the members.

Do-able proposition

Similarly, the IOC too can transform itself into a Free Trade Zone, to start with, to provide for free movement of goods and services which, at some later stage, can even work towards adopting a common currency.

There are actually three predisposing factors that make the IOC a do-able proposition: The two proposed projects for the construction of a Trans-Asian Highway and Trans-Asian Railway from Bangkok to Vladivostok and the extension of the territorial waters of the Indian Ocean Rim states to 200 nautical miles under the amended Law of the Sea opens up unlimited economic opportunities for mutual cooperation and harnessing the riches of the ocean.

Cultural Ties

Dr Kalyanaraman's thesis is leavened by the fact that the IOC has a thousand years of socio-cultural interaction and bonds. The IOC will be the first example of weaving the cultural bonds into socio-economic spheres of cooperation. It can be further buttressed by exchanges in the fields of higher technical education, use of satellite and IT technologies, oceanography and so on.

A beginning has been made by the setting up of Indian Ocean Rim Association for Regional Cooperation as a forum for the diplomats of the states of the region to meet annually to exchange views in the common interest of the IOC. Talks are also under way on the best means of giving economic content through free trade agreements and MoUs for bilateral and multi-lateral cooperation in infrastructure projects such as the development of the deltas of the Mekong and Irrawady Rivers.

South India's Role

Since most of the social and cultural influences have had their origins in South India, it should not be surprising if the policymakers at the Centre in New Delhi take only minimal interest in the initiative advocated here. It will be well worthwhile for the academic community and persons prominent in public and political life in Southern States to go in depth into the significance of the proposition.

– *Indian Administrative Services (Retd.). Abridged from an article that appeared in* The Hindu Business Line, *on July 18, 2011*

China's Export Curbs Violate Trade Rules: WTO

The international trading is experiencing an entirely new challenge in recent years. The appetite for consolidating grip over natural resources has led to increase in restrictions on exports of crucial raw materials. In recent times, the focus of this conflict is China, which is accused of hoarding some rare elements and other raw materials crucial for many globally traded goods.

A complaint was brought by the EU, the US and Mexico, against China's restraints on the export from China of various forms of raw materials. It was argued that the use of export restraints creates scarcity and causes higher prices of raw materials in global markets. They also provide Chinese domestic industry with a significant advantage by way of a sufficient supply, and lower and more stable prices for the raw materials.

Evidently, China produces 97 percent of the world's rare earth elements, a key component in a large assortment of advanced military and civilian technologies such as automobile electronic systems, wind turbines etc. The increasing global demand and Chinese export restrictions in recent years are argued to have led to international concerns about future supply shortages.

Consequently, the WTO panel found that China's export duties were inconsistent with the commitments that China had agreed to in its Protocol of Accession. The Panel also found that export quotas imposed by China on some of the raw materials like bauxite, coke, fluorspar, magnesium, manganese, silicon carbide, silicon metal, yellow phosphorus and zinc, were inconsistent with WTO rules.

While, the ruling hands a victory to the US, the EU and Mexico, that could have major implications for global supply of rare earths, China has challenged the ruling at the WTO Appellate Body.

The importance of the WTO's ruling goes beyond China, however, the global competition for resources intensifies, the temptation to restrain exports of strategic commodities increases: China is not the only country tempted. The WTO's first ruling on this subject provides a solid base from which to challenge such practices.

China WTO row spotlights nations clamping down on resources

Following the China example, other countries such as India, Indonesia, US, Australia are looking to tighten their grip on natural resources, paving for future challenges at the WTO. Export barriers are tightening on commodities ranging from food and coal to iron ore and coveted rare earths that have critical roles in high-tech devices as countries harden positions on what they see as a sovereign right to development.

A WTO report mentioned that between October 2010 and April 2011, at least 30 new export curbs were imposed by countries such as China, India and Vietnam, up from 25 slapped on during the previous 12 months. The report further warns against the rising trend of official curbs on exports, which have increased as agricultural and other commodities prices have risen.

On one hand where the developed countries see the increased export curbs by developing countries stemming from short-term protectionist motives rather than long-term industrial policy, on the other hand industrial activities fuel the demand in the developing world. The case against China is important in the sense that it sends a signal that countries do not have carte blanche when it comes to export restrictions.

EU criticises Chinese rare earth export quota hike

The US and the EU have criticised China's policy on rare earths, saying what appears to be a doubling of the country's export quota for the elements for the second half of the year is actually more restrictive. Further, these countries are working on finding ways to reduce demand for China's rare earth exports. This comes in the wake of China's recent decision to halt production of the minerals at three major mines in Jiangxi province, a move that is expected to cut global supplies and raise global prices further.

China's actions have had a severe short-term impact on global rare earths prices. In August, 2011, prices peaked as hedge funds and other speculators anticipated large price hikes. Reportedly, the greater political economy of the conflict is that China's monopoly over rare earths has led to fears of China using its dominance as leverage to influence other nations' trade and related policies.

At the moment, countries expect that China must comply with the WTO's ruling and there is a reason to hope it will. The country has a reasonable record of abiding by WTO rulings.

(Mint, 06.07.11; FE, 20.07.11 & 15.07.11)

Mountaineers See Climate Change

The Mount Everest stands today at the clutches of climate change, the peril of glacial lake outburst flood (GLOF) lingers in the region, Imja Khola is identified as a major threat. Mountaineers noticed big changes in climatic conditions since 2008, the snow has reduced in especially on the Hillary Step and the rocky patch on the climb increased over the years. Since 2007 the ice pinnacles have reduced in height and at the advanced base camp, there has been flowing water in the climbing season.

Glaciers are retreating throughout the Himalayan range and evidence can be seen in Karakoram ranges and in Bhutan where large glacier lakes are being formed. Other mountaineers noticed similar changes in Kashmir and Uttarakhand. *(TH, 17.07.11)*

Australia to Impose Carbon Tax

Australia in accord with its commitment to cut greenhouse gas emissions by five percent by 2020 will force its worst polluting companies to pay US$25 for every tonne of carbon dioxide they emit. This announcement puts Australia on track to have the biggest emission trading system outside Europe and couple provide added momentum to the development of a global carbon market.

The carbon tax would lead to an increase in living costs, some companies have warned of price increases and job losses as a result. Gavin Stacey, an economist with Barclays Capital said, "Everyone has to feel it in their back pockets, otherwise there will be very little impact."

(FT, 11.07.11)

Technology Transfer to Combat Emission

The developed world has not fulfilled their promise on the issue of transfer of technology to the developing world to meet their carbon emission goals. "The developed countries took the responsibility under the Montreal Protocol, which has not yet happened under other discussions that we are having." said India's Environment Minister, while addressing the International Ozone Day celebration.

The Montreal Protocol can be a model of global cooperation, to address the serious environmental challenges which the world is face against, she added. *(PTI, 16.09.11)*

Trading Scheme to Clean Pollution

The problem of industrial pollution needs more creative solutions, as opposed to mere fines and heightened monitoring. Tamil Nadu and Gujarat, in 2010, announced they would implement India's first domestic emissions trading scheme, which will be belied to air pollution, a cap on air pollutants would be set by respective state pollution control boards.

This scheme would allow regulator to set a cap on the aggregate level of pollution, which is self regulatory. Independent experts have however said that such schemes would have a limited impact as it works well only with the organised sector, where as the bulk of India's industrial pollution load comes from the unorganised sector. Another concern raised by experts that there is a need for a lot institutional preparedness for implementation of such schemes and there is a need for third party checks. *(Mint, 18.08.11)*

Consensus on Kyoto Looks Unlikely

A stand-off on the Kyoto Protocol appears to inevitable in the run up to the year-end UN climate conference in Durban as key global players fail to find common ground. There are deliberations on the Protocol's second commitment period have heated up debate as there is no gap between the two periods, several industrialised countries were reluctant to accept emission reduction targets for a second commitment period.

However, they indicated willingness to preserve the Protocol's basic architecture in some form, which does not resolve the issue of legally binding emission reduction targets.

At Berlin, India stressed that abandoning Kyoto Protocol would deliver a body blow to the international climate regime. *(FT, 16.07.11)*

EU 'Green Sky' Regulation to Stir Trade Feuds

The European Union (EU) is planning to impose a carbon emissions levy on all airlines that fly over its territory beginning January 01, 2012. Under the EU Emission Trading Scheme (ETS), airlines will have to account for carbon dioxide emissions. They will have to pay fines in case they do not make allowances for emissions. The whole process would be carried in phases, over the next two to three years. Once in practice these regulations would hit the aviation companies..

EU ETS has implications beyond being 'just' an environment friendly regulation. There are trade implications of EU ETS, as it affects all the aviation companies. EU ETS has the potential to further complicate the next round of global trade liberalisation and also bilateral trade agreements. For example, India who is currently leading the campaign against EU's carbon levy could very well retaliate by creating hurdles in the EU-India FTA. *(Mint, 22.09.11; FT, 19.09.11 & 14.06.11)*

Green Bootleggers and Baptists

–Bjørn Lomborg

In May, the United Nations' International Panel on Climate Change made media waves with a new report on renewable energy. As in the past, the IPCC first issued a short summary; only later would it reveal all of the data. So it was left up to the IPCC's spin-doctors to present the take-home message for journalists

The first line of the IPCC's press release declared, "Close to 80 percent of the world's energy supply could be met by renewables by mid-century if backed by the right enabling public policies." That story was repeated by media organisations worldwide.

The IPCC released the full report, together with the data behind this startlingly optimistic claim. Only then did it emerge that it was based solely on the most optimistic of 164 modeling scenarios that researchers investigated. And this single scenario stemmed from a single study that was traced back to a report by the environmental organisation Greenpeace. The author of that report – a Greenpeace staff member – was one of the IPCC's lead authors.

The claim rested on the assumption of a large reduction in global energy use. Given the number of people climbing out of poverty in China and India, that is a deeply implausible scenario.

When the IPCC first made the claim, global-warming activists and renewable-energy companies cheered. "The report clearly demonstrates that renewable technologies could supply the world with more energy than it would ever need," boasted Steve Sawyer, Secretary General, Global Wind Energy Council.

This sort of behaviour – with activists and big energy companies uniting to applaud anything that suggests a need for increased subsidies to alternative energy – was famously captured by the so-called "bootleggers and Baptists" theory of politics.

Of course, today's climate-change "bootleggers" are not engaged in any illegal behavior. But the self-interest of energy companies, biofuel producers, insurance firms, lobbyists, and others in supporting "green" policies is a point that is often missed.

Indeed, the "bootleggers and Baptists" theory helps to account for other developments in global warming policy over the past decade or so.

Traditional energy giants like BP and Shell have championed their "green" credentials, while standing to profit from selling oil or gas instead of environmentally "unfriendly" coal. Even US electricity giant Duke Energy, a major coal consumer, won green kudos for promoting a US cap-and-trade scheme. But the firm ended up opposing the draft legislation to create such a scheme, because it did not provide sufficient free carbon-emission permits for coal companies.

Dubious claims by faithful activists gave rise to the biofuels industry (with supporting lobbyists). Biofuel production likely increases atmospheric carbon, owing to the massive deforestation that it requires, while crop diversion increases food prices and contributes to global hunger. While environmentalists have started to acknowledge this, the industry received a lot of activist support when it began – and neither agribusiness nor green-energy producers have any interest in changing course now.

Obviously, private firms are motivated by self-interest, and that is not necessarily a bad thing. But, too often, we hear commentators suggest that when Greenpeace and Big Business agree on something, it must be a sensible option. Business support for expensive policies such as the Kyoto Protocol – which would have done very little for climate change – indicate otherwise.

The climate-change "Baptists" provide the moral cover that politicians can use to sell regulation, along with scary stories that the media can use to attract readers or viewers. Businesses see opportunities for taxpayer-funded subsidies, and to pass on inevitable cost growth to consumers.

Unfortunately, this convergence of interests can push us to focus on ineffective, expensive responses to climate change. Whenever opposite political forces attract, as activists and big businesses have in the case of global warming, there is a high risk that the public interest will be caught in the middle.

– Head, Copenhagen Consensus Centre and Adjunct Professor, Copenhagen Business School. Abridged from an article that appeared in The Economic Times, *on July 22, 2011.*

Why We Need to Care About the Price of Water in China

–Peter Orszag


www.bloomberg.com

Just as we need to price carbon in order to avoid a climate crisis, we need to price water to avoid a water crisis

An American trucker barreling down Interstate 95 bemoaning the high price of diesel fuel might never imagine that one of the things driving up his bill is the way water in China is being mispriced. But the truth is, water shortages are indirectly causing increased use of diesel generators for electricity in China, and that, in turn, is helping raise diesel prices in the US.

Smarter pricing could help China – and the rest of the world – avoid further problems allocating water resources, and mitigate some of the side effects.

Coal plants generate most of China's electricity. Hydropower is the second-biggest source. Water is clearly essential for hydropower, but a lot of it is needed for coal power, too. In 2010, coal-fired electricity in China used more than 30 trillion gallons (114 trillion litres) of water, or about 20 percent of the country's total consumption. And over the coming decade, roughly 40 percent of the nation's increase in water demand will be associated with coal power.

This development is exacerbating an already severe shortage in China. The country accounts for about 15 percent of the world's consumption of fresh water. Yet its supplies are limited, and pollution is a significant hazard. Widespread pollution exacerbates the situation. About 90 percent of the aquifers underneath major cities in China are polluted. More than 300 million Chinese lack access to safe drinking water.

In addition to these challenges, there is a severe drought in 2011, which is the worst in half a century. Rainfall is 40 percent to 60 percent lower than normal, which means less power from hydroelectric dams and too little water to support some coal-fired plants. The Chinese have, therefore, had to lean more heavily on diesel generators to help power the electricity grid. That, in turn, has led officials to ban exports of diesel fuel.

And that raises costs for the trucker on I-95. So what can be done? Broadly, three things. The first is to reduce China's water pollution and, globally, address the threat of climate change. Some scientists say climate change is already increasing the pressure on China's water supply by disrupting normal patterns of rain- and snowfall.

The second is to increase the supply of usable water in the places in China that lack it, through desalination and by redirecting water from south to north.

But what is perhaps most promising is the third solution: better pricing of existing water resources. Water is Earth's most valuable commodity, and yet in most countries it is given away free — as if it had no value at all.

The most promising way to price water – in China as well as in the US and elsewhere – would be to provide, at no cost, a base amount per day for normal activities, such as cooking and cleaning, and then charge for water used above that threshold at rates that rise with the increased amount consumed.

The Chinese people are willing to pay more for water. And yet prices in China are still much too low to ensure that the water is used efficiently enough to sustain the supply. Higher prices would persuade people to both reduce waste and improve the allocation of water across all its possible uses. It would also encourage more investment in desalination and other measures to increase supply.

If China moved more aggressively to price water in a manner that reflected demand and supply, it could teach the US a lesson in using market economics to address environmental issues. Just as we need to price carbon in order to avoid a climate crisis, we need to price water to avoid a water crisis. Market forces can work wonders for the environment, but only if we have the political courage to create them.

– Vice Chairman, Global Banking at Citigroup and a Former Director of the Office of Management and Budget in the Obama administration, is a Bloomberg View Columnist. Abridged from an article that appeared in The Financial Express, *on July 06, 2011.*

Asia Lacks Social Benefits

Asia grew at an average of 6.4 percent per year between 1990 and 2008, much faster than the rest of the world. However, this growth has not transpired into providing good jobs and adequate social benefits for their people in most of the Asian economies. Most of the jobs created in Asia are low wage manufacturing position.

A major chunk of the workers are employed in the unorganised sector, which means they are exposed to greater risks, have no contracts and are not covered with non-wage benefits. These could hamper region's long term growth prospects. It is time for the government to step to the need for increase spending on social safety net to ensure sustainability of the Asian growth. *(Mint, 24.08.11)*

Fruits of Development to Reach People

The dominant theme of the Asian Political Parties' Conference on Development and People Access in China was that sustainable development is not possible without a twinning of focus on economic and social development.

The pace of economic reforms and development must take into account the stability of the society and fruits of development must reach all people to ensure social equity.

Asian economies, especially China, India and the ASEAN, have become a life jacket of the global economy, growing at 7-10 percent for sustained period. Asia should aspire to the lead the world economy. In order to do so it must seek for a more sustainable development and forge partnership with rest of the world. *(TH, 05.09.11)*

Farming Vital to End Global Hunger

The food crisis of 2007-08 and a price spike in 2011 have revealed deep structural problems in the global food system and the need to increase resources and innovation in agriculture so as to accelerate food production. A concrete shift to green technologies is vital in order to boost production for supporting the global population.

Evidence have shown that for most of the crops the optimal farm is small in scale and this level of both sustainable productivity increases and rural poverty reduction can be achieved. A truly 'green' agricultural revolution would provide a long-term solution to hunger and malnutrition and ease price volatility while protecting the environment. *(FT, 06.08.11)*

Immigrants Cap Hits Businesses Growth

Home Office policies that aim to reduce net migration by restricting the entry of skilled workers bring "significant risks to UK businesses", a cross-party panel of MPs has warned.

The government's moves to restrict labour migration from outside the EU could damage companies at a time of increasing global competition for skills. The visa cap forms part of government efforts to drive down net migration is in line with a Conservative election pledge of the government.

Research shows that more than 20 percent of private sector employers had reported recruitment difficulties as a result of the temporary cap trialled in 2010-11. *(FT, 07.07.11)*

Seoul Bars Migrant Workers

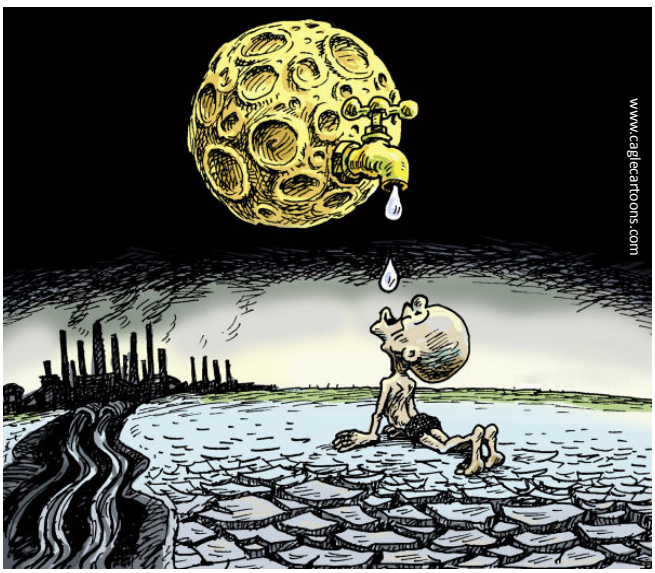
South Korea is temporarily blocking new arrivals from Vietnam, one of the largest sources of migrant labour, because it is struggling to stop them from disappearing into the clandestine economy. Many migrant workers quit their mandated jobs and look for better-paid illegal jobs.

The moratorium could hit remittances to Vietnam which accounted for seven percent of the GDP in 2010 at the time when its economy is struggling to counter high rates of inflation and a potential crisis in their financial sector after a prolonged period of rapid credit fuelled growth. Since the majority of workers came from the poorest provinces in Vietnam it would accentuate the problem of poverty. *(FT, 29.09.11)*

Food "Insecurity" in Drought-hit Africa

Two successive failed rainy seasons in a year have led to the driest year since 1951 in regions of Kenya, Ethiopia, Djibouti and Somalia. This has been immediate cause of the severe food crisis already affecting around 10 million people in these regions, it can decimated livestock, which cereal prices have soared. Hunger levels have jumped sharply, with rates of severe malnutrition rising as high as five times the emergency threshold.

The current scenario is classified by the UN as "pre-famine", a step down from "catastrophe". Aid agencies have launched multimillion-pound appeals to address the mounting humanitarian emergency. The British government announced emergency food aid to Ethiopia. The impact of the drought is magnified with the presence of large marginalised population living Kenya, Uganda and Djibouti. *(TH, 06.07.11)*



How Relevant is the United Nations Today?

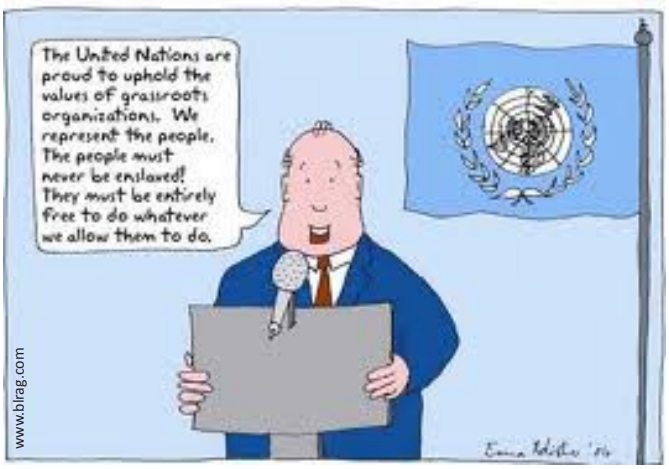
– Hardeep Puri

Let me place before you four propositions, or more correctly, truisms: One: organisational lethargy begets structural blind spots; Two: the lessons of history will remain lessons of history if not properly learnt and understood; Three: reform or step aside; Four: denial is not a governance response.

There is an optimistic streak about today's theme, a presumption that UN is relevant today. And, that what we do here has a bearing on what happens in the world

And, let me now start by taking up points that were made. Why is Economic and Social Council (ECOSOC) not addressing the economic crisis in Greece? ECOSOC could not even address the world economic and financial crisis, when it broke out in the last few months of 2008. The G20 finance ministers meeting in Sao Paulo decided to convert the G20 to a heads of state/government. Lo and behold, what would have happened if ECOSOC had actually addressed the world crisis? The total irrelevance of ECOSOC to that crisis would have stood out.

Let me take one example, the so-called political process in Libya. The resolution of 1973 talks about cessation of hostilities. We cannot get a ceasefire in the Security Council. Why? Because those who sit in the council and those who voted in favour of 1973 have decided that regime change is essential. So, their position is, first the current political dispensation must give way and then the political process can start. In other words, if the current dispensation is not removed physically or otherwise, the large-scale devastation going on there will continue.



Let me come to the second truism. Everyone knows that the institutions of global governance do not reflect the shift that has taken place of global economic reality, the power, the economic activity from Europe and the Americas to Asia, Africa and Latin America.

Reform or step aside is my third truism. The G20 arose as a response to a global reality because the current institutions did not have the wherewithal to address the challenges. To me the G20 was a response, a product of the times. Let us find out what we can do to deal with the macroeconomic issues that the G20 was addressing. And, all the time we were carping on how the G20 does not have the legitimacy, the G20 must not do this; there must be a response.

Denial is not a governance response. I keep asking myself President, whether we need something terrible or awful to happen again before we can put in place another appropriate international architecture to replace the current one. The current one clearly reflects the outcome of the Second World War and the thinking "to the victor belong the spoils". Do we remain blind to the fact that 70 percent of the Security Council's meetings have been on Africa in the last six months? And, yet there is not a single African country as a permanent member on the council.

Recently, we had a large meeting of the least developed countries in Istanbul. There was not a single high-level representative of the G-7 or the G-8 in Istanbul and no new commitment on official development assistance.

The question is how relevant UN is today and whether it will remain relevant in 2025. I am not entirely sure about our relevance beyond those of us who are actually involved in the industry of UN. I think the market place's perception of us is quite different.

Edited excerpts from extempore remarks by Hardeep Puri, India's permanent representative in UN, in an informal debate on "The United Nations in global governance", in New York on June 28, 2011 appeared in the Business Standard *on July 03, 2011.*

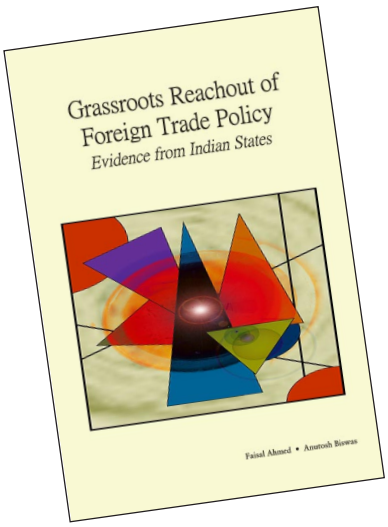
Forthcoming

Climate Change and Food Security in South Asia

The study on 'Climate Change and Food Security in South Asia' mainly focuses on farmers' perception of climate change and its imminent impact upon their livelihoods. It covers four countries – Afghanistan, Bangladesh, India and Pakistan. It aims at addressing food insecurity and livelihood threats in South Asia by changing the region's cultivation practices and operationalising the regional food bank.

In each of the four project countries – Afghanistan, Bangladesh, India, and Pakistan – CUTS partner organisations undertook survey of farmers. Based on the survey results and their analyses, the study provides some policy mechanisms to address the impact of climate change upon food security. It suggests measures such as adopting climate-resilient agriculture, realising regional food bank, and increasing the volume of intra-regional trade.

It also aimed at disseminating a better knowledge on the subject matter to policy-makers, researchers, civil society organisations and the media, particularly those who are working on agricultural issues. It will enable many rural grass-roots civil society organisations to better understand issues emanating from climate change and tailor their actions accordingly, so as to better serve the vulnerable communities in the region.



Grassroots Reachout of Foreign Trade Policy

Evidence from Indian States

Given the ground reality that the national trade policy making process in India is centralised and adequate channels of communication between the grassroots and the policy makers are yet to be established and implemented, CUTS stepped in to act as a conduit or channel linking those framing the NFTP to those affected by it. CUTS has performed three major roles in this regard through the Grassroots Reachout and Networking in India on Trade and Economics (GRANITE) Phase II project namely demystifying the trade policy, taking feedback from those affected by the policy to those implementing it and communicating this feedback to the formulators so that adequate changes can be made taking into account the demands and needs of the grassroots.

This monograph analyses the findings emerging from product-specific case analyses carried out in the third year of Phase 2 and tries to relate these to findings emerging from the studies carried out in the first two years of the project. These case analyses are intended to complete the scenario presented by those carried out in the second year.

We want to hear from you...

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

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- Number of pages devoted to news stories
- Usefulness as an information base
- Readability (colour, illustrations & layout)

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