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Is Multilateralism in Crisis?:

A possible way forward on trade multilateralism


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Global problems require global solutions. Climate change is posing a serious threat to the future of our food security. This is evident from frequent floods, droughts and other calamities that the world is facing in recent years. Time has come to define them differently from 'natural disasters'. Yet there is no sign of a concerted solution to address the challenges posed by climate change on our livelihoods, particularly on food security.

The Doha Round of negotiations among the members of the WTO at a standstill. Many often confuse the Doha Round with the importance of the WTO as an institution regulating global trade. We need to separate them so as to focus on the deliberative functions of the WTO to strengthen the multilateral trading system. Hopefully, the Doha Round will be sorted out in the near future, and it will not disappear.

The importance of multilateralism can also be gauged from China's (and that of Russia's) accession to the WTO. All major economic powers were interested in China's accession to the WTO as that is the only instrument to engage them into a rules-based trading system.

Therefore, the question is if multilateralism is so important for global economic (and political) governance why is it in crisis? One possible reason could be the fact that while the global economic gravity is moving toward the east, there is still a belief on the part of some major players that they, the emerging eastern powers, can be tackled through unilateral actions.

This phenomenon has received widespread support from diverse stakeholders in a recently concluded CUTS global survey on 'Defining the Future of Trade'. Our analysis titled 'Making trade a tool for poverty amelioration in the 21st Century' reveals that in order to avoid an undesirable scenario one has to conclude the Doha Round on a priority basis and at the same time, the voice of domestic constituencies, particularly that of small business and consumers, are to be strengthened so that they can realise the potential gains from synchronised trade liberalisation.

CUTS has also argued for developing a Geneva Consensus to strengthen trade multilateralism by addressing concerns on non-tariff barriers and linkages between trade and global public goods such as climate change and food security. *(www.cuts-international.org/pdf/Making_trade_a_tool_for_poverty_amelioration_in_the_21st_Century.pdf.)*

For trade multilateralism to work better and gain strength, the Doha Round should be concluded by the next WTO Ministerial Conference to be held in Bali, Indonesia in December 2013. The emerging powers will have to take more leadership role in raising their ambitions from trade multilateralism and traditional powers will have to accept the imperative and importance of providing collective leadership to develop and implement a Geneva Consensus for trade multilateralism.

Articles

Highlights

Tobin Tax is in the Air

– Vidya Ram

Decades after John Maynard Keynes, and then James Tobin proposed the idea of a levy on financial transactions, and several years after the European left began clamouring for its introduction in the wake of the global financial crisis, the tax could soon be implemented across a group of nations for the first time.

Prospects for the tax, which would serve the dual purpose of discouraging risky transactions and raising funds, have brightened once again, after nine (and possibly 10) European nations expressed their intention to go ahead with the plan, under the EU's so-called "enhanced cooperation procedure", which allows a group of EU countries to create binding laws within their own territories so long as at least nine members sign up to it.

It's a procedure that has already been used successfully by EU nations, in areas such as standardising rules governing divorce procedures across 14 nation states, and a patent system that Italy and Spain did not sign up to.

At the most recent Euro zone summit, the French President, Francois Hollande, even suggested such a tax could be put in place by the end of 2012.

Major Steps Forward

Hollande's timetable is probably on the optimistic side. Still, it is important to acknowledge the progress that has been made.

Getting to this point has been a long, and twist-ridden process: the EC which had once been reluctant to bring in an FTT if not globally implemented, last September set out its proposals for just such a tax: covering 85 percent of transactions that take place between EU institutions from 2014.

The tax could raise around •57bn a year, it estimated. And while the European Parliament endorsed the proposals, finance ministers from across the region seemed to reach an impasse after a meeting resulted in little agreement, except that there were a number of nations that opposed it vehemently unless brought in at an international level.

A consensus around a financial transactions tax is slowly coming into being.

Now, however, a number of factors are propelling the tax forward slowly, highlighting the complexities of Europe's policy-making processes and the huge role that domestic politics and bargaining plays, in which policies move forward and which get shoved into a shelf.

Bargaining Chip

It is one reason why the German Chancellor, Angela Merkel, who needed a two-thirds majority in Parliament to approve the bailout scheme, has been so determined to press ahead with the measures. It's a similar situation in Austria, where the opposition Green Party has exerted pressure on the ruling coalition government over the ratification of the ESM.

At the Rio + 20 Summit, Hollande pledged to push forward with the tax, and to use some of its proceeds for global development objectives.

The issue of how the funds would be used remains one of the big "unknowns" in the FTT debate: the EC has been keen for some of the funds at least to go towards the region's central budget, with the remainder going back to the national budgets of participating nations. Others have been pressing for the tax to be used towards growth strategies in stricken European nations.

Support for Move

Yet whatever its struggles, it does seem to strike a chord with the European public – one reason why European leaders have been so in favour of it. And in an interesting development, 52 financial professionals from the US and Europe, including asset managers, and former Morgan Stanley, Goldman Sachs executives, signed a letter of support for the tax.

"These taxes will rebalance financial markets away from a short term trading mentality that has contributed to the instability in our financial markets," they wrote, pointing to the various types of transaction taxes already in place in countries from India to the UK and Switzerland. A modest transaction tax will actually improve the functioning of markets.

Those who believe its impact would be minimal because of the limited number of joiners, are mistaken, given the way the FTT is currently being conceived, argues Stephan Schulmeister, a prominent Austrian economist who has published several papers on the tax.

It would be part of a change of economic policy towards the financial system. The strength of Europe lies in this real sectors and this past shift towards 'financialisation' has weakened the continent. The FTT is a crucial part of a gradual change in direction.

– Excerpts from an article that appeared in The Hindu Business Line, on July 02, 2012

APEC's Pledge on Growth

Asia-Pacific nations including China, the US and Japan promised measures to boost growth and rejected limits on food exports to try to revive the flagging global economy. The 21-member Asia-Pacific Economic Cooperation (APEC) group agreed to slash import duties on green technology, take steps to bolster growth and liberalise trade to counter problems heightened by Europe's debt crisis.

"The financial markets remain fragile, while high public deficits and debts in some advanced economies are creating strong headwinds to economic recovery globally. The events in Europe are adversely affecting growth in the region," they said.

"It is absolutely clear that the most important region for economic growth this decade – and probably the next decade – will be the Pacific," said Mexican President Felipe Calderon. APEC accounts for 40 percent of the world's population, 54 percent of its economic output and 44 percent of its trade. *(BS, 10.09.12)*

Brazil Launches Stimulus Plan

Brazil has launched a US$66bn stimulus package to spur investment in the country's creaking infrastructure and shore up ailing investor confidence in the second-largest emerging market economy.

The government will sell concessions in nine highways and 12 railways. "We are starting with railways and roads but obviously we will take care of airports and waterways," said Dilma Roussef, Brazil's President.

In 2010, the Brazilian economy expanded 7.5 percent, the fastest in more than two decades, but last year slowed to 2.7 percent as inadequate infrastructure and a shortage of skilled labour stifled industry. In 2012, it is expected to grow by two percent or less. *(FT, 16.08.12)*

Cautious over Global Slowdown

Some of the world's biggest industrial companies painted a downbeat picture of the global economy after cautious customers held back orders, putting pressure on price margins and forcing companies to tighten costs.

The European debt crisis, a Chinese slowdown, financial market volatility and margin pressure across a variety of sectors are among the myriad of problems preoccupying industrial executives.

"We see growing reluctance among our customers regarding capital expenditures and stronger economic headwinds, especially in our industrial short-cycle businesses," said Peter Loescher, Chief Executive of Siemens, the German industrial conglomerate. *(FT, 27.07.12)*

Angola Set to Auction

Angola is planning to capitalise on one of the world's most promising recent oil discoveries by auctioning more exploration rights as it aims to double production by the end of the decade.

The development of the 'pre-salt' oil play would spur efforts to raise outputs from Africa's second biggest oil industry to 3.5mn barrels a day from 1.8mn barrels a day by 2020. However, some industry insiders cautioned that the onshore areas might not necessarily prove as prospective as the deep-water sites and that it would be premature to declare Angola a second Brazil.

"The pre-salt's potential is undeniable but it's too early to be drawing too many conclusions," said David Thomson, an analyst at Wood Mackenzie, the industry consultancy. *(FT, 02.07.12)*

China's Slowing Growth

As a big player in global economy, China posted a three-year-low growth rate of 7.6 percent in the second quarter, triggering fears of a hard landing of its economy. But some experts here saw little reason for such concern, saying the slowdown is more of Beijing's self-initiated efforts to restructure its economy and to shift its development model.

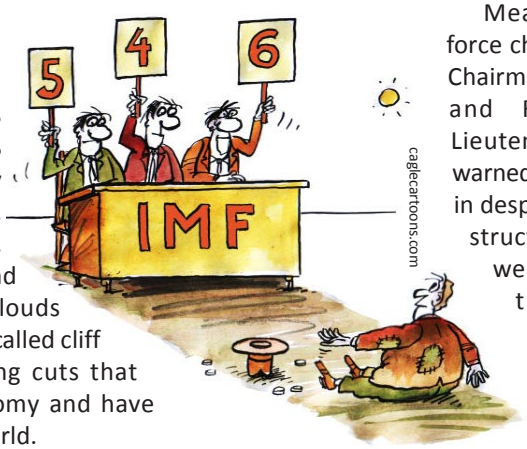
They also said the deceleration, which comes as expected, would allow more space for the country to put its growth on a sustainable path. Nicholas R Lardy, a senior fellow at the Peterson Institute for International Economics, said the slower growth "is not necessarily a bad thing," as it still falls within the official growth target of 7.5 percent set up at the beginning of the year.

The IMF revised down its projections for China's growth this year from 8.2 to 8 percent, citing external shocks as a major drag. As the eurozone debt crisis reaches a crescendo and US flagging economy continues to weigh on global markets, China would face more downward risks. *(CD, 20.07.12)*

Fiscal Cliff Looms

The International Monetary Fund (IMF) warns that 'downward risks' to the US economy has intensified. They urged the US policy-makers to take steps to boost recovery and avoid a 'fiscal cliff' at the end of the year.

Christine Lagarde, IMF Managing Director, said "failure to reach an agreement on tax and spending policies" was one of the main clouds hanging over the 'tepid' US recovery. The so-called cliff is a combination of tax rises and spending cuts that threatened to damage the domestic economy and have "significant spillover effects" around the world.



Meanwhile, a high-profile task force chaired by Paul Volcker, former Chairman of the US Federal Reserve and Richard Ravitch, former Lieutenant Governor of New York, warned that US state governments are in desperate need of reform to solve structural challenges that extend well beyond the cyclical woes of the financial crisis and the recession, including US$4tn in unfunded pension and healthcare liabilities. *(FT, 05.07.12 & 18.07.12)*

No Region Immune to Euro Crisis

The World Bank President, Jim Yong Kim, warned that most regions of the world will be hurt by the debt crisis enveloping the euro zone. It is vital to protect the strong economic gains of the past in the developing world, he said.

A major crisis in Europe could slash gross domestic product in domestic countries by four per cent or more, enough to trigger a deep global recession. Even if the euro zone crisis is contained, it could still reduce growth in most of the world's regions by as much as 1.5 percent.

"To put it starkly, what's happening in Europe today affects the fisherman in Senegal and the Software programmer in India," Kim told the Brookings Institution, a Washington-based think tank. He said reforms are needed to sustain high rates of growth even in fast-rising economies.

(FE, 20.07.12)

Doubts over Bank Regulator Plan

Facing a bank crisis in Spain and the prospect of outbreaks in other major countries, European leaders have pledged to establish a new agency aimed at curbing problems afflicting lenders in the euro zone.

Will the new regulator have the power to rein in risky practices and hold offending banks accountable, and will it be willing to exercise that power? Or will it be weak and overtly beholden to national political factors that have too often gotten in the way of making bank supervision effective in Europe?

The plan for a stronger, Europe-wide bank regulator called for an "effective single supervisory mechanism" for banks in the 17 nations using the euro. To work properly, the new authority will need far greater powers than the European Banking Authority, which itself is less than two years old.

(BS, 03.07.12)

Probe Working of LIBOR

The British government has ordered an independent review into the workings of key lending rates between banks, after Barclays was found guilty of rigging them. It followed a fine of US$450mn to Barclays by US and British authorities for manipulating the London Inter-Bank Offered Rate, the interest rate on loans that banks make to each other.

More banks are expected to be drawn in the scandal, which has fuelled public outrage at the culture and practices of the banking industry. Recently, the British banking industry, one of the largest cogs in Britain's economy and important for tax revenue, has been knocked by a series of damaging headlines.

"Parliament and the public need to know what went wrong, and whether the perpetrators have been rooted out," said Andrew Tyrie, Head of the British Parliament's Treasury Select Committee.

(TH, 01.07.12)

Obama Calls for Prompt Action

US President, Barack Obama, said European leaders can forestall dissolution of the euro by taking prompt 'decisive steps' to solve their debt crisis. "I don't think ultimately that the Europeans will let the euro unravel, but they are going to have to take some decisive steps," he said.

"And I am spending an enormous amount of time, trying to work with them. The sooner that they take some decisive action, the better off we are going to be," he added. He also said told the members of the American financial services community that their taxes must rise to help provide US$1.5tn to put the fiscal future of the US in solid footing.

(FE, 01.08.12)

European Stability Fund

Germany's Federal Constitutional Court has cleared the way for the creation of the European Stability Mechanism, the region's much-delayed •500bn bailout fund, as well as the fiscal compact imposing greater budgetary discipline across the region.

The ruling is a major victory for Chancellor Angela Merkel, who has pushed it despite considerable public opposition in Germany to the proposals, and in particular any increases to Germany's already sizeable liability to the euro zone crisis.

Combined with other recent developments including the European Central Bank's new unlimited bond buying programme will make it "even more likely than before that future waves of turmoil will be less vicious than the ones before," said HolgerSchieding, Chief Economist at Berenberg Bank, Germany.

(TH, 13.09.12)

Central Banks Seek Growth

Central banks in Europe and Asia attempted to stimulate the sluggish global economy by loosening monetary policy and cutting interest rates. Their moves come as global business surveys show much weaker growth than expected in 2012.

The global composite purchasing managers' index of activity in services and manufacturing, compiled by JP Morgan, dropped to 50.3 in July, its lowest since 2009. Mario Draghi, President, European Central Bank, said the rate cuts were taken independently by central banks and those in the euro zone reflected weak growth, "with heightened uncertainty weighing on confidence and sentiment."

However, few economists are confident that it is possible quickly to halt the slowdown, which has gathered pace as the 2012 euro zone euphoria faded.

(FT, 06.07.12)

Pall of Economic Gloom

The sentiment of disappointment sweeping through India – as the government falters on delivering promised growth, undertaking key reforms and implementing its agenda for inclusive growth – is not just real but has, in fact, worsened over the last year.

Nearly 60 percent of Indians today, up from 47 percent in 2011, are dissatisfied with the direction in which the country is headed. This has been revealed by the Pew Global Attitudes Project's 2012 spring survey.

The situation across the world is not better either. The public mood about the economy has worsened since 2008 in eight of 15 countries for which there is comparable data, while it is essentially unchanged in four others.

(BS, 13.07.12)

India Outpaces Developing World

Among the major developing countries, India is right on top in the inflation charts, with an average inflation of close to seven percent estimated during the seven years from 2005 to 2012. Russia is the only major emerging economy that has seen higher price levels than India's trend inflation rate for the same period.

For policymakers, the worrying bit about the current bout of inflation in India is that it continues to stay above the comfort zone despite the fact that the Reserve Bank of India has been easily the most aggressive Asian central bank.

But inflation in India has been a persistent problem, clearly the result of an over-heating economy. While massive investments to ease the supply side problem are needed, the government appears to have limited fiscal space to play an aggressive role in any supply side easing.

(IE, 08.07.12)

Indonesia Invites India

Indian rubber industry majors are considering buying or leasing arrangements for rubber estates in other rubber-producing regions in the world and Indonesia has come forward with an offer.

In the context of India's shrinking rubber cultivated area and the expansion plans of tyre industries, NirajThakkar, Senior Vice President of All India Rubber Industries Association said, it would be a 'win-win situation' for both India and Indonesian industries.

"In the wake of the capacity expansion plans of tyre companies, the demand for natural rubber has accelerated in a pace that domestic production is unable to catch up. Thus, we have no option now, but to look for alternatives outside the country," said Rajiv Budhraja, Director-General, Automotive Tyre Manufacturers Association of India.

(FE, 14.08.12)

Three Keys for US-India Ties

A leading US think tank proposed three key focussed policy initiatives - a bilateral investment treaty, accelerated defence trade and educational collaboration - unleash the full potential of the India-US relationship.

Given the current combination of economic and political compulsions, any new initiative in US-India relations may need to wait until among other things the US presidential election, Karl Inderfurth, Wadhwani Chair in US-India Policy Studies at the Centre for Strategic and International Studies, acknowledged.

But these goals are 'achievable', said Inderfurth, who served as US Assistant Secretary of State for South Asian Affairs during President Bill Clinton's second term. Discounting "concerns expressed by some that the US-India relationship is at rest or stalled" as "sort of exaggerated" he said.

"There is no question that even though US-India trade overall has surpassed US$100bn a year for the first time, much more can be done," he said.

(DN, 16.07.12)

India can Recover Faster than China

India can recover from global economic slowdown faster than China as the economy is driven by domestic consumption, but the country needs to "get its act together" for this to happen, Reserve Bank Deputy Governor Anand Sinha said.

"Confidence issues like the general pessimism and not-so-good-feel factor also affected the economy, he added. "Both economies (India and China) are affected by the global economic slowdown. But India being a domestic consumption driven economy, could recover faster".

"But for that we have to get our act together. Being dependent on domestic economy, we would be less affected by export sector performance. So, that could be our strength. But we have to get our act together and whatever weaknesses we have to get around them," he said responding to a question.

(PTI, 30.09.12)

Highly Vulnerable to External Shocks

Even with a comfortable foreign exchange reserve of US$290bn, India is still one of the most vulnerable nations to external shocks among Asian and BRICS nations. This is going by the quantum of debt the country has to repay within a year and also thanks to the high current account deficit.

India's FX coverage ratio – foreign exchange reserves that cover debt repayments and bridge current account gap – is only better than that of its South Asian neighbours but is

much lower than major emerging economies.

Economists warn that low FX coverage ratio is one of the main factors that may keep the Indian rupee weak, which will offset the benefits of the slackening of global commodity prices in anchoring inflationary pressures and allowing the Reserve Bank of India to cut rates aggressively to revive a slowing economy.

(FE, 03.07.12)

Green Credits to tackle Climate Change

Climate change mitigation is one of the two most important tools to reduce climate change impacts. Under the existing global climate change scenario, a 25-30-year environmental insurance and third party monitoring of projects could be one way to mitigate the threat to bio-diversity.

However, it needs to be noted that mitigation alone, regardless of who takes the initiative, cannot tackle climate change challenges. This was made clear by the Ministry of Environment & Forests at the recent two-day India Carbon Market Conclave.

Adaptations to climate change hold equal importance. At the global level, it is adaptation that holds the key to fighting climate change. However, it was difficult for emerging countries such as India to commit to a low-carbon regime as they had a huge population that was poor. *(BL, 12.09.12)*

European Carmakers Clash on Emissions

A dispute has surfaced in EU's over carbon dioxide regulation. It is primarily between Germany's profitable premium carmakers and their cash-strapped French and Italian competitors.The dispute centres on the financially critical formula used by the European Commission to assign long-term CO_2-cutting targets to individual manufacturers.

The EU's current regulation, set in 2008, calls on manufacturers to cut cars' average CO_2 grams per km to 130 by 2015, a target most carmakers endorse and say they can meet. At that time after heated discussions, carmakers had agreed on a "burden sharing" formula: companies producing bigger vehicles had to cut more of their fleet's CO_2. Now, the Germans carmakers are in disagreeing with carmakers in other countries over how the carbon-cutting burden will be apportioned for 2020. *(FT, 01.07.12)*

South Korea to Resume Whaling

In an effort to preserve biological diversity, Australia and other countries have condemned a South Korean plan to begin killing whales in its coastal waters in the name of scientific research. In a recent announcement, the International Whaling Commission allowed South Korea to hunt the mammals under the guise for of scientific research.

The permission was based on the South Korea's claim that whales were depleting coastal fish stocks. The ground for permission is an existing loophole in the 1986 moratorium on commercial whaling. It might, however, be recalled that legal whaling has been strictly banned and is punishable in South Korea.

The World Wildlife Fund has, however, refuted the claim, and said there was no evidence for claims made by the South Korea. *(TG, 05.07.12)*

South Korea to Undersea Mine

Exploitation of nature for commercial gains is expected to continue in coming periods. In a recent development, South Korea secured exclusive rights to explore and develop a deep sea mine in the resource-rich Indian Ocean. The rights could facilitate South Korea to produce over US$300mn worth of minerals such as gold, silver and coppers per year.

The rights was secured when the International Seabed Authority (ISA) unanimously agreed to recognise South Korea's rights to the offshore mine that lies across an area of 10,000 square km in the Indian Ocean.

It may be recalled that last year China was also given exclusive rights to explore 10,000 sq-km of seabed in the South-West Indian Ocean in an area off the coast of Africa. *(BL, 30.07.12)*

BP Accused of Gross Negligence

BP, the third-largest UK based company by market capitalisation, has reiterated its rejection of the charge of gross negligence. It might be recalled that BP was recently hit by an unwelcome reminder of the 2010 Deepwater Horizon disaster.

The US Department of Justice (DoJ) said it planned to prove that the company acted with gross negligence or wilful misconduct. The company has said it looks forward to presenting evidence on this issue at trial, set for January 2013.

According to the company, the memo filed to the court (New Orleans) hearing show that the US government is intent on extracting the largest possible penalties and damages from BP. The DoJ has aimed to prove gross negligence, but it had not set out case against BP with such clarity or in such scaling language. *(FT, 09.08.12)*

Carbon Credit Fraud: How Big Firms Faked Green to Mint Gold

A global attempt to arrest climate change by providing firms with incentives to invest in green technology is being manipulated in India for profit. Instead of reducing carbon emissions, the Clean Development Mechanism (CDM), a UN-run international GHG offsetting scheme, has helped firms mostly private corporations raise huge sums virtually out of thin air. The manipulation and subsequent

failure of CDM in India may have led to thousands of tonnes of greenhouse gases (GHGs) being released into the atmosphere.

It is revealed that promoters of several CDM projects in the country have manipulated and backdated documents to meet requirements as prescribed by the CDM executive board. Some big names such as Tata, ITC, Reliance, Jindal Steel, Bajaj, GFL, Adani have earned good returns under CDM. *(DNA, 10.09.12)*

EU to Tighten Carbon Trading

The EU is planning to postpone up to 40 percent of the carbon allowances due to be auctioned in the emissions trading system over the next three years. The move has been initiated primarily to prop up the ailing market.

It might be noted that prices in the EU's emissions trading system have plummeted over the past nine months as a glut in the supply of credits has been exacerbated by fading demand due to weak economic conditions.

The measures could be implemented by the end of this year if there was enough political will. According to some analysts the movescould push prices up from current levels by as much as •6 a tonne on average over the period between 2013 and 2020. *(FT, 26.07.12)*

US' Support for UN Climate Goal

The criticism by the EU and small island states over the US backing from the goal of limiting global warming appears to have influenced the US to reaffirm its support for the UN backed goal. The US in a statement has said, it continues to support this goal.

It is understood that almost 200 nations, including the US, have agreed to limit rising temperatures to below 2 degrees Celsius (3.6 F) above pre-industrial times to avoid dangerous changes such as floods, droughts and rising sea levels.

This is the right time to act, as the UN data shows that emissions of carbon dioxide, the main greenhouse gas, rose 3.1 percent in 2011 to a record high. The decade ending in 2010 was the warmest since records began in the mid-19th century. *(FE, 08.08.12)*

Australia and EU to Cut Emissions

The EU and Australia have agreed to link their carbon markets in a move that both sides hope will lay the foundation for a global trading system to reduce greenhouse gas emissions. The agreement is argued to reaffirm that carbon markets are the prime vehicle for tackling climate change and the most efficient means of achieving emissions reductions.

Sensing it as a good development, prices at the carbon markets temporarily jumped by nearly four percent as some traders anticipated fresh demand. It may be noted that each permit gives factories, airlines and other holders the right to emit a tonne of carbon each year without penalty.

The EU is also in talks with some other countries such as South Korea, China and the state of Californiato accelerate that process.In all of these countries, carbon markets are in various states of development. *(FT, 29.08.12)*

EU's Maritime Carbon Law Opposed

India has plans to oppose at an environment conference in Washington the EU's proposal to levy carbon emissions taxes on aircraft and ships. India has formed a Committee of Secretaries (CoS) to discuss and suggest measures to counter the proposed EU carbon emission levy on airlines using its airspace.

The probable suggestions could include countering any action against Indian carriers by the EU transport authorities, filing a dispute against the EU at the International Civil Aviation Organisation, putting in place a system in place to counter emission trading scheme (ETS) and restricting the operation of European airlines among other measures.

In addition, about 35 countries including India and China are drawing up counter measures against the EU for proposed imposing of levy under its ETS on aircraft and ships.

(LM, 24.07.12 & 26.07.12)

Can Green Going Save French Auto?

In an initiative to boost up and to ensure recovery of its crisis-hit auto industry, France has decided to support environmentally friendly cars. It might be noted that one of its leading carmakers, PSA Peugeot Citroen, had suffered a first half net loss of •819mns (US$989mn).

The recovery plan includes a range of measures to boost cleaner vehicles. The plan will ensure that the government commit to 25 percent of its new vehicles being electric or hybrid and provide for financing facilities for manufacturers and suppliers.

The plan will boost consumer bonuses for purchasing electric cars from •5,000 to •7,000 and for hybrids from •2,000 to •4,000. The move, however, also seen as a sign of protectionism from other global carmakers. *(FT, 26.07.12)*

Dams: Global Warming Culprits

A new study by a doctoral student at the Washington State University and Vancouver, Canada (called the WSU-Vancouver study), found that dams play a very important role in global warming and the surges of GHGs as water levels go up and down. The study, the first of its kind, has demonstrated and quantified the relationship between water-level draw downs and greenhouse gas releases.

The study found methane emissions jumped 20-fold when the water level was drawn down. In addition, sampling of bubbles rising from the lake mud, done by another study shows a 36-fold increase in methane during a drawdown.

Their efforts are part of a larger attempt to appreciate the role of lakes, reservoirs and streams in releasing greenhouse gases. *(BL, 08.08.12)*

Multi-Model Boost for Climate Change Research

– Hari Pulakkat

IISc's new research makes a grim global warming forecast for India, especially post 2030

Understanding the nature and trend in climate change and its impact is pre-requisite for preparing the world towards introduction of mitigation and adaptation measures. The Indian Institute of Science (IISc), Bangalore recent initiative of use of multi-model to understand impact of climate change on the Indian sub-continent is a step in that direction.

Scientists at the IISc have done the first multi-model study of climate change for India for the rest of the century. For the sub-continent, it makes grim reading, particularly after the year 2030. For India, the new research makes a grim warming forecast for India, post 2030.

The study shows that if the world does not cut down its carbon dioxide quickly, temperatures will rise compared to pre-industrial times over the Indian subcontinent by 1.7 to 2 degree centigrade by 2030, and 3.3 to 4.8 degree centigrade by 2080.

A First Multi-Model Study

This is the first multi-model study anyone has done over the Indian sub-continent, and it has shown agreement over historical data. This study is to be published soon by the journal Current Science. The research team has used the new climate models that are going to be used for the next report of the Intergovernmental Panel for Climate Change.

The multi-model used by the IISc is expected to provide more authentic information on climate change, as all other studies have looked at only one model, and there are large variations between predictions of different models. The average of different models, as done by the current study, shows good agreement with what has happened in the past. That is the reason, why the new model is considered a more reliable indicator of future climate trends than those predicted by individual models. The study clearly shows that the temperature increase has serious consequences for the Indian sub-continent.

Water Scarcity by 2030

The study shows that in the coming periods, post 2030, water is expected to become scarce, forests to decline and agriculture output to fall. It is known that all models forecast an increase in rainfall over the century, but no one can predict how this increase will happen. What would happen if the increase is over the sea, concomitant with a decrease over land?

The study also talks of models that predict increase in rainfall to happen in intense bursts and not spread over a long period. All this points to a water scarcity over the sub-continent, although the precise amount will depend on how the rainfall is distributed over the country.

The study also shows increase in the frequency of extreme precipitation. However, it is also a fact that the scientists till now have very little ability to predict rainfall accurately, according to a leading climate change scientist in India, Srinivasan at the IISc.

Such developments of increasing temperature and extreme precipitation could shake up the entire world, and could lead to severe weather resulting in the drought.

The study shows that the areas of US Mid-West, which is regarded as the bread basket of the world, could suffer adversely because of increasing temperature. The US Mid-West is far away from the sea and so does not get rainfall copiously, as moisture-laden winds have to travel long distances. This area is thus sensitive to climate changes.

The study predicts that severe and successive droughts in the US Mid-West could reduce US farm production enough for policymakers to start thinking seriously.

Serious Repercussions on Forestry

In case of forestry, the study shows that increase in temperature has serious repercussions on our forestry. The study refers to a study last year by the Centre for Sustainable Technologies at IISc found that nearly 40 percent of India's forests are at risk. This includes one-third of Western Ghats and almost 50 percent of Himalayan forests.

The research team is now working on the new models to estimate the impact of temperature rise on forests. However, it also needs mentioning that it will take hundreds of years for forests and biodiversity to grow back again. The task is not easy, rather it has now become more challenging with roads and fields interspersing forests.

– *Excerpts from an article that appeared in the Economic Times, on October 01, 2012*

Decommission the Misfiring Weapons of Trade Warfare

– Alan Beattie

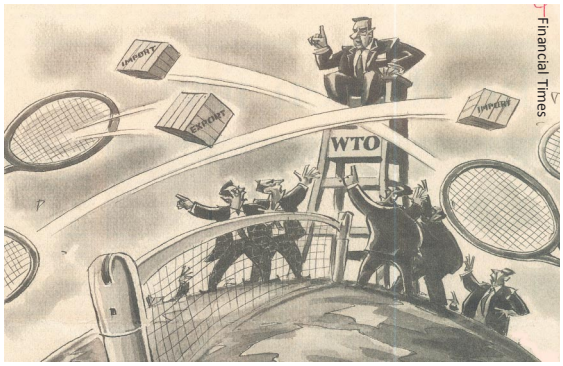
The end of Olympics games and the onset of the race for US presidential election provide perfect conditions for an outbreak of wrong-headed economic nationalism. A fierce competition among trading powers undermines that the modern global economy involves complex, multinational supply chains.

For instance, the American Olympic team's uniforms were stitched in China, ignoring the fact that the most value-added parts of the production process take place in the US.

Meanwhile, a recent flurry of legal activity in the form of unilateral blocks on imports, and of litigation at the WTO, might persuade a casual observer that there is a trade war under way. In fact, the situation is more complex.

Undoubtedly, there exists some prominent examples of misguided trade restrictions and evidence of ripple up action of such interventions on supply chain, but increasing litigation, at the WTO, has actually been aimed at preventing arbitrary trade restrictions in the future.

What a tangled web we weave when first we seek a trade reprieve



Theatre for Trade Disputes

Recently, European solar panel manufacturers were pressing for EU antidumping and possibly "countervailing" duties against competition from China, following the example of their US counterparts, confirmed that renewable energy has become one of the main theatres of international trade combat. It also underlines, given the length and complexity of modern global supply chains, what a tangled web we weave when first we seek a trade reprieve.

When the US industry was granted antidumping and countervailing duties on solar cells in early 2012, Chinese companies simply added a Taiwanese link to their supply chain to skirt them, sending solar wafers to Taiwan for processing, reimporting the resulting cells to the mainland for assembly into modules and then re-exporting them to the US. Accordingly, the European petition will require to encompass a larger part of the solar panel value chain, threatening the efficient and cost-effective manufacturing of a technology.

Any such intervention also has repercussions in the production process elsewhere, especially given subsidies and tax credits involved in the global renewables industry. The US solar cell tariffs promptly set off a trade dispute over polysilicon whereas the Chinese officials are now threatening anti-dumping duties against imports from America, citing US federal and state tax credits to polysilicon manufacturers.

This back-and-forth provides how big trading powers are aiming at obtaining rulings preventing others using "trade defence" instruments such as antidumping and countervailing duties as a politicised tool of arbitrary retaliation.

Is it a Trade Defence Mechanism?

In 2012, the US won an important case restraining China's use of trade defence against steel imports. The US is not the only one: Brazil, a skilled and experienced WTO litigator, has launched its first intra-BRICS case, targeting South Africa's antidumping duties on poultry.

However, Washington's own trade defence armoury contains a few weapons struggling to pass the Geneva conventions. In 2011, the US lost key parts of a WTO case brought by China addressing the US practice of imposing both antidumping and countervailing duties on the same imports, resulting in laborious rewriting of its own trade law. Only in 2012 did US settled disputes with the EU and Japan dating back nearly a decade about "zeroing."

Though, the use of trade defence instruments has been remarkably limited since the beginning of the global financial crisis. Partly due to the very nature of globalisation itself and partly due to the restraints progressively placed on countries' use of trade defence instruments by WTO rulings. The "Doha Round" of trade talks may be dead, but the WTO's dispute settlement arm is still playing a valuable role.

In Lieu of Conclusion

Trade defence instruments are policy tools of long standing, and their continued use in some form is inevitable. But they are clumsy utensils indeed to intervene in the minutely disaggregated value chains of the modern global economy.

There may be a role for limited and time-restrained government assistance to new technologies such as solar energy with increasing returns to scale and wider benefits to society – in this case potentially reducing carbon emissions – that are yet to be internalised through measures like carbon taxes. But it makes little sense to deliver that support through blunderous trade restrictions that invite retaliation.

One of the most important battles in trade is not between the US and China. It is between arbitrary import restrictions and the set of global rules and judgments that restrain them. Free-traders should be hoping fervently that the latter prevail.

– International Economy Editor. Excerpts from an article that appeared in the Financial Times, on August 09, 2012

Regulatory Measures Create Challenges for the WTO

Non-tariff measures (NTMs), such as regulatory standards for manufactured and agricultural goods, can have a significant impact on trade according to the latest World Trade Report, 2012. The focus of the Report is on technical barriers to trade regarding standards for manufactured goods, sanitary and phytosanitary measures concerning food safety and animal/plant health, and domestic regulation in services.

The Report identifies several challenges for international cooperation, and the WTO more specifically. First, the transparency of NTMs is expected to improve owing to the newly created WTO database I-TIP. Secondly, more effective criteria are needed to identify why a measure is used. Thirdly, the increase in global production chains calls for deeper integration and regulatory convergence. Lastly, capacity-building is a vital element in improving international cooperation.

"A clear trend has emerged in which NTMs are less about shielding producers from import competition and more about the attainment of a broad range of public policy objectives", said Pascal Lamy, Director-General, WTO.

(WTO News, 16.07.12)

Doubt over Benefits of FTA with India

The World Bank (WB) in its latest publication entitled 'Bangladesh-India Trade Relationship: New Opportunities, New Challenges', forecasted that an free trade agreement (FTA) with India will raise Bangladesh exports by up to 133 percent to India.

Analyst expressed doubt over a WB idea that a FTA with India will boost Bangladesh's exports to the neighbour. Instead of an FTA, they stressed increasing trade facilitation, market access, regional connectivity and investment to raise Bangladesh's exports to India. They also put emphasis on the removal of non-tariff barriers.

Apart from the benefit of the bilateral FTA, impact on employment, industry, poverty and revenue should be taken into account, said Ghulam Hussain, Commerce Secretary, Bangladesh. *(DS, 03.08.12)*

Africa-China Trade Ties Unsustainable

Jacob Zuma, President, South Africa warned that the unbalanced nature of Africa's burgeoning trade ties with China is "unsustainable" in the long term at the backdrop of the China-Africa Forum in Beijing just after China's president pledged US$20bn in loans to Africa. Doubling the amount Zuma pointed at Africa's past economic experience with Europe calls for a need to be cautious when entering into partnerships with other economies.

Critics accused China of taking a neocolonialist approach to the continent and of exploiting Africa's natural resources. Many African nations want China to import more than just resources.

Interestingly, two-way trade between China and Africa hit US$166bn in 2011, with a trade surplus in Africa's favour due to exports of raw materials, such as crude oil and copper. *(FT, 19.07.12)*

WTO Proposes Cheaper Drugs

As generic drugs are gaining currency in several developing countries, the WTO has proposed an amendment to facilitate the availability of cheaper drugs in poorer nations.

"The proposed amendment will allow export of generic drugs in certain circumstances to address health-related issues in developing countries and provide cheaper drugs", said WTO Deputy Director General Harsha Vardhan Singh.

Major developing nations — notably India, China and Brazil — have been espousing the right of poorer countries' access to cheap generic medicines at WTO. However, developed nations, such as the US, Canada and Japan, have been votaries of branding counterfeits or copy of patented drugs with fake/spurious ones. *(BS, 18.07.12)*

Subsidy Greet Russia at the WTO

Russia finally became a member of the WTO after two decades of negotiations. The WB economist estimate a boon for Russia's economy of US$49bn a year from the increased competition and greater foreign investment due to the new membership provided the US removes the soviet era trading restrictions.

Further, Russia will have to instill competition in the nation's 17.8 million farmers weaning them off subsidies. The country needs to reduce annual state payments to agricultural producers to no more than US$4.4bn by 2018, under the terms of accession and spur private investment.

While membership will ease trade barriers on Russian goods, farmers are contending with a drought across the main growing areas that may reduce overseas sales by 51 percent this marketing year. *(FE, 02.08.12 & 23.08.12)*

Slow Global Growth to Hit Trade

Slowing global output growth has led WTO economists to downgrade their 2012 forecast for world trade expansion to 2.5 from 3.7 percent and to scale back their 2013 estimate to 4.5 from 5.6 percent.

Output and employment data in the US have continued to disappoint, while purchasing managers' indices and industrial production figures in China point to slower growth in the world's largest exporter.

"In an increasingly interdependent world, economic shocks in one region can quickly spread to others. Recently announced measures to reinforce the euro and boost growth in the US are therefore extremely welcome," said WTO Lamy in this regard. *(WTO News, 21.09.12)*

US takes China to WTO on Dumping

It has become clear that US-China trade squabbles may well be a permanent fixture at the WTO. Earlier, WTO cases saw the US challenge duties that China had imposed to restrict imports on everything from steel and rare earth minerals to chicken products made in the US.

Most recently, the US automobile industry has been caught in the crossfire, with the US Trade Representative Ron Kirk announcing that the US would be "challenging China's imposition of antidumping and countervailing duties on more than US$3bn in exports of American-produced automobiles."

The US had requested dispute settlement consultations with China at the WTO in an attempt to "eliminate these unfair duties, which appear to represent yet another abuse of trade remedies by China." *(TH, 06.07.12)*

EU Solar Groups Seek China Probe

Europe's solar panel manufacturers are poised to launch a trade complaint against their Chinese rivals, marking a further escalation in trade tensions between China and the west over green technology.

The antidumping complaint, led by Germany's SolarWorld, will accuse Chinese manufacturers of selling photovoltaic cells in the EU below the cost of production, allowing them to dominate the market, according to people familiar with the matter. A similar compliant was launched by the US which resulted in punitive tariffs of more than 30 percent being imposed on imported Chinese photovoltaic cells.

Meanwhile, Chinese companies have warned of a trade war by calling on Chinese government to strike back against the antidumping complaint filed by European competitors.

(FT, 24.07.12 & FE, 26.07.12)

Increasing Trade Disputes

While China has threatened swift retaliation against a range of EU industries if EU presses ahead with investigation into government subsidies granted to two Chinese telecoms equipment companies, Argentina notified the WTO Secretariat of a request for consultations with the US on measures applied to the imports of Argentinean meat and other products of animal origin.

Argentina claims that the restrictions, applied on sanitary grounds, do not have scientific justification. It also claims that the measures of the US appear to cancel or impair the benefits for Argentina derived from the relevant WTO Agreements.

On the other hand, Japan and the US file separate disputes against Argentina on import licencing on alleged import restrictions caused by a system of non-automatic import licencing and other related measures.

(FE, 10.07.12; WTO News 21.08.12 & 31.08.12)

EU Rejects US Claim to Wean Boeing

US aircraft giant Boeing is still getting US subsidies despite Washington's claim to have stopped the handouts, the EU said in the latest round of the world's biggest trade dispute. The EU's claim came one day after the US Trade Representative's office said it had complied with a ruling by a WTO dispute panel that found Boeing had benefited from illegal payments.

On one hand, a spokeswoman for the US Trade Representative's office said the US was confident it has fully complied with the WTO ruling against US subsidies for Boeing, but was still studying the EU's claim it had not.

On the other hand, EU Trade Commissioner Karel De Gucht said, "We had expected that the US would have finally complied in good faith with its international commitments and would have abided by the WTO rulings that clearly condemned US subsidies to Boeing." *(Reuters, 25.09.12)*

Indonesia Files WTO Suit Against EU

Indonesia launched its first complaint against the EU at the WTO recently, four months after winning a WTO court challenge against the US. The challenge seeks to overturn EU antidumping duties on imports of Indonesian fatty alcohols, which are used in the chemicals industry, the WTO said.

Such duties are imposed when a country thinks imports are priced at an unfair discount. By demanding "consultations" with the EU, Indonesia has triggered the first stage in a trade dispute, which may escalate into an adjudication battle if not resolved within 60 days.

The case is the latest in a series of challenges in which big developing economies are hitting back at assertions that their exports are unfairly priced or subsidised.

(Reuters, 30.07.12)

WTO Rules against China on Payment Cards

The WTO has ruled that China discriminates against foreign electronic payment providers, handing the US its latest victory in a trade dispute over market access in the Asian nation. A panel decision said China was maintaining a monopoly for certain types – but not all – renminbi-denominated card transactions, in a manner that was inconsistent with WTO rules.

China only allows one company – China UnionPay – to process domestic currency transactions and requires that all payment cards issued in the country bear its logo, limiting foreign providers such as Visa and MasterCard. While welcoming the Chinese decision to adopt the decision, the US Trade Representative Kirk said "Fair and open financial services markets are critical to facilitating global trade."

After this decision, the industry estimates that the US stands to gain 6,000 jobs related to electronic payment system. This is considered vital in facilitating commerce in the global marketplace as it allows consumers to make purchases using credit, debit, prepaid, and other payment cards. *(FT, 18.07.12 & PTI, 01.09.12)*

India-Pakistan Boost Trade Ties

India and Pakistan recently announced a long-term plan to reduce the list of sensitive items for trading to 100 by 2017 in a move to boost economic ties. While India will prune its sensitive list under the South Asia Free Trade Agreement of Pakistani items to 100 by April 2013, Pakistan will do the same by 2017. The two nations said in a joint statement after the seventh round of talks on commercial and economic cooperation in Islamabad between the commerce secretaries.

India has also allowed foreign direct investment (FDI) from Pakistan, though not through the automatic route. Earlier, investment from people residing in

Pakistan or from a company based in that country was not allowed. The government has allowed all kinds of investments from Pakistan, without a cap on the investment. However, FDI from Pakistan would not be allowed in the defence, space and atomic energy sectors. The decision would be implemented with immediate effect and accordingly, the consolidated FDI policy, effective April 10, 2012, has also been amended.

(ET, 18.08.12; FE, 17.08.12 & LM, 23.09.12)

India to Remove Local Content Clause

India's major trade partners - the US, the EU and Japan - have stepped up pressure to remove local content requirement clause in the ambitious national solar mission project and manufacture of certain electronic products. However, India has reportedly been preparing to defend its policies strongly at the WTO right till the dispute panel level.

India's decision to grant preference to domestically manufactured electronic products on security grounds, taken earlier in 2012, and the 30 percent mandatory domestic sourcing requirement in the JNSSM were strongly criticised by the three members.

Meanwhile, the US, the EU and Japan has recently asked for a special meeting of the Trade Related Investment Measures committee of the WTO to address concerns on domestic content requirement or compulsory local-sourcing clause in some policy measures in India, Brazil, Indonesia and Russia.

(ET, 20.07.12)

India Asks Japan to Remove NTBs

In 44th Association of Southeast Asian Nations (ASEAN) economic ministers' meet, India has asked Japan to remove all NTBs to help the domestic industry take advantage of the comprehensive free-trade agreement and increase share in the Japanese market.

An industry expert said that Indian companies are still facing non-tariff barriers like tedious registration process and language in Japanese market. India has also asked Japan to soon start negotiations on nursing and healthcare professional services.

It would boost bilateral trade to US$25bn by 2014. As per the pact, the Japanese government would accord no less favourable treatment to the applications of Indian companies than it accords to the like applications of its own persons for drug registration. *(ET, 02.09.12)*

India Links FTA to Data-Secure Tag

India has upped the ante in its bid to get data-secure status EU by linking it with FTA. Batting for its US$100bn outsourcing industry, this agreement can be sealed only when the 27-member union recognises it as a data-secure destination, which is vital for attracting sophisticated outsourcing business.

EU will send its technical team for inspection of India's data security provisions so that there is no undue delay in grant of the status. India's status falls among countries which is not considered data secure by the EU which obstructs flow of sensitive data, such as intellectual property or patient information for telemedicine, to India under data protection laws in the EU. *(ET, 10.09.12)*

Mulling More Measures for Exports

Concerned over the sharp dip in export growth in recent months, the Indian Commerce Ministry has been exploring the possibility of a special incentive package for exports to countries with which India's trade deficit is very high.

The idea is to formulate separate sets of incentives for exports to these two categories of countries, in keeping with the target to achieve 20 percent growth in exports this year, despite the stagnation in world trade.

India's exports grew 21 percent in 2011-12, despite the demand slump in traditional markets like the US and Europe. While China, Switzerland, Saudi Arabia and Iraq, along with four others fall in the greater than US$10bn trade deficit category, the US, Singapore and the Netherlands are a part of other group. *(FE, 10.07.12)*

India-ASEAN to Conclude FTA

In a recently held Annual India ASEAN Ministerial meeting, India and ASEAN has pushed for early conclusion of a bilateral FTA in services and investment and expansion of their trade and economic ties as they reviewed the entire canvas of their relationship, including cooperation in the maritime security in the region.

India and the ASEAN have already implemented a FTA in goods and are engaged in intense negotiations to widen its base and include services and investments.

The India-ASEAN Trade in Goods Agreement came into force on January 2011. Earlier, services and investments could not be included in that FTA as the two sides failed to reconcile their differences in time and it was decided to have a separate pact on these sectors.

(PTI & LM, 12.07.12; BL 11.07.12)

India's Scout for Land in Uruguay

Indian companies are scouting for cultivable land in Uruguay and Paraguay to set up agri-businesses such as food processing industries and soya oil plants. This follows significant investments by companies such as Adani Group, MMTC and Iffco in Africa.

Representatives of companies such as United Phosphorus, Mida& Co and Kirloskar Brothers are keen on investing in agri-business segment. Indian companies visiting under the aegis of industry chamber CII are looking for exports and imports in the areas of agricultural products such as rice, soybean, wheat and cotton.

According to Paraguay Agriculture Minister Enzo Cardozo, "With proactive government support and encouraging investment climate, Paraguay is also emerging as a manufacturing hub for the region. Its geo-strategic location as well as its robust connectivity in terms of transport and communication with its neighbours makes it a preferred destination for investments by Indian companies." *(FE, 01.10.12)*

India May Miss Key Targets in MDGs

India has made headway in reducing poverty and giving access to drinking water for much of its population, but has lagged behind in improving sanitation, food security, maternal mortality and gender equity standards, putting it at risk of missing key targets, said the Millennium Development Goals (MDGs) Report 2012 .

According to the report, which measures the world's progress towards the 2015 deadline for meeting the MDGs, three global targets have already been met. For the first time since the World Bank began monitoring poverty, both the number of people living in extreme poverty and the poverty rate fell in every developing region, the report said.

As of 2012, the proportion of urban residents living in slums in the developing world has dropped to 33 from 39 percent in 2000, and the proportion of people without access to improved sources of drinking water fell between 1990 and 2010 to 11 from 24 percent. *(LM, 03.07.12)*

The Race to Build in Africa

Indian aid to Africa is mostly focused on capacity building and knowledge sharing. Total aid to Africa during 2011-2012 was ₹150 crore (US$27.5mn), quite a contrast to just ₹10 crore in 1997-98. Trade between India and Africa has increased from US$3bn in 2000 to nearly US$60bn in 2011 and the government is planning to increase to US$90bn by 2015.

India's exports have grown from US$436mn to US$18bn. The main items of import from Africa include petroleum, gold and inorganic chemicals products which reflect India's need of energy resources.

India is seeking to diversify its dependence on middle-eastern oil imports (which account for nearly 75 percent) and hence has increased its engagement in African oil producing countries such as Nigeria, Sudan, South Sudan, Côte d'Ivoire, Equatorial Guinea, Ghana and Angola. *(BS, 09.07.12)*

Indian Pharma Firms Prefer Alliances

After the initial spurt of acquisitions that started in 2003, Indian pharmaceutical companies are increasingly focusing on alliances to expand their global presence. An example is the recent tie-up of Dr Reddy's with Merck Serono, a subsidiary of German pharma multinational Merck KGaA, to develop and market biosimilars worldwide.

While this underscores the scope in the biosimilar market, alliances in the traditional generics route, too, have been on the upswing, with companies focusing on markets such as Brazil, Commonwealth of Independent States, South Africa and Mexico. Indian companies are eyeing the market in emerging countries, as this is expected to increase from US$150bn to US$285-US$315bn in three years. *(BS, 10.10.12)*

Indian IT Supported Jobs in US

Indian IT companies supported as many as 2.8 lakh jobs in US in 2011 amid a gloomy employment scenario in the US and have invested a whopping over US$5bn in FDI through acquisitions and green-field projects, according to India's top envoy here.

Indian Ambassador to the US, Nirupama Rao said: "The unemployment rate in the tech-space in this country is much lower than in manufacturing and that is where the effort is concentrated we believe today to get back the jobs in manufacturing to this country".

Acknowledging that India's trade and economic relationship with the US has not scaled the heights reached in US trade and economic ties with China, she said there are goals yet to be achieved in this area. *(FE, 28.07.12)*

India: From Aid Beneficiary to Donor

After having survived on international aid for decades, India has upgraded its profile to join the ranks of donors and is increasingly extending economic and development assistance to countries in South Asia, Africa, Central Asia, Latin America and the Caribbean.

Though the Indian government is careful to convey that all such projects are based on considerations of mutual benefit and are not exploitative in nature, people close to the development and analysts agree that the process dovetails with India's long-term strategic and economic objectives.

To better manage its economic aid and assistance to friendly countries, the Indian government operationalised the Development Partnership Administration (DPA) — a new division in the Ministry of External Affairs — in March. It is headed by P.S. Raghavan, an officer with the rank of additional secretary. The department is tasked with streamlining the delivery of India's partnership projects with developing countries, said a person with knowledge of the matter.

(LM, 01.07.12)

UN Urges US to Cut Ethanol Production

The UN has called for an immediate suspension of government-mandated US ethanol production, adding to pressure on Barack Obama to address the food-versus-fuel debate in the run-up to presidential elections.

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Most US ethanol is made from corn. The dispute over ethanol promotion pits states such as Iowa that benefit from higher corn prices – and in some cases are swing states in the election – against livestock-raising states such as Texas that are helped by lower corn prices. *(FT, 09.08.12)*

EU Rejects Anti-Piracy Agreement

The European Parliament rejected a controversial intellectual property framework, the Anti-Counterfeiting Trade Agreement (ACTA), by a tally of 478 votes to 39 with 165 abstentions. The agreement would have allowed EU member states to join an intellectual property and anti-piracy regime that sets strict rules for how to handle anything from the downloading of copyrighted material to the sale of counterfeit pharmaceuticals.

The vote in Parliament concludes an official EU process that picked up speed in January, when 22 of 27 member countries signed the agreement. That set the stage for a parliamentary process in which five the agreement one after the other amid demonstrations and on-going advocacy against ACTA coming from the throughout Europe. *(FT, 04.07.12)*

WB to Eradicate Poverty

The new President of the World Bank is determined to eradicate global poverty through goals, targets and measuring success in the same way that he masterminded an Aids drugs campaign for poor people nearly a decade ago.

Jim Yong Kim, in an exclusive interview, said he was committed to ending absolute poverty, which threatens survival and makes progress impossible for the 1.3 billion people living on less than US$1.25 a day.

Kim, who took over at the Bank three weeks ago, is not only the first doctor and scientist to be president but the first with development experience. He wants to set "a clear, simple goal" in the eradication of absolute poverty.

"The evidence suggests that you have got to do a lot of good, good things in unison, to be able to make that happen," he said. "The private sector has to grow, you have to have social protection mechanisms, you have to have a functioning health and education system. *(TH, 27.07.12)*

Yahoo, Facebook Settle Patent Dispute

Facebook and Yahoo have agreed to settle a patent dispute, averting a potentially lengthy battle over the technology running two of the internet's most popular destinations. In dropping the lawsuits, the companies agreed to licence their patents to each other. They are also agreeing to an advertising alliance that expands their existing partnership.

Now that the antagonism is dissolving into an accord that could benefit both companies, the hundreds of millions of web surfers who use both Yahoo and Facebook should find even more common ground on the two services.

The advertising alliance could help Yahoo recover some of the revenue that it has been losing as marketers shift more of their spending to a larger and more engaged audience on Facebook's online social network. Facebook, in turn, gains the opportunity to show the ads tailored to fit the individual interests of its 900 million users in other heavily trafficked areas besides its own website. *(FE, 08.07.12)*

Apple Wins Patent Suit Over Samsung

Apple Inc scored a sweeping legal victory over Samsung as a US jury found the Korean company had copied critical features of the hugely popular iPhone and iPad and awarded the US company US$1.051bn in damages.

The verdict could lead to an outright ban on sales of key Samsung products and will likely solidify Apple's dominance of the exploding mobile computing market.

A number of companies that sell smartphones based on Google's Android operating system may now face further legal challenges from Apple, a company that is already among the largest and most profitable in business history. *(FE, 25.08.12)*

G20 Plans Response to Rising Food Prices

G20 countries are to step in to try to co-ordinate a response to surging food prices, after the worst US drought in half a century devastated crops in the world's largest agricultural exporter. The conversations behind closed doors among senior G20 and UN agriculture officials about calling a session of a new emergency forum come after the cost of corn, or maize, surged to an all-time high, surpassing the level seen during the 2007-08 food crisis.

The US government stoked fears of a price surge, saying the drought had forced the country's farmers to abandon cornfields covering a larger area than Belgium and Luxembourg combined. The Department of Agriculture slashed its forecast for the crop and predicted record prices over 2013.

G20 officials plan to hold a conference call in the week of August 27 to discuss a meeting, which could be held in late September or early October, according to four officials familiar with the conversations. *(FT, 12.08.12)*

The New Architects of Development Financing

– Axel Van Trotsenburg

New poles of growth, of influence, and of success, are transforming the traditional world of development finance and broadening our concepts of 'one-size-fits-all' development approaches of the past. The increasing weight of emerging powerhouses, like India, in the world economy, coupled with the rise in development finance flows from these countries, calls for a new development aid paradigm.

BRICS and Rising Powers

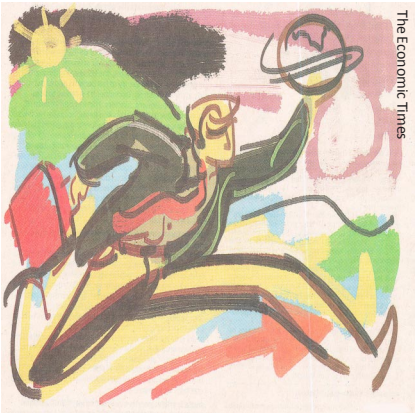
Consider these facts: In the 1970s, the G7 accounted for 50 percent of world GDP and this share remained relatively stable until the late 1990s; the figure now stands at 35 percent. Since 2000, the share of the Brazil, Russia, India, China, and South Africa (BRICS) of world GDP has increased sharply from 20 percent to about a third today.

By 2050, China and India could represent half of the world economy. These trends are also reflected in development flows: various estimates suggest that developing countries now contribute as much as US$15bn annually in development financing, equivalent to 10 to 15 percent of the amount of aid provided by developed countries.

In today's multi-polar world, financing, knowledge, and technical assistance are flowing in all directions and no longer is it just from North to South, but also, from South to North, and South to South. This is taking place not only through bilateral channels, but also through new forms of engagement such as "triangular cooperation," involving South-South cooperation in partnership with multilateral agencies as well as with the aid agencies of developed countries.

Many developing countries, and particularly the BRICS, are scaling up their development cooperation programmes. Their South-South programmes focus not just on neighbouring countries but also on other regions, especially Africa, and cover a range of areas, including infrastructure, capacity building and localised initiatives serving the poorest communities.

As these programmes expand, the BRICS are setting up their own development cooperation agencies. They are focusing attention on streamlining and enhancing the efficiency and effectiveness of aid delivery. And they have a tremendous opportunity to shape development cooperation.


The Economic Times

India has an important role to play in the creation of the new development cooperation architecture, and it has many compelling lessons to share. After all, it has managed to lift hundreds of millions of people out of poverty over the last 50 years, and it has quadrupled its per capita gross national income over the last two decades.

North-South, South-South Cooperation

The need of the hour is an optimum mix of North-South, South-South, triangular, and multilateral development channels. The good news is that countries and institutions are coming together to find pragmatic and creative solutions to development challenges, and in ways that defy traditional labels of 'donor' and 'recipient'.

Developing countries emphasise that their cooperation programmes are based on principles of non-interference, solidarity grounded in shared experiences, and equal partnerships that bring mutual benefits to all parties-principles that were articulated by Jawaharlal Nehru in the 1950s and 60s.These principles are widely acknowledged as sound by all development partners.

The South's distinctive contribution to development cooperation, namely, a focus on pragmatic solutions shaped by their own development experiences, has also received broad-based appreciation.

Moreover, if one looks closely, the drivers of 'old' and 'new' types of development cooperation are quite similar; both are motivated essentially by some combination of interests in economic cooperation, a desire to maintain peace and security, and a sense of shared purpose to address poverty and create social and economic opportunities.

The common ground is larger than what meets the eye at first glance. Nevertheless, the untapped potential of such cooperation is vast. Making the most of this potential requires a better understanding by all of the positions, challenges, experiences, and aspirations of the multiple players now involved.

Conclusion

In this changing development cooperation landscape, multilateral channels can complement the South-South programmes of India and other emerging market economies, particularly where there's a need for knowledge sharing across a large group of countries, or where global coordination is needed.

Multilateral institutions can be particularly effective in coordinating efforts in fragile countries or those emerging from conflicts, in responding to natural disasters, and in addressing problems that are global in nature, such as the challenge of combating climate change or fighting communicable diseases.

– Excerpts from an article that appeared in The Economic Times, on July 30, 2012

Making trade a tool for poverty amelioration in the 21st Century:

A report based on perceptions of global trade and development experts

This perception survey report is an attempt by CUTS International for "Defining the Future of Trade in 21st Century" as is being discussed at the WTO's High Level Panel on the Future of Trade. The idea is to gather perceptions and inputs from a larger global community on how to make trade liberalisation an effective tool for addressing 21st century challenges, mainly poverty amelioration and income inequality.

The report reveals that the global community has high expectations from the WTO and a majority of respondents have expressed that the Organisation will be able to address these challenges, provided future trade negotiations have inbuilt features and greater orientation towards developmental issues, especially on problems faced by the developing world. For this to happen, there is need for a renewed spirit of cooperation, where strengths and weaknesses are balanced for the benefit of all.

Trade and Environment Linkages:

Empirical Evidences from Textiles & Clothing Sector in India

A nation prospers if its developmental process allows for an efficient allocation of resources. Such a developmental process will not only alleviate poverty but also raise resources needed for environmental protection. It is only through environmental protection that trade flourishes and a sustainable economic growth becomes feasible. At present, rapid industrialisation is occurring in the South at the cost of environmental degradation. As such, there is a growing concern about the need for compliance to environmental standards by industries to minimise their environmental impacts.

Given this backdrop, this Briefing Paper empirically analyses the effect of environmental standards in Indian Textiles & Clothing (T&C) sector.

Indian Textiles & Clothing Sector:

Environmental Standards and Consumer Knowledge in the EU

The nexus between environmental standards and trade and issues arising there from are by no means new. While not all standards are trade barriers as most of them are created based on legitimate causes, yet various costs and complexities of standards give trade protectionists a new tool to bar market entry and safeguard their presence.

This Briefing Paper summarises a more comprehensive literature review (available on the CUTS project website) which analyses India's textiles & clothing (T&C) sector, its market potentiality and trade, including various prominent textile labels used by the Indian textile producers and their trade impacts. In particular, the study focuses on the existing sustainable labels for T&C in Europe and considers the relevance of labels for stakeholders of consumers. The study also assesses European consumers. values, knowledge, attitudes and practices related to environmental challenges, in general, and to T&C more specifically.

We want to hear from you...

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

We put a lot of time and effort in taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds and suggest ways for improvement on:

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

SOURCES: BL: The Hindu Business Line; BS: Business Standard; CD: China Daily; DN: Daily Nation; DNA: Daily News and Analysis; DS: Daily Star; ET: The Economic Times; FE: The Financial Express; FT: Financial Times; IE: Indian Express; LM: Livemint; PTI: Press Trust of India; TG: The Guardian; TH: The Hindu;

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