

# ECONOMIQUITY

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## The Untapped Promise of G-20

World leaders gathered in New York on September 20-22, 2010 to renew their pledge toward attaining the Millennium Development Goals (MDGs). MDGs, as they are known collectively, are as much about reducing income poverty as removing other types and forms of deprivation such as hunger, illiteracy and the lack of drinking water and proper sanitation facilities.

While it is almost certain that targets for the year 2015 in regard to pursuit of MDGs will not be attained, mere finger pointing at the international political leadership is not going to help matters. Rather it is time to reflect on how recent successes in the sphere of MDGs can be leveraged for future benefits; and inadequacies identified and remedied.

Such a review should start off by noting that the MDGs not only specify targets in terms of outcomes but also the means for attaining these outcomes: while seven of the eight MDGs are directly related to poverty reduction, the eighth goal or MDG-8, which calls for the development of a Global Partnership for Development (GPD), specifies the channel for attainment of these goals.

The GPD is best defined as a multi-stakeholder partnership, involving state as well as non-state actors, to address significant challenges in regard to the attainment of global public goods (GPGs). GPGs in turn may be operationally defined as values/facilities/institutions which enhance welfare for populations all over the globe. Thus, security, promotion of democracy, aid (including debt), disaster management, alleviation of climate change, food security, trade and investment have all been referred to as GPGs.

While the promotion of trade and aid as well as the alleviation of indebtedness are included in the existing agenda of MDG-8, these issues have not been addressed in a coherent and cogent manner. The G-20 can provide the much needed coordination among the diverse providers of GPGs. It has been able to achieve the ideal blend of representativeness and economy in numbers, a characteristic needed for quick and timely decision making and achievement of consensus in a fast changing global environment.

For the G-20 to achieve its potential as the coordinator of GPD, it has to be strengthened through a permanent secretariat and acceptance of its mentioned role by the various potential partners that it would coordinate. While the onus for the initiation of such strengthening and stimulation of acceptance lies with the leaders of the G-20, CSOs and leaders of big business need to constantly remind them of this hitherto untapped potential.

It is only then that the diverse developmental efforts of various actors the world over can begin to exhibit the harmony and consistency that is needed for the rapid and sustainable alleviation of global poverty and associated multi-faceted deprivation.



### Headlines

#### Protectionist Myths

At a debate in New York in 2009 entitled "Buy American/Hire American Policies Will Backfire", with hundreds of people .....page 8

#### BP Oil Spill Costs US\$10bn

BP's bill for containing and cleaning up the oil spill has reached nearly US\$10bn, as the US .....page 10

#### China Takes to Africa like Bushfire

The Chinese influence, in the form of its people, investment and business, is sweeping across the African ....page 13

### INSIDE

#### Euro Growth Rate

Beats forecast ..... 2

#### Chile, China Expand

Trade Ties ..... 4

Quadripartite FTA Signed ..... 5

MDGs Still Reachable: UN ..... 7

IPR in Way of India-Japan FTA .... 11

#### Offshoring Creates

Jobs for Poor ..... 14

## Continuity in Growth Trends Strengthen Impulses for Change in Economic Order – An Overview

An overview of economic trends over the past two months reveal a pattern of continuity with change. Economic growth continues unabated in India and China, with the latter replacing Japan as the second largest economy in the world even in terms of GDP valued at dollar exchange rates. Among the OECD countries, emerging Turkey has distinguished itself through a rate of GDP growth exceeding six percent. The growth trends in recent times reveal that most emerging economies have left the recession behind and are exhibiting strong growth while traditional economic powers such as the US, France and Germany are not yet out of troubled waters.

There are also signs that the international economic order is changing in response to the altering relative economic weight of nations. Already there is pressure from

the US on Europe to give up some of its seats on the IMF board so that the board can bear a more representative look. Emerging Turkey has also expressed its interest in a seat on the board.

The rising importance of emerging economies has not been lost on their leaders. Our updates reveal that the BRIC countries are trying to welcome others – South Africa, Indonesia and Mexico – into their fold in order to increase their economic power at the G-20.

These trends seem to point to a possible major transformation in the international economic order with corresponding changes in the rules governing international trade and finance. In spite of these changes, however, the march towards the attainment of MDGs reveals much room for improvement.

### Japan's Consumer Prices Fall

Japan's consumer prices fell for a 17<sup>th</sup> month as economic growth cooled and the yen's advance lowered import costs. Prices excluding fresh food slid 1.1 percent in July from a year earlier, the statistics bureau said in Tokyo, matching the median estimate of 24 economists surveyed by Bloomberg.

Japan's economy barely grew in the second quarter as consumption stagnated and exports slowed, prompting companies from Barclays Capital to Nomura Securities Co. to cut their growth projections. Combined with weakening demand, the yen's advance is also entrenching deflation by making imports cheaper. *(BW, 26.08.10)*

### BRIC Mulls SA, Indonesia, Mexico Induction

The powerful grouping of Brazil, Russia, India and China (BRIC) nations is slated to expand further and emerge as a serious counterweight to the G-8 club of developed nations.

BRIC nations are planning to bring three more countries – South Africa, Indonesia and Mexico – within its ambit to add more muscle to its negotiation skills at international forums like the G-20.

BRIC nations already enjoy a significant weight at the G-20 forum while India's standing has improved by leaps and bounds, especially after the global economic crisis. G-20 countries' finance ministers will later meet in October 2010 in Gyeongju, South Korea. This will be followed by meeting of the leaders in November 2010 in Seoul, South Korea. *(FE, 26.08.10)*

### Economies Altering Oil Markets

Emerging economies have upended the long-standing pattern of global oil consumption, according to the west's energy watchdog, in a further sign of how countries such as China and India are transforming commodities' markets.

The International Energy Agency (IEA) estimates that oil demand was higher in 2010 ahead of the traditional peak winter season of January-March, at 86.0m b/d.

The traditional seasonal pattern had usually pushed up oil prices. But with growing demand for oil coming from countries such as China, India, Saudi Arabia, Brazil and Indonesia, seasonal patterns are changing, a trend the Paris-based IEA believes will accelerate. *(FT, 19.08.10)*

## Euro Growth Rate Beats forecast

The eurozone's economic recovery was surpassing expectations but it was too early "to declare victory", the European Central Bank said, striking a noticeably less gloomy tone than the US Federal Reserve. Evidence was mounting that the three months to September would see stronger growth than originally forecast, according to Jean-Claude Trichet, ECB President.

Uncertainty remained over outlook, but he dropped a previous description of the level of uncertainty as "high". Signs that the eurozone is over the worst of the crisis, which earlier in 2010 threatened the stability of Europe's 11-year-old monetary union, have boosted confidence in financial markets. *(FT, 05.08.10)*



## Power Threatens to Paralyse IMF

The US has taken unprecedented action at the IMF to try to force Europe to give some of its power on the IMF board to emerging economies. The US, frustrated at Europe's refusal to share more power, declined to back a resolution that would have maintained European dominance over the 24-member board.

Washington has long pushed, unsuccessfully, to reduce the number of IMF board seats from 24 to 20 as part of broader reforms that would give rising economic powers a bigger say in IMF decisions, reflecting their growing global clout. European countries and the US dominate the IMF in a reflection of the post-World War II order which is being challenged by the rise of nations such as China.

(www.reuters.com, 26.08.10)



### China Poised to Replace Japan

To no one's surprise, China is expected to replace Japan in 2010 as the world's second-biggest economy. The Japanese Cabinet made the initial forecast in early August, but the news received little fanfare on the mainland; Beijing leaders said China is still a developing country.

China will almost certainly overtake Japan at the end of 2010 to become No. 2 in gross domestic product (GDP) rankings, a spot Japan has held for 41 years. Second-quarter GDP in 2010 rose to US\$1.33tr, topping Japan's US\$1.28tr. And while China's economy is expected to grow in 2010 at an annualised pace of 10.3 percent, Japan's forecast is to expand just 0.4 percent.

GDP rankings are based on calculations that use par exchange rates. The International Monetary Fund (IMF) said China's economy would have overtaken Japan's as early as 2001 if rankings were based on purchasing power parity, while by the same measure the World Bank says China made that leap in 2008.

(www.investors.com, 25.08.10)

### Beware of Asset Price Bubbles

Emerging economies such as India and China should guard themselves against "a boom-bust scenario by a much stronger tightening of monetary policy to counter inflationary pressures and reduce the risk of asset-price bubbles," warns the Organisation for Economic Cooperation and Development (OECD).

On the growth prospects of its rich members, OECD said while growth is

picking up at different speeds across the region with strong growth in emerging market economies contributing significantly, it cautioned on higher risks to the global recovery now, "given the speed and magnitude of capital inflows in emerging market economies and instability in sovereign debt markets".

(BL, 21.09.10)

### From Crisis to Recovery: OECD

Turkey's economic growth is likely to be among the strongest of OECD countries in 2010, supported by financial stability, international investor confidence and a dynamic business sector, according to the OECD's latest survey of the country. After falling nearly five percent in 2009 in the wake of the global crisis, Turkey's GDP is expected to expand by more than six percent in 2010.

According to the survey, Turkish economy needs to move away from its dependence on undeclared and informal business. Although informality and semi-informality have helped Turkish firms maintain flexibility in a competitive international environment, they have become a trap as they slow down economic modernisation and productivity growth.

(www.oecd.org, 15.09.10)

### Latin American Economies Prosper

The fortunes of many Latin American countries are in the ascendancy while the US, beset by the worst recession in 70 years, accompanied by high deficits high

unemployment and a weakening currency, attempts to stimulate growth and redefine its economic model.

Many Latin American economies were by and large insulated from the ravages of the global financial crisis which had its genesis in the US with the mortgage crisis and a preponderance of exotic investment instruments.

But while Latin America moves ahead, most of the Caribbean continues to show little growth. There still exists high unemployment, high deficits, corrupt governments, high debt burdens and debt to GDP ratios in excess of 100 percent.

(www.jamaicaobserver.com, 24.09.10)

### Meeting MDG Goals

Without stronger basic infrastructure, particularly better roads, water supplies, sanitation, electricity, information and communications technology and other essential services, developing countries will be hard-pressed to meet the MDG targets.

Countries of Asia and the Pacific are at a crucial point in driving forward progress to cut hunger and poverty and achieve higher levels of health and education by 2015, according to a new report on the MDGs.

The report highlights the important role of basic infrastructure in achieving MDG targets that would help 1.9 million people in the region living without basic sanitation, 470 million without safe drinking water, and the quarter of all households without access to electricity.

(FE, 23.09.10)

## WTO's Hopes on US and Russia – An Overview

While Russia's entry into the WTO reaches at crucial stage, the multilateral trade organisation hinges its hope on proactive steps from the US to conclude the ongoing Doha Round of negotiations. With the entry of Russia, the only major economy that is still outside the WTO, multilateral trade liberalisation process is set to receive a major boost.

Moscow had opened its negotiations to join the WTO in 1993. In a two-yearly review of the US trade policy, the WTO urged the US to show leadership in the fight against protectionism by opening up further to trade and investment.

In other related developments in the front of world trade during recent times, a surge in new regional, bilateral and preferential trade pacts has been observed. As momentum grows towards a successful Canada-European Union (EU) free trade deal, Turkey—an EU candidate linked by strong economic ties to the 27-member bloc—is now also seeking a free trade deal with Canada.

Turkey has also entered into a Quadripartite FTA with Syria, Lebanon and Jordan. While Brussels is on its way to make it easier for investors from India and China to do business in the EU member states, prospects of new trade pacts emerged between Taiwan and Singapore as well as between Chile and China.

### Taiwan-Singapore Trade Pact

Officials from Taiwan and Singapore will explore the possibility of signing a free-trade style agreement in 2010, a step forward for Taiwan's goal of bolstering economic ties with other regional economies after its landmark trade deal with China.

Singapore is the first of Taiwan's major trading partners to openly consider a trade agreement with Taiwan since the island of 23 million people signed an Economic Cooperation Framework Agreement (ECFA) with China in June 2010. That deal was seen as a necessary precursor to other trade deals for Taiwan, because China considers the self-governed island part of its rightful territory and has used its diplomatic clout to limit Taiwan's international ties.

Taiwanese President Ma Ying-jeou had promoted the ECFA to his constituents partly by arguing that other countries would be more comfortable doing trade deals with Taiwan once it had an agreement with Beijing. *(WSJ, 05.08.10)*

### WTO Urges Trade-offs on Resources

The WTO called for countries to work together more closely in trade in natural resources – an area often seen as exempt from many international commerce rules. Governments must cooperate more intensively to deal with the challenges for both importing and exporting countries in trade in natural resources, such as export restrictions and import tariffs, it said in its annual World Trade Report.

The report defines natural resources industries as fuels, forestry, mining and fisheries, where goods are found naturally and used with minimal processing. It excludes agriculture, where products are cultivated, and industrial goods using minerals requiring a high level of processing. Trade in such goods in 2008 was US\$3.7tr or nearly 24 percent of total world trade in merchandise goods, a share that has risen by 20 percent a year for the last decade, reflecting rising commodity prices.

*(www.busrep.co.za, 26.07.10)*

### US Supports Russia for WTO

The US and Russia are making progress in efforts to accelerate Moscow's bid to join the WTO, President Barack Obama's top trade official said. US officials in Geneva and Brussels were discussing with their Russian counterparts various technical issues linked to the WTO membership.

Obama told Russian President Dmitry Medvedev that he would help Russia accelerate its bid to join the WTO and that he hoped Moscow could clear final hurdles to accession as early as September 30, 2010.

Russia, which opened negotiations to join the WTO in 1993, is the largest economy that is still outside the Geneva-based body. Moscow has repeatedly accused Washington of hindering its efforts to join the WTO, which is designed to liberalise the flow of global commerce.

*(www.google.com, 28.07.10)*

## Chile, China Expand Trade Ties

Chile and China will further expand trade relations as their free trade agreement (FTA) enters a new phase. In this phase, the scope of bilateral trade will go beyond commodities to the services sector, according to a supplementary protocol of the FTA, which was inked in 2006. The protocol will allow service suppliers in each country to access the other's market.

Sectors included in the protocol are computing, air transport, mining, sports geological prospecting, geophysics, real estate, advertising, study market, environment, consultancies, consulting and legal services. Chile was the first Latin American country that signed a FTA with China and bilateral trade reached record-high US\$16.5bn in 2009.

*(http://news.xinhuanet.com, 02.08.10)*



**'Real Progress' in Trade Pact**

The Obama administration's top trade official said 'real progress' could be made in the long-stalled Doha Round of world trade talks by the end of 2010. Political changes will help spur momentum for the WTO talks, now in their ninth year, said Ron Kirk, US Trade Representative.

The WTO talks were designed to spur trade in developing countries. However, negotiations have floundered over how many rich countries such as the US and the EU should cut their trade-distorting farm subsidies and tariffs in exchange for new market access from Brazil, India, China and other leading developing countries.

(<http://af.reuters.com>, 03.08.10)

**Canada-Europe Free Trade Talks**

As momentum grows towards a successful Canada-EU free trade deal, Turkey – an EU candidate linked by strong economic ties to the 27-member bloc – is now also seeking a free trade deal with Canada so its goods and companies are not put at a disadvantage.

The EU and Turkey have been linked by a Customs Union agreement since 1995, which ensures that goods can travel between the two without any customs restrictions.

Turkey, the world's 16<sup>th</sup> largest economy and a G20 member, first indicated its interest to pursue a free trade deal with Canada in October 2009. This was just four months after the official start of negotiations between Canada and the EU.

(<http://bilaterals.org>, 18.08.10)

**Brussels Moves on Trade Treaties**

Brussels is bidding to take over the responsibility for negotiating key investment treaties with the EU's trade partners, potentially making it easier for investors from India and China to do business in Europe.

The EC wants to replace a thicket of about 1,200 bilateral investment treaties (BITs) signed by the EU's 27 member states. BITs are signed between countries to reassure companies that they would have some legal redress in the event of disputes with the countries in which they had invested.

The EC has yielded to pressure from some member states to keep the old treaties in place for now, though Brussels will review them and could ask for them to be withdrawn "as a last resort". ([www.bilaterals.org](http://www.bilaterals.org), 12.07.10)

**US to Show Leadership in Doha Round**

The WTO called on the US to show leadership in global commerce. In a two-yearly review of US trade policy, part of a regular survey of all 153 members, the global trade referee urged the US to show leadership in the fight against protectionism by opening up further to trade and investment.

Many WTO members have blamed the near deadlock over the past two years in the Doha Round to open up global trade on a lack of US interest in trade policy. Pursuing liberalisation could reaffirm the US leadership role that has been a crucial element in advancing the objectives of the multilateral trading system since its inception.

Moreover, more transparent trade and investment regimes would contribute to productivity – a key ingredient in the stated US objective of doubling exports.

([www.moneycontrol.com](http://www.moneycontrol.com), 29.09.10)

**Rush for Alternative Supplies**

Russia's move to ban wheat exports has left some of the world's largest wheat importers racing to secure alternative supplies. Traders said that countries from Egypt to Bangladesh – some of the largest buyers of wheat from the stricken Black Sea region – were likely to issue tenders.

Although inventories are higher today than when the 2007-08 food crisis struck, Russia has become an increasingly significant global supplier of wheat and other grains, and the country's worst drought in more than a century has caught many by surprise.

As countries and companies alike rush to buy at prices 80 percent higher than a month and a half ago, the impact will inevitably be felt by consumers – particularly in poorer countries where the cost of bread makes up a significant portion of a family's budget.

(*FT*, 05.08.10)

**Quadripartite FTA Signed**

Turkey will join an economic bloc comprising of the Middle Eastern states, such as Syria, Lebanon and Jordan ahead of the protracted accession to the EU. Four nations jointly agreed to follow up on creating a free trade zone to boost trade exchanges particularly to support small and medium enterprises (SMEs) of respective countries by eliminating trade barriers.



A committee would be formed – Close Neighbours Economic and Trade Partnership Council (CNETAC) – to further its cause. The committee will work on to sketch a roadmap to determine priorities regarding areas of cooperation, and will hold its first meeting in September 2010 in Amman, Jordan. A follow-up of the CNETAC ministerial meeting would be held in the Syrian capital of Damascus in December 2010.

([www.toboc.com](http://www.toboc.com), 03.08.10)

## Patterns & Trends of Trade Disputes – An Overview

Patterns and trends of trade disputes reveal vital information about the effectiveness and users of the Dispute Settlement Understanding (DSU) of the WTO. According to the WTO Annual Report 2010, since 1995-2009, WTO members have initiated on an average about 27 disputes each year under the provisions of the DSU. Of the 402 cases filed up to the end of 2009, roughly half were eventually settled directly between the parties following the consultations mandated by the DSU, without going into litigation.

The Dispute Settlement Mechanism (DSM) is used more by the developed countries than the developing ones. Nonetheless, the strict rule abiding practice at the DSU has resulted not only aided in protecting the smaller less powerful WTO Members but also handled successfully the politically sensitive cases as well. For instance, in December 2009, the EU concluded agreements with US and Latin American banana producing nations to bring to an end the longest running dispute in the WTO. The dispute concerned the preferential treatment that the EU gave to the import of bananas from African, Caribbean and Pacific (ACP) countries.

In view of the above facts & figures, the WTO Director General Pascal Lamy noted that “this is surely a vote of confidence in a system which many consider to be a role model for the peaceful resolution of disputes in other areas of international political or economic relations”.

### Panel on Clove Cigarettes

A panel was established at Indonesia’s second-time request (WT/DS406/2) which challenged the US measure (Section 907 (a) (1) of the Family Smoking Prevention and Tobacco Control Act 2009) prohibiting the production or sale of clove cigarettes.

Indonesia said that following the implementation of this law, clove cigarettes produced in Indonesia may no longer be imported into the US. Indonesia stated that clove cigarettes have been prohibited from the US market, while menthol cigarettes continued to be sold.

Indonesia acknowledged that the US may apply additional regulations and restrictions on menthol cigarettes as US officials were currently reviewing this issue. ([www.wto.org](http://www.wto.org), 20.07.10)

### Taiwan Wins Trade Dispute

Taiwan has reportedly won a trade dispute with the EU over a tariff imposed on LCD panels. The case was launched jointly by Taiwan, Japan and the US to the Dispute Settlement Body of the WTO, with Taiwan suing EU over a 14-percent tariff imposed on LCD panels. This marked the first case Taiwan has brought to the WTO ever since its accession into the world trade body eight years ago.

Taiwan charged that the EU has violated the so-called Information Technology Agreement (ITA), which gives tax-exempt status for LCD panel imports. The EU has determined that LCD panels sized 19 inches or larger with high-definition terminals and digital video terminals are television products, and therefore are not applicable under the ITA. ([www.chinapost.com.tw](http://www.chinapost.com.tw), 22.07.10)

### Australia to Appeal Apple Ruling

A decision by the WTO’s panel of independent arbitrators recommended overnight “that the dispute settlement body request Australia to bring the inconsistent measures...into conformity with its obligations”. But Agriculture Minister Tony Burke said Australia would appeal the decision to the WTO’s appellate body.

He said that WTO panel’s findings that the import risk analysis underpinning Australia’s requirements for New Zealand apples is not sufficiently supported by scientific evidence and are unduly trade-restrictive.

The relevant import requirements are aimed at addressing the quarantine risks associated with New Zealand apples in relation to the diseases fire blight and European canker, and the insect apple leafcurling midge.

([www.theaustralian.com.au](http://www.theaustralian.com.au), 10.08.10)

### Joining WTO Brings Trade, Disputes

China has seen its global trade figures increase substantially since joining the WTO in 2001, but while the emerging Asian nation’s imports and exports continue to grow, it is also becoming increasingly more involved in WTO disputes – both as a complainant and a respondent.

In 2010, eight cases have been brought against China. Most notably, the US has challenged China on its preferential treatment of UnionPay and its restriction on US steel imports.

In response, China then imposed a stiff 5-year tariff on US poultry imported into China.

([www.china-briefing.com](http://www.china-briefing.com), 30.09.10)

## EU Claims Victory in WTO Case vs Boeing



The EU had won a victory against US subsidies for Boeing that it hoped would set the stage for a negotiated settlement that would allow European governments to continue to help Airbus develop new aircraft.

Boeing said that if reports about the decision were accurate, “then the ruling amounts to a massive rejection of the EU case and confirms that European launch aid to Airbus stands as the single largest and most flagrant illegal subsidy in the aerospace industry”. The ruling follows WTO condemnation of illegal European subsidies for Boeing rival Airbus, mostly in the form of European government “launch aid” loans. (*ET*, 16.09.10)

## Bring in Innovations to Achieve MDGs by 2015 – An Overview

The world has an unprecedented opportunity to improve the lives of billions of people by adopting practical approaches to meeting the MDGs, said the *UN Millennium Project 2005* entitled *Innovation: Applying Knowledge in Development*.

The report clearly underlined that responding to challenges in areas such as economic productivity, agriculture, education, gender inequity, health, water, sanitation, environment, and participation in the global economy will require increased use of scientific and technical knowledge.

The world community now, five years after publication of that report, stands on the verge of missing that opportunity.

There are indications that too many people remain caught in extreme poverty, too many remain hungry and sick, too many mothers die in childbirth, and too many children still do not go to school.

The world needs to be more focused and innovative, if it seriously wants to address the issues that are hampering the achievement of MDG goals. We have some examples where innovative ideas and techniques, such as cellphone technologies, are being used to reach to the poor people. Several such ideas need to be innovated and made wide spread to achieve MDGS by 2015.

### Taiwan Poverty Reaches New Record

Despite the rebounding economy, the number of households in Taiwan living in poverty reached a new record high during the second quarter of the year. A total of 108,000 households lived under the poverty line, or the equivalent of 263,000 people, a double record.

The increase of more than 10,000 households occurred despite the gradual recovery from the global economic crisis. The rising gap between the poor and the rich was a worldwide problem, so the government need to pay attention to prevent a situation where the rich had a lot of money while the poor found it hard to make ends meet.

([www.etaiwannews.com](http://www.etaiwannews.com), 15.08.10)

### Serving the World's Poor

For the world's poorest, cellphone technology carries opportunity, aid groups say, as text messages and other mobile applications have created a new platform to reach the most remote farms and crowded urban slums of Africa, Asia and Latin America.

The Grameen Foundation, a Washington-based group known for helping women with the smallest of business loans, is warning farmers in Uganda about banana crop rot through text messages and collecting data on spreadsheet applications on smartphones.

In all, 5 billion cellphones are in use globally and the most aggressive adoption is coming from low-income and poor communities, where the low cost of phones and the availability of cell networks even in remote areas has fueled the rapid growth.

([www.washingtonpost.com](http://www.washingtonpost.com), 07.09.10)

### Australia, NZ Top 'Giving' Index

The survey conducted by the UK's Charities Aid Foundation suggests that well-being is a more reliable indicator of philanthropy than wealth. The survey took place in 153 countries, covering 95 percent of the world's population. The "World Giving Index" placed Australia and New Zealand joint top, with the US in fifth and the UK eighth.

The index aims to analyse global generosity in giving money, time as a volunteer or helping a stranger. Researchers from Gallup found that predictably some of the richer countries with strong histories of philanthropy come out top, such as Australia, New Zealand, Canada and the Republic of Ireland.

([www.bbc.co.uk](http://www.bbc.co.uk), 08.09.10)

### UN Backed 'Clean Stove' Initiative

The UN has a message for the world's poor: not let them eat cake, but let them bake cake – and do it on a clean-burning stove. Refitting households in the world's poorest countries with modern stoves, instead of crude fireplaces, is a major ingredient in an international drive to end extreme poverty.

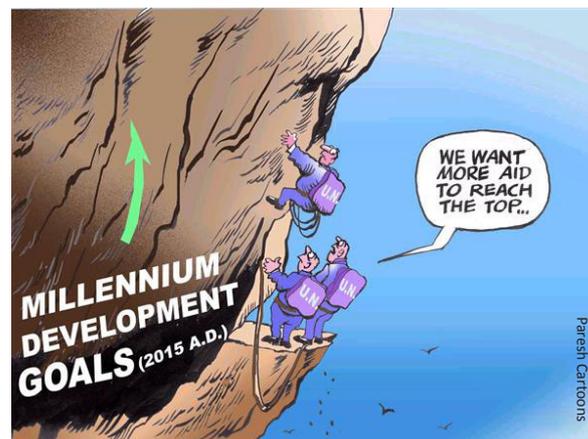
The simple absence of a good stove and the kind of electricity that people in developed nations take for granted, condemns swathes of the planet to a modern dark age.

According to the International Energy Agency (IEA), at least 20 percent of the global population, or 1.4 billion people, lack access to electricity, while around 40 percent rely on wood stoves, or dung-fuelled fires for cooking.

([Livemint](http://Livemint.com), 23.09.10)

## MDGs Still Reachable: UN

European leaders have offered US\$1.3bn at the MDGs summit, amid mounting calls for money to pay for the battle to cut extreme poverty. The huge sum was offered by the EU Commission President Jose Manuel Barroso on the goals, knocked off track by the international financial crisis.



President Nicolas Sarkozy of France and Spain's Prime Minister Jose Luis Zapatero earlier stepped up a push for a global financial tax, raising pressure on the world's wealthy countries to contribute more in the drive to eradicate poverty and improve child and maternal health. African nations in particular are calling for more act.

([TH](http://TH.com), 22.09.10)

# Protectionist Myths

– Jagdish Bhagwati



*At a debate in New York in 2009 entitled “Buy American/Hire American Policies Will Backfire”, with hundreds of people in attendance, my team of three free-trade proponents took on a trio of protectionists who are often in the public eye. The feedback from several voters was that we had won handily because we had the “arguments and the evidence,” whereas our opponents had “assertions and invective”. Evidently, the pessimism and despair that often overwhelms free traders today is unwarranted. The arguments of protectionists, new and old, are just so many myths that can be successfully challenged. Consider some of the most egregious examples.*

## **Myth 1: The cost of protection and its flipside, gains from trade, are negligible**

This means, of course, that if protectionism is politically convenient, you need not shed tears over harming the country by surrendering to it, an attitude that many Democrats in the US find convenient to adopt. Ironically, this myth was a product of inappropriate methodology and resulted from the research of my eminent Cambridge teacher Harry Johnson.

## **Myth 2: Free trade may increase economic prosperity, but it is bad for the working class**

This claim has great credibility with labour unions that believe that trade with poor countries produces paupers in rich countries. They therefore argue for leveling the playing field – i.e. that the costs for their rivals in poor countries must be raised by imposing the same labour standards that exist in rich countries. Many economists concluded that continual/deep labour-saving technological change is a principal culprit in the stagnation seen in rich-country wages nowadays. Moreover, workers profit from lower prices for imported goods like clothing and electronics.

## **Myth 3: Free trade requires that other countries also open their markets**

This is a refrain that recurs each time a new US administration takes office. But the facts are often fiction, and the logic is not compelling. If other economies are closed, open economies still profit from their own free trade. There was skepticism about this long-standing wisdom when it was argued that, if Japan was closed and the US was open, Japanese firms would have two markets and American firms would have one. The former, it was claimed, would have lower unit costs than the latter. But the problem here, as always, is with the assumption that Japanese firms would continue to be as efficient as American firms, despite protectionism.

## **Myth 4: Paul Samuelson abandoned free trade, and he was the greatest economist of his time**

The latter is indeed true; but the former, asserted by many protectionists, is not. Even Hillary Clinton, in her campaign for the US presidency, mistakenly embraced this fallacy. All that Samuelson showed was that any exogenous change could harm a trading economy; he did not argue that an appropriate response to that unfortunate situation was to abandon free trade. Consider an analogy. If Florida is devastated by a hurricane, its governor would only make matters worse if he responded by abandoning trade with other states.

## **Myth 5: Offshoring of jobs will devastate rich countries**

This scare arose during Senator John Kerry’s failed presidential campaign in 2004, when digitised x-rays were sent from Massachusetts General Hospital in Boston to be read in India. But no radiologists have lost jobs in the US since then, nor have their earnings fallen. Indeed, it is clear that the increased tradability of services has not unleashed an economic tsunami on rich countries.

Often, jobs that would have disappeared anyway, owing to high costs in the US and other rich countries, have resurfaced where costs are lower, thus providing services that would have been lost otherwise. So noted offshoring worriers like the economist Alan Blinder have now shifted to arguing merely that increased tradability of services means that we should extend long-standing Adjustment Assistance Programmes for trade-distressed activities to include services.

To which the free trader responds: no problem there!

– Professor, Columbia University and Senior Fellow, International Economics at the Council on Foreign Relations. The article, extracted from a book entitled ‘Terrified by Trade: How to Contain Protectionism Today’ by the author, appeared in the Jordan Times, on July 21, 2010.

## Global Climate Change: Components and Consequences - An Overview

The discussion about the phenomenon of climate change comprised of three main components. The first component is the factors responsible for climate change, i.e. human interventions with nature and heavy dependence on natural resources for meeting mankind's needs. Development process involves higher consumption of goods and energy, which are largely derived from non-renewable natural resources. Thus, over-utilisation of resources and emissions from human consumption disturb the fine balance of nature, and hence lead to climate change.

The second component is the impact of climate change on earth and humans themselves. Changing weather patterns are threatening the breadbaskets of many countries, including the US, and are likely to worsen food security in the world. Because of human intervention, recurring natural disasters have turned into catastrophes which have more severe impact in present times than in the past.

The third component which requires immediate attention is the response to climate change in the form of mitigation measures which aim to slow down the pace of such change. Various governments are encouraging steps to improve energy efficiency in industries and households, increase dependence on renewable natural resources, develop new technology to facilitate the above measures and promote reuse and recycling. However, countries should be careful while adopting these measures.

### Don't Fall for Jatropha Plants

The UN has warned that developing countries should not buy blindly into the 'jatropha for biodiesel' argument. Warning against the hype and half-truths around jatropha curacas, an oil seed plant touted as a major potential source of biofuels, the UN Food and Agriculture Organisation said in a special report that yields need to improve significantly for the crop to give an adequate return.

The report comes two weeks after two researchers at Belgium's University of Leuven said that the crop requires more water than had been thought, and was best suited for small-scale farming in remote areas, where alternative fuel supplies are erratic and expensive.

The cautioning report is also a pointer to several giant corporate houses worldwide such as GM that has invested in the crop. US automobile giant GM was one of the companies that invested in jatropha following a surge of interest five years ago in the potential for biofuels. (ET, 26.07.10)

### China as Top Energy Consumer

China overtook the US as the world's biggest energy user in 2009, emphasising that developing nations are driving global growth, according to the IEA. China consumed 2,252 million metric tonnes of oil equivalent in 2009 in the form of crude, coal, natural gas, nuclear power and renewable sources. That exceeded the 2,170 million tonnes used by the US.

China's GDP expanded 10.3 percent in the second quarter even as the government took measures to cool growth. China, with Hong Kong included, was the biggest energy users in 2009, consuming 2.2 billion tonnes of oil equivalent. China's oil imports gained 48 percent in 2009 and almost doubled since 2005. The nation increased net crude imports to a record 22.1 million tonnes in June 2010, or about 5.4 million barrels a day.

(www.bloomberg.com, 20.07.10)

### Weather Threaten US Breadbasket

Climate change is expected to disrupt agriculture in the US Midwest, with high carbon dioxide promoting crop growth but stronger storms, drought, floods and migrating yields

dampening yields. Overall, there are signs that crops will be stressed, and that weeds and insects will change their range.

The Midwest climate has already become wetter and warmer. That could mean a longer crop-growing season and savings on air conditioning, but it does not necessarily guarantee higher crop yields. Takle's model predicts that precipitation in the Midwest will increase by 21 percent by the 2040s, with stream flows climbing by 50 percent in the same period. (IPS, 13.07.10)

## Greenpeace Fires Salvo Over Paper

Greenpeace has accused Walmart, Tesco, Carrefour and other international companies of buying products from an Indonesian pulp and paper producer that it claims is destroying rainforests in violation of promises not to threaten endangered species. Greenpeace singled out Asia Pulp & Paper, the world's fourth largest paper and



pulp company, which is owned by Indonesia's Sinar Mas conglomerate. The report claims that Sinar Mas continues to acquire and destroy forested tiger habitat, and continues to clear carbon-rich peatlands to feed its Sumatran pulp mills.

Greenpeace alleges that the company is clearing Sumatran tiger and orang-utan habitat and destroying carbon-rich forests needed to meet Indonesia's ambitious target of reducing emissions by 26 percent over the next 10 years. (FT, 05.07.10)

**IT Firms Seek Greener Pastures**

Leading Indian IT companies are planning to tap the US\$380mn low-carbon IT market, which is projected to grow at a Compound Annual Growth Rate (CAGR) of 40 percent to US\$4.2bn by 2017.

In 2009, the market included a carbon management software pie worth US\$132mn, and consulting, implementation and outsourcing services chunk of US\$248mn. The carbon management software market is expected to grow to US\$1.2bn and the consulting, implementation and outsourcing services market is slated to touch US\$3bn by 2017.

While Wipro has struck a co-innovation agreement with German software company SAP to develop sustainability and energy management solutions, TCS has entered into collaboration with UK-based low-carbon advisory firm Xyntéo.

*(FE, 11.07.10)*

**Wildfire-hit Russia and Greece**

Analysis of catastrophic wildfires in Russia and Greece has highlighted a deadly combination of climate change impacts and the neglect of forest management. In a joint statement, WWF-Russia and WWF-Greece highlighted common elements of the catastrophic wildfires that hit Russia and the tragic Greek "black summer" of 2007.

The analysis of key contributing factors that turn wildfire into wildfire catastrophe highlighted gaps in national forest legislation, understaffed and under-equipped forest management and fire

suppression authorities, little emphasis on cost effective prevention measures and poor mobilisation of public support for forest protection.

Most of forests and villages destroyed by fire were located in the most heavily populated European part of Russia, where forests have a special social and ecological value.

*(http://wwf.panda.org, 24.08.10)*

**Turkey Signs Ship Recycling Convention**

Turkey, one of the five major ship recycling nations in the world, has signed the UN-backed treaty promoting the environmentally friendly recycling of ships.

The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, adopted in May 2009, is aimed at ensuring that ships, when being recycled at the end of their operational lives, do not pose an unnecessary risk to human health and safety or the environment.

The Convention deals with all major issues surrounding ship recycling, including the fact that ships sold for scrapping may contain environmentally hazardous substances such as asbestos, heavy metals, hydrocarbons, ozone-depleting substances and others. It also tackles concerns about the working and environmental conditions at many ship recycling locations.

*(ET, 06.09.10)*

**India to Focus on Efficiency**

As a strategy to combat climate change, in the global attempt to reduce carbon dioxide (CO<sub>2</sub>) emissions in the

coming decades, major focus has been on China and India, two of world's most populous countries that continue to register rapid economic growth; and by implication are rapidly growing emitters of CO<sub>2</sub>.

Admittedly, there are substantial challenges for all countries and regions in their endeavour to reduce emissions; but how the two Asian giants play ball with other nations will determine the total quantum of global emission in future.

Each of these regions will have a crucial role to play in helping achieve a 50 percent reduction in global CO<sub>2</sub> emissions as envisaged by the IEA in its ETP report. Currently, India has by far the lowest absolute emissions and average emissions per capita, the latter being only six percent of those in the US.

*(TH, 06.07.10)*

**Climate Change Threatens Peru**

Rising investment in Peruvian agriculture is increasing tensions over one of the Andean country's most precious resources: water. Peru is home to 70 percent of the world's tropical ice fields; but they are shrinking: 22 percent of its glaciers have been lost over the past 30 years.

That is a symbol of Peru's vulnerability to climate change, a phenomenon that is challenging farmers in several emerging markets, just as the world food system is being challenged by rising food demand from those same countries. Farmer's have been constantly reporting the presence of new pests and diseases and increasingly unpredictable weather patterns.

*(FT, 28.09.10)*

**BP Oil Spill Costs US\$10bn**

**B**P's bill for containing and cleaning up the oil spill has reached nearly US\$10bn, as the US government declared that the blown-out well has finally been plugged, five months after the explosion on the Deepwater Horizon rig.

The beleaguered oil company revealed that its total cost of the spill had climbed to US\$9.5bn. BP also said payouts to people affected by the spill such as fishermen, hoteliers and retailers had dramatically increased since it handed over authority for dispensing funds to a White House appointee.

BP has set up a US\$20bn compensation fund, which has so far paid out 19,000 claims totalling more than US\$240mn.

*(TH, 21.09.10)*



## India-Japan CEPA: Legalistic model on IP issues – An Overview

The Prime Ministers of both the countries, India and Japan discussed the importance of a close and broad economic partnership between India and Japan. They declared the successful conclusion of the negotiations for the Comprehensive Economic Partnership Agreement (CEPA) between the two countries and noted with satisfaction that they have succeeded in rendering the India-Japan CEPA truly comprehensive by including fields that range from Trade in Goods, Investment, Trade in Services, and Movement of Natural Persons, Intellectual Property, Competition, Improvement of the Business Environment, Bilateral Cooperation and so forth.

The two countries have been negotiating CEPA since 2007 and many rounds of negotiations have already been held in this regard. During the earlier negotiations both India and Japan has been stuck on IPR issues with both sides refusing to move from their stated positions, when most other issues had been resolved. While Japan wants the bilateral agreement to go beyond the WTO TRIPs Agreement, India was not prepared to take obligations that are beyond the multilateral regime.

However, now it is believed that both Indian and Japanese officials, who approved in principle the CEPA draft, have chosen the legalistic model over a *quid pro quo* model on IP related negotiations, thus paving a way for the successful conclusion of the CEPA negotiations.

### IPR an Issue Following Sea Exploration

A law maker insisted that intellectual property rights (IPRs) of any material resulting from the recent joint ocean exploration between the US and Indonesia in the Sangihe-Talau region should belong to Indonesia.

Meanwhile, the American side emphasised the importance of access for both America and Indonesia and the public to the data gathered during the exploration. But an international law expert warned that the IPR issue may cause a dispute as no details had been arranged in the cooperation to regulate the issue.

The 2010 Index Satal was a bilateral Indonesian-US research expedition intended to explore the fields of maritime biology, geology, oceanography, deep sea exploration technology and maritime information technology. (JP, 14.08.10)

### Harmonising EU Copyright Law

The European Parliament has passed a resolution calling for a harmonisation of EU copyright law and the introduction of multi-country licensing. The move comes in response to the growing threat of online copyright infringement, which the parliament said is a problem for the economy and requires a response at EU level.

The Parliament asked the EC to propose a comprehensive strategy on IPRs, which should remove obstacles to creating a single market in the online environment and adapt the European legislative framework to current trends in society as well as technical developments.

(www.telecompaper.com, 23.09.10)



### IPR in Way of India-Japan FTA

Negotiations between India and Japan on a pact on trade and investment have got stuck on the issue of IPRs with both sides refusing to budge from their stated positions, though most other issues have been resolved.

Japan wants the bilateral agreement to go beyond the international agreement on IPR or Trade Related Aspects of Intellectual Property Rights (TRIPs), while India is not prepared to take obligations that are beyond the multilateral regime. TRIPs-plus commitments would require India to tighten its patents regime further. (ET, 29.07.10)

### Ghana to Manage IPRs

Ghana has set out structural indicators for modernisation of the country's IPRs regime in conformity with international best practices. These include the provision of transfer of technology among key stakeholders on operations of IPR, create avenue for innovation to enhance productivity and facilitate trade and industrial competitiveness.

A National Intellectual Property Policy Committee and Technical Coordination Group were charged with the mandate to establish national IP policy development. The committees are to enable formal exchange of information on annual basis, provide strategic guidance to ensure that IPR operates in line with the country's development trend. (GNA, 06.07.10)

### Indonesia: A Copyright Pirate Centre

Indonesia has the worst record when it comes to protecting IPRs in Asia and Singapore the best, a survey of expatriate business people showed. Indonesia has passed new laws that should improve protection of intellectual property, but those rules are not enforced effectively at all, and piracy levels in Indonesia remain among the highest in the world.

Indonesia was given the worst score of 8.5 out of a maximum 10 points compared to 11 other Asian economies. The rankings largely reflect studies by the global software industry, which is alarmed by the easy availability of pirated movies and software in Asian cities despite governments' pledges to crack down. (Google News, 24.08.10)

## India Scaling New Heights – An Overview

Foreign direct investment (FDI) has played an important role in the process of globalisation during the past two decades. The rapid expansion in FDI by multinational enterprises since the mid-80's may be attributed to significant changes in technologies, greater liberalisation of trade and investment regimes and deregulation and privatisation of markets in many countries including developing countries like India.

The *UNCTAD World Investment Report (WIR) 2009*, in its analysis of global trends and sustained growth of FDI Inflows, has reported India as the third most attractive location for FDI for 2009-2011. According to the WIR 2009 report, the top five most attractive locations for 2009-11 are China, US, India, Brazil and the Russian Federation.

The advantages of India as an investment destination rest upon strong fundamentals, which include a large and growing market; world-class scientific, technical and managerial manpower; cost effective and highly skilled labour; abundant natural resources; a large English speaking population; independent judiciary, etc. This is now recognised by a number of global investors who have either already established a base in India or is in the process of doing so.

Ongoing initiatives, such as further simplification of rules and regulations, improvement in infrastructure are expected to provide necessary impetus to increase FDI inflows in future.

Currently, the government has put in place a liberal and transparent foreign investment regime, wherein FDI up to 100 percent is allowed, under the automatic route, in most sectors/activities.

## India: An Attractive FDI Destination

Of late every sector in India has witnessed a growing interest of FDI. The country, in fact, has leaped from its 13<sup>th</sup> position to be the 9<sup>th</sup> most attractive destination for FDI as it has received investments worth US\$35bn in 2009. Though US economy turned frail after recession, it maintained the top slot attracting maximum FDIs.

Net FDI into India is in the US\$20bn-plus range from US\$5bn earlier. Over recent years, trends in both inward and outward FDI to/by India have risen significantly, with inward FDI rising to over US\$30bn since 2008 and outward investments by Indian companies rising to US\$15bn range. This has resulted in net FDI now being over US\$20bn as against US\$3-4bn earlier in 2005.



(www.siliconindia.com, 25.08.10)

### Asia Needs Agri Investment

The Asian Development Bank (ADB), the Food and Agriculture Organisation (FAO) of the UN, and the International Fund for Agriculture Development (IFAD) have joined forces to tackle widespread hunger and build food security throughout the Asia and Pacific region.

Asia needs to wake up to the enormous challenge of feeding its population of five billion people by 2050. Gross annual investments of US\$120bn are required in the region for primary agriculture and downstream services – in a responsible manner and focused on rural areas through pro-poor programmes and livelihoods activities for poor and small farmers.

The new ADB, FAO, and IFAD partnership will promote innovative financing mechanisms to attract private sector investment in agriculture as well as develop inclusive business models that bring benefits for investors and local small farmers. (FE, 27.09.10)

### Zimbabwe Mulls new Investment Bill

Zimbabwe is enacting a new Investment Bill to do a legislative make-over of its investment profile, but the provisions being proposed fall too short of what the country requires to effectively regulate foreign and domestic investments.

The proposed legislation adds to the inclusive government's string of investment promotion measures

engendered since its formation in February 2009, including agreeing bilateral investment treaties (BITs) with potential sources of FDI. It principally aims to improve the country's economic rating and attract the interest of international fund managers, traditionally kept away by its presumed high country risk. (www.newsday.co.zw, 13.07.10)

### Uganda Leads East Africa in FDI

Uganda leads other countries in the East African region in attracting FDI, according to the United Nations World Investment Report 2010. The report states that despite the global economic crisis that created unease in world economies for the better part of 2009, Uganda continued to witness growth in FDI from US\$787m in 2008 to US\$799m in 2009.

Uganda attracted US\$799m, while Tanzania got US\$645m, Kenya had US\$149m and Rwanda had US\$119m. The report stated that developing economies absorbed half of the global foreign direct investment inflows in 2009 and accounted for a quarter of the global outflows.

It added that Uganda's foreign investment over the last 10 years had increased from US\$807mn to US\$4,988bn. Besides attracting investments from European countries, Uganda was witnessing an increase in investments from China and India.

(NV, 26.07.10)

**Bhutan: An Investment Destination**

Bhutanese government will provide all possible cooperation to Bangladeshi businessmen to invest in the land-locked neighbouring country. It is now organising “Bhutan Investment Roadshow” to inform foreign investors about the country’s newly revised friendly FDI policy. The country has selected four countries for the roadshow: Bangladesh, India, Thailand and Singapore.

Bhutan is open to investments and is progressively liberalising to become the new investment destination. Policy reforms adopted in the recent times mark a major shift in expanding the avenues for private sector in general and foreign direct investment in particular. *(FE, 28.09.10)*

**Syria to Attract Foreign Investment**

Syria aims to attract as much as US\$55bn in FDI over the next five years. About US\$25bn of the investment will go into infrastructure projects. Investment in Syria in 2010 will reach US\$2.5bn.

The country’s economy will grow at about 5.8 percent in 2010 and an average of 5.5 to 6 percent over the next five years. Legislation will be introduced or amended on public procurement, non-government electricity generation, investment banking, leasing, mortgage financing, central bank independence and local credit guarantees. Syria is also considering starting an export guarantee program. *(www.bloomberg.com, 24.09.10)*

**Morocco 3<sup>rd</sup> Best FDI Destination**

Morocco was ranked the third best destination for FDI in the African continent for the 2009-2010 fiscal year, behind South Africa and Egypt, according to a recent report by FDI Intelligence.

The study considered numerous criteria for making such a rank, including infrastructures, local strategies for encouraging FDI, the economic potential, human resources, living standards and market openness.

The report, entitled “African Countries of the Future 2009-2010”, was developed by a panel of independent experts, ranking 59 African countries according to the results from the above criteria.

The FDI Intelligence is a specialist division from the Financial Times Ltd that provides products, services and business tools that allow companies and economic development organisations to make informed decisions regarding FDI. *(news.xinhuanet.com, 18.08.10)*

**Need for Investment at EU Level**

The Foreign Affairs Council meeting held in Brussels on September 10, 2010 exchanged some views relating some key issues on International Investment Policy. Ministers agreed on the need to put into place a common framework to develop the new EU competence in FDI granted by the Treaty of Lisbon.

Globalisation has seen a dramatic increase of capital movements in recent years. Only in 2007, FDI flows reached a record high of almost US\$2bn. Until

now, member states negotiated BITs with third countries, but article 207 of the Treaty of Lisbon, which entered into force in December 2009, made FDI a policy area of exclusive EU competence as part of its common commercial policy. *(www.bilaterals.org, 13.09.10)*

**Gulf Investors Look at CIS Market**

Following the global food crisis in 2008 and the subsequent price increase of essential commodities and shortage in food supply, the Gulf Cooperation Council countries began to invest in land and food production in other countries, where water resources and agricultural lands are available.

For example, let’s take the opportunity that resulted from the collapse of the Berlin Wall and the emergence of the Commonwealth of Independent States in Eastern Europe and Central Asia.

Although these countries have development assets such as well-trained human cadre, agriculture land, animal resources and big markets, they suffer from lack of capital and inability of their financial structure to direct investments towards productive sectors. At a time when interest rates reach nearly zero, interest rates in these countries reach up to 30 percent, such as Ukraine.

Due to this gap in interest rates, a lot of agricultural projects and fertile lands are neglected, which convert these countries into importers of agricultural commodities. This indicates a clear contradiction to the economic conditions of these countries. *(www.zawya.com, 05.08.10)*

**China Takes to Africa like Bushfire**

The Chinese influence, in the form of its people, investment and business, is sweeping across the African continent like a wild fire. Be it financing and executing massive infrastructure projects – roads, power plants and mineral extraction, or small time commercial ventures such as textile, electronic and other household goods, the Chinese are literally driving the African economies.

It is a phenomenon that has triggered a strong wave of reaction from the various African countries, including Kenyans, ranging from open-arm welcome to indifference, to even hostility bordering on Sino-phobia.

In its 11<sup>th</sup> Five Year Plan (2006-2010), China’s Ministry of Commerce is encouraging its leading companies to establish offshore operations in designated Chinese special economic zones (SEZs) in foreign countries, a “Going Global” kind of strategy. *(www.nation.co.ke, 29.08.10)*



Damien Glez Cartoons

## Brain Drain – An Overview

Almost all developing countries have faced the problem of Brain Drain. They have seen the mass exodus of skilled intellectual and technical labour. This phenomenon of brain drain has a converse effect for a country in which people are getting migrated and brain-drain of a nation becomes brain-gain for that particular country. As a result, developing countries are not able to sustain meaningful level of economic growth, competitiveness and development.

Western Europe lost its talented professionals especially to the US, up until the 1960s, the developing countries have emerged in recent years as the biggest suppliers of qualified professionals to the industrialised world as a whole. Today, there are more than a million

expatriates from the developing countries settled in Western Europe, the US, Japan and Canada. These migrant professionals contribute in no small way to increasing the disparities between the world's rich and poor nations.

Looking at the recent reports we find that developed economies like Germany and Singapore have a shortage of skilled workers. To combat this problem, they are seeking talented professionals from other countries. On the other hand, we have the case of New Zealand, where Brain Drain is costing it US\$10,000 per expat. Migration of skilled professionals has become serious issues particularly in Africa and poor countries of Asia.

### Singapore Needs 100,000 Workers

Singapore must bring in more workers from abroad to help keep inflation low, apparently backsliding on a commitment to stem an influx of foreigners. The government plans to allow more than 100,000 foreign workers in 2010.

The government had pledged to stem the inflow of foreigners as part of a policy shift toward boosting growth through higher productivity. Singapore's decades-long boom, which has made it one of the world's wealthiest countries, has been fuelled in part by foreign labourers who are willing to do jobs in areas such as construction and hospitality for lower wages than locals.

(HT, 15.07.10)

### Busting the Migration Myth

Recent reports by international agencies, such as the Human Development Report of the United Nations and the World Development Report of the World Bank, have highlighted the role of migration in overcoming poverty and low human development. Essentially, benefits of

migration accrue through agglomeration economies, better access to opportunities, skill development and, above all, better quality of life for the migrants.

More importantly, these assume that it is the poor who benefit more out of migration, and, therefore, it is a way of achieving upward mobility. Unfortunately, India's case defies some of the implicit assumptions made by these strategies as the pathways out of poverty.

(Livemint, 06.07.10)

### Brain Drain Costs US\$10,000

New Zealand's best and brightest expatriates are costing the country US\$10,000 apiece through foregone tax and costs of government services such as education, according to World Bank research.

As taking the lead in so-called "brain drain" among the New Zealand was included in a World Bank policy group's investigation into tertiary-educated migrants from small nations. Though expats put a strain on their home nation by leaving, the incentives for them to do so are great, with highly-

skilled New Zealand migrants earning an average US\$116,000 per year, compared to US\$65,600 if they stayed.

(english.peopledaily.com.cn, 25.08.10)

### No Restrictions on Foreign Workers

The German cabinet made it easier for highly-skilled workers from new EU countries to fill yawning gaps in the German labor market. But others will find it more difficult to get work visas for Germany.

German employers will from then on no longer have to show that there are no suitably qualified applicants from Germany or older EU nations in order to hire a suitable candidate from a new member country. German businesses have long complained of a chronic lack of highly trained workers such as engineers and computer programmers.

Restrictions were also eased for those foreign applicants who can show knowledge of the German language and culture by having attended German schools abroad.

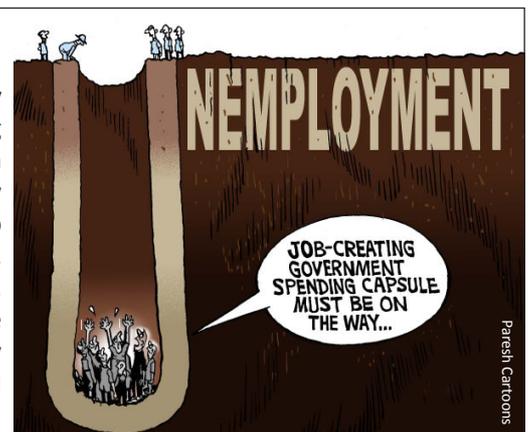
(www.dw-world.de, 16.07.10)

## Offshoring Creates Jobs for Poor

Offshoring and outsourcing in services from call centres to accountancy and medicines have created good jobs in terms of pay and working hours in developing countries. But the International Labour Organisation (ILO) study found that improved work practices in the outsourcing industry could reduce excessive rates of staff turnover. These could include steps to improve health and safety for night workers, such as regular check-ups, and more flexibility for workers to organise their time and to meet targets.

Wages are below those for similar jobs in rich countries — one of the main motives for companies to outsource operations — but average pay in the sector in India is nearly double that in other areas of the formal economy, the ILO study found.

(ET, 13.07.10)



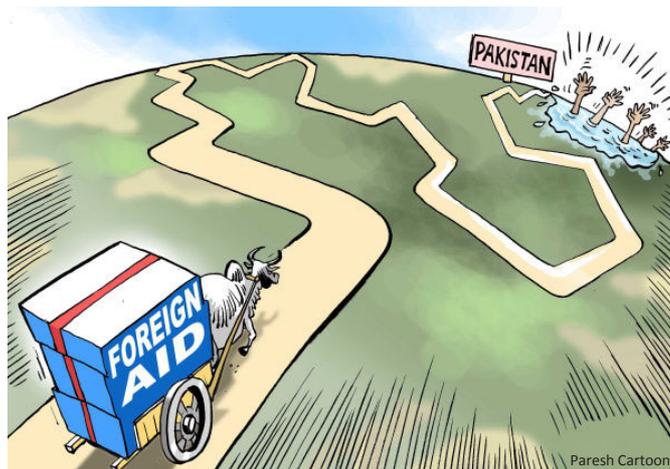
# Flash Floods in South Asia

## A Threat to Regional Food Security

By Suresh P. Singh  
Policy Analyst, CUTS

*“Everything is underwater, we’ve lost our crops, there’s nowhere to put the children down, not even a place to cook”.*

*A flash flood victim in Bangladesh*



### Introduction

Flash flood, a sudden inundation of water caused by one or many factors, such as intense and heavy rainfall or a dam outburst<sup>1</sup>, blockade of river channels, landslides or glacial lake outburst, have become a recurring phenomenon in South Asia. Flash floods usually occur along a riverbed or in low-lying areas, carrying soil, and other debris. These now occur more frequently at various locations and affect the lives and livelihoods of thousands of people directly and indirectly. What is, however, more alarming is the recent increase in their frequency and intensity.

Flash floods of 2010 in Pakistan, Bangladesh and India, were more widespread and intense. These have so far caused hundreds of deaths, rendered thousands homeless and affected the livelihoods of millions and thus left an indelible mark in the minds of South Asian people that would perhaps take years to heal. Further, these would have adverse impacts on food security and poverty alleviation in the region in the immediate and short term.

### Impact on crops

Crops damage in Pakistan is more devastating than in other countries. The 2010 flash floods have destroyed around 3.2 million hectares<sup>2</sup> (based on a UN estimate) – nearly 25 percent of gross cropped area – of standing crops, besides killing over 2000 people and

affected 20 million others.

Bangladesh has also suffered badly. Flash floods in eight districts inundated the boro crop of 200 haor<sup>3</sup> swamping an estimated area of over 200,000 hectares of cropland.

In India, flash floods destroyed agricultural crops in several areas. In Jammu and Kashmir State, the flash floods damaged standing paddy crops spread over 2000 hectares. In southern parts of Orissa, flash flood destroyed over 40,000 hectares of crop lands, besides damaging 50,000 houses. In Punjab and Haryana over 40,000 hectares transplanted paddy areas were totally damaged because of flash floods. Besides, the flash flood damaged cotton crops covering an area of 9,000 hectares, and fodder crop, especially jowar and maize, in an area of about 5,000 hectares.

Other countries of South Asia are equally affected. In 22 districts in Nepal, floods and landslides inundated a huge area of agricultural land, and affected around 35,000 people. It also caused loss of livestock and damaged 2,000 homes.

### Estimated losses

The three major cereal producers of the region (Pakistan, Bangladesh and Sri Lanka) suffered crop destruction of nearly 3.5 million hectares from the current flash floods, caused by heavy rainfall and breaking of dams. In an ordinary season, the destroyed area could have produced 13.28 million

tonnes of cereals. If one also includes the destroyed wheat seeds in Pakistan (600,000 tonnes), which could have been used for consumption in such crisis situation, the total cereal loss touches an astonishing figure of almost 14 million tonnes.

For the South Asia region, it is a huge quantity and loss. This is enough to feed about 112 million people for the whole year. Alternatively, this could feed the whole population of other five countries of the region, Afghanistan, Bhutan, Maldives, Nepal and Sri Lanka, for nearly one and half years. In value terms, the losses amount to a staggering US\$5.9bn.

### The Way forward

Flash floods now pose a greater threat to food security in the South Asia region, more due to the looming challenge of poverty. A recent estimate shows that over 40 percent of the population in South Asia is under poverty line. Lives and livelihood of these people get aggravated by such disasters. Additionally, considering the devastating impacts on the farming community it is perhaps time for South Asian countries to initiate concrete action, such as developing a collaborative national and regional strategy, and creating financial mechanisms to effectively address the issue. Sensitisation of community through formation of local community risk management committee can be a step forward in addressing the issue.

1 Flash flood is sudden, usually unexpected, and allow little time to react. Flash flood is the most dangerous kind of flood, because of its combined destructive power of a flood with high speed and unpredictability

2 Other sources estimate the cropland destroyed at 6.88mn hectare

3 A bowl or saucer shaped shallow depressed land in the north eastern part of Bangladesh

# ReguLetter

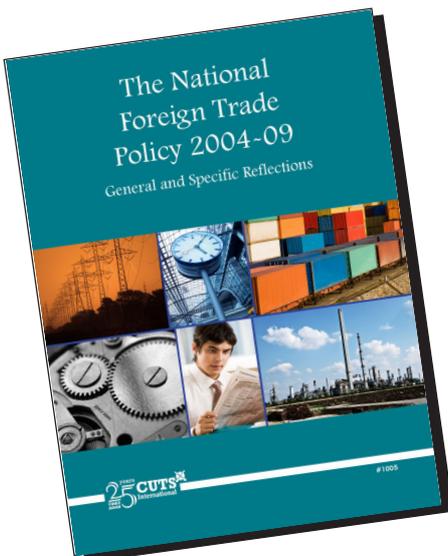
The July-September 2010 issue of newsletter, 'ReguLetter' encapsulates 'Fighting Poverty and Economic Stagnation in LDCs Through Competition Law & Policy' in its cover story, urges the least developed countries to take immediate steps to enforce competition laws, if these are absent or dormant, and implement a competition policy to generate sustainable economic growth and through such growth or otherwise to alleviate poverty.

The lead story is followed by regular sections focusing on news, views and policies related to corporate restructuring, regulations of utilities and finances, corporate governance etc. of different countries in particular, the developing nations. Besides, annual roundup of competition laws, mergers & acquisitions, corporate issues etc. is another highlight of the edition.

A special article by Martin Wolf says that the regulators are trying to make the existing financial system less unsafe, incrementally. The world cannot afford another such crisis for at least a generation. Another special article by Andrew Jack argues that with a top diabetes drug under threat of curbs on safety grounds, the question is whether regulators are stifling innovation or the industry is marketing products too widely.

About a Competition Law dwells on the competition scenario in Pakistan, the institutions of competition law in the country and the scope of improvement in the law.

<http://www.cuts-ccier.org/pdf/reguletter.htm>



## The National Foreign Trade Policy 2004-09 General and Specific Reflections

This synthesis paper is an attempt to review the success of the National Foreign Trade Policy in stimulating employment generation through promotion of exports of the mentioned labour intensive sectors. It examines the production, processing and export of various labour intensive products in different states of the country – Andhra Pradesh (turmeric), Karnataka (spices), Maharashtra (grapes), Orissa (spices), Rajasthan (gems and jewellery), Tamil Nadu (marine products), Uttar Pradesh (*chikan* craft) and West Bengal (mangoes) – in regard to these aspects.

[http://www.cuts-citee.org/GRANITE-II/pdf/The\\_National\\_Foreign\\_Trade\\_Policy\\_2004-09.pdf](http://www.cuts-citee.org/GRANITE-II/pdf/The_National_Foreign_Trade_Policy_2004-09.pdf)

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**SOURCES:** BL: The Hindu Business Line; BW: Business Week; FE: The Financial Express; ET: The Economic Times; FT: Financial Times; GNA: Ghana News Agency; HT: Hindustan Times; IPS: Inter Press Service; JP: Jakarta Post; NV: New Vision; TH: The Hindu