

# ECONOMIQUITY

No. 7, 2009

## Extend Capacities, Not Subsidies

Stop-gap measures such as subsidies and exchange rate management to enhance the marketability of exports, without addressing core issues of efficiency and competitiveness cannot be used repeatedly – medicine that suppresses the symptoms of the disease, without targeting its root cause can ruin the health of the system in the long run.

Instead of bringing in changes in infrastructure design and regulation, human capital formation and trade facilitation, which can make our exporters more cost-competitive in the international market, the emphasis has been on enabling producers/exporters to meet high costs through subsidies and costly sterilisation of dollar purchases.

Moreover, export management that solely relies on such channels leads to recurring and increasing expenditures, and deepening fiscal imbalances. In short, while the adverse impact of such an approach on the economy's fiscal health is already noticeable, such effects might assume a far more serious magnitude in years to come.

Therefore, it's high time that there is a shift in focus towards long-term capacity building, which, in turn, leads to a permanent increase in efficiency and help the exporters to compete effectively in the international market, without relying too much on the crutch of government's fiscal support.

One major reason for inflated production costs facing exporters is poor infrastructure. High power and transport costs are major contributors in this regard. Such costs can easily be reduced through a combination of political will, civil society activism and sensible reforms.

Reforms that help reduce tariffs in the power sector and increase the magnitude of power generation & distribution are urgently required.

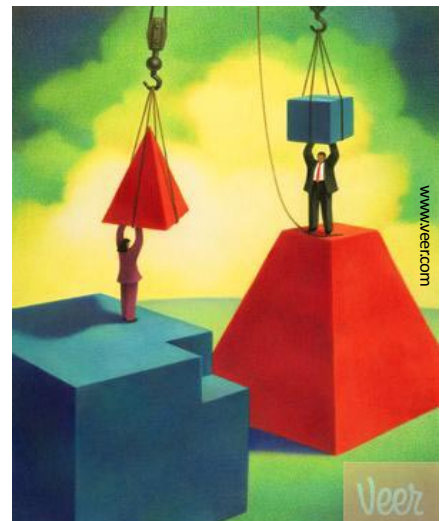
The aborted agenda of highway reform has to be reactivated to facilitate faster, cheaper and safer transport of inputs and products. Our sea ports have to be brought up to international standards through the use of regulatory mechanisms that promote more competition.

Use of dry ports is essential for a country like India – distances from the nearest sea port are often large and inhibit trade, and long boundaries with neighbouring countries often provide considerable, albeit underutilised, opportunities for international trade. The new government should place the setting up of such ports on the top of its infrastructure creation agenda.

Along with improvements in physical infrastructure, major breakthroughs are required in trade facilitation efforts. These include a variety of diverse initiatives – from better information about procedures to more updated, accurate and easily accessible information about non-trade barriers employed by foreign economies to lower time in customs clearance at trading posts.

On the part of the civil society, it is important to realise that responsibility for developing a more enabling business environment for exporters rests with the Centre as well as the state governments. In 2002, the Department of Commerce notified a new scheme called *Assistance to States for Infrastructure Development and Exports (ASIDE)* to develop complementary infrastructure for exports, such as export promoting industrial parks, minor ports etc.

To conclude, the Central government needs to amend its approach to export management by adopting a series of reform measures, which focus on improving the supply side rather than compensating exporters on a recurring basis for costs enhanced by poor infrastructure.



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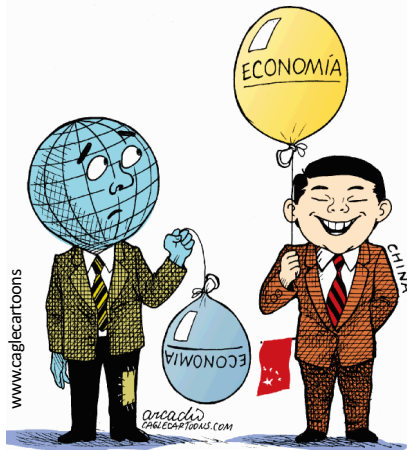
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## China Records Strong Growth

Exceeding most expectations, the Chinese economy grew by 7.9 percent in the second quarter of 2009 in the midst of the worst economic downturn the country has faced in more than a decade.



Analysts opined that the surprisingly strong growth figures indicated that the Chinese government's massive US\$586bn stimulus package was paying dividends, though it remained unclear for how long the boost from the stimulus package would last. The Chinese economy still faces a number of long-term challenges; chiefly, making growth less dependent on exports and stimulating domestic consumption.

The figures mean China is back on track to meet its target of eight percent annual growth in a year when the economies of many countries, including the US, will likely contract. There were fears that China would fall short of its target with a steep fall in exports in the last 12 months as a result of falling demand from the US and Europe. The export-driven economy grew by only 6.1 percent in the first quarter of 2009. Fixed asset investments increased by 33.6 percent in the first half of 2009 as compared to 2008.

<http://www.hindu.com/2009/07/17/stories/2009071753151500.htm>

### Global Slump Seen Deepening

The collapse in global trade deepened in the first quarter, with exports and imports slumping by more than 10 percent in the G-7 nations, the Organisation for Economic Cooperation and Development (OECD) said.

Exports fell 13.6 percent from the previous quarter in the G-7, while imports dropped 10.5 percent. Falling international shipments are a source of the world economy's worst recession since World War II. Subsequent data suggest the slide may have slowed since February 2009, the OECD said.

The unprecedented and largely synchronised drop in merchandise trade volumes of the G-7 countries of the last quarter 2008 continued in the first quarter 2009. Since July 2008, G-7 total merchandise trade values continued to decline, but at a slower pace since February 2009.

Of the G-7 economies, Japan's 26.7 percent drop in exports and Canada's 14.2 percent decline in imports were the largest in the first quarter from the previous three months. From the same period of 2008, Japan's exports dropped 42.1 percent and Canada's imports fell 21.2 percent.

<http://www.bloomberg.com/apps/news?pid=20601082&sid=aGLDagFbd3hQ>

### FDI Down in China

Foreign direct investment (FDI) in China fell in June 2009 for the ninth straight month but the decline was less severe than in May 2009, adding to signs of an economic recovery. Investment in June 2009 totalled US\$9bn, down 6.8 percent in 2007, said Yao Jian, Commerce Ministry. The drop in FDI was an improvement over May's 17.8 percent decline in 2007.

However, Yao said, "It indicates that we are still facing very big difficulties attracting foreign investment". In the six months ending June 30, 2009 FDI in China declined by 17.9 percent in 2007 to US\$43bn.

China is certainly the favourite investment destination for global investors now. The government-

orchestrated economic recovery is well on track. "The confidence of foreign investment in China's legal environment has strengthened during China's 30 years of opening up. This single case would not affect China's trade and capacity of attracting foreign investment at all", Yao said.

China is due to release a second quarter growth figures and other data. Expectations that the data will show the economy reviving have pushed the stock market up to a 13-month high.

<http://www.chicagotribune.com/business/nationworld/wire/sns-ap-as-china-foreign-investment,0,6126339.story>

### Australian Deficit Peaks

Australia's trade balance has remained in deficit for the second straight month as the nation's exports continued to decline. Economists say the monthly deficits are likely to continue due to demand for imported goods rises as the local economy recovers toward the end of 2009.

The balance of goods and services was a deficit of US\$556mn in May 2009, seasonally adjusted, from a downwardly revised deficit of US\$282mn in April 2009, the Australian Bureau of Statistics (ABS) show.

Economists were expecting deficit of US\$125mn. Exports fell five percent in May 2009, seasonally adjusted, outpacing the fall in imports, which were down four percent. The Commonwealth Secretariat Economist Savanth Sebastian said he expected the trade balance to remain in deficit for the rest of the year as demand for imported goods picked up.

Exports of coal, coke and briquettes fell 15 percent, while the "other mineral fuels" component slipped seven percent and the metal ores and minerals component was two percent lower. Sebastian said the lower contract prices for Australia's mineral exports – particularly coal and iron ore – would continue to impact on the trade balance.

<http://www.news.com.au/story/0,27574,25722393-462,00.html>

### Taiwan Allows Chinese Investment

Taiwan will allow investment from mainland China in 100 industries and projects, helping the island's economy to benefit from the warmest cross-strait relations in 60 years. The Ministry of Economics Affairs said that Taiwan will open up 64 sectors in manufacturing, 25 in services and 11 public infrastructure projects.

Tensions between Taiwan and China eased after Taiwanese President Ma Ying-jeou abandoned his predecessor's pro-independence stance. The island's benchmark stock index rose 23.4 percent this quarter on speculation that closer ties will aid the economy which contracted by a record in the first three months of 2009.

This is another major step toward an improving relationship between Taiwan and China, said Kevin Lin, who helps manage US\$46mn at Taishin Securities Investment Trust Co. in Taipei. The normalisation between the two sides will help boost the local economy and corporate earnings in the long run, and thus increase the valuation of local stocks.

The benchmark Taiex index climbed by the most since 2001 in the three months to June 30, 2009 and Taiwan's dollar rose 3.4 percent against the US currency in the same period.

<http://www.ccpittex.com/eng/news/36229.html>

### Fragile Economy: Handle With Care

As the G8 and G5 broke the logjam on the Doha talks and agreed to refrain from competitive devaluation of currencies, Prime Minister of India Manmohan Singh has struck notes of caution in his conversations with world leaders, telling them that the situation is "still fragile" despite evidence of some "green shoots of recovery."

Singh shared this assessment with leaders he met in the informal setting of the G8, adding that slackness in implementing recovery measures could spell bad news for developing economies.

Singh also met Obama at a "pull-aside" meeting where they discussed ways to enhance bilateral ties and the July 20-21, 2009 visit of US Secretary of State Hillary Clinton.

At a 45-minute meeting with UK Prime Minister Gordon Brown, Singh told him that many of the major indicators are still negative and so the urgency must continue. In this context, he reminded Brown that many of steps agreed at the London G20 Summit were still to be implemented.

<http://www.indianexpress.com/news/economy-still-fragile-handle-with-care-pm-to-g8/487626/>

### SA Besieged By Unemployment

President Jacob Zuma has pledged to create half a million jobs in 2009 and 3.5 million more by 2014. But the promised jobs are temporary public works positions that might not lead to true employment gains. And with South Africa now in recession after years of steady growth, economists say

the government will have a hard enough time saving jobs, much less creating them.

In Kgotso, an arid grid of shacks and low-slung houses in South Africa's Corn Belt, the promises inspire scant hope. According to the most recent data, more than 41 percent of people are unemployed. Present said most people he knows survive on state grants. He is among them: With no skills to market, he is largely supported by his mother's monthly US\$120 old-age grant. Present is just one job-seeker in a pool that is massive by almost any standard.

Across impoverished sub-Saharan Africa (SSA), the unemployment rate is about eight percent, according to a recent International Labour Organisation report, though a majority of the employed have informal jobs and make less than US\$2 a day.

<http://mobile.washingtonpost.com/detail.jsp?key=412177&rc=wo&p=2>

## US Auto Sales Show Signs of Stability

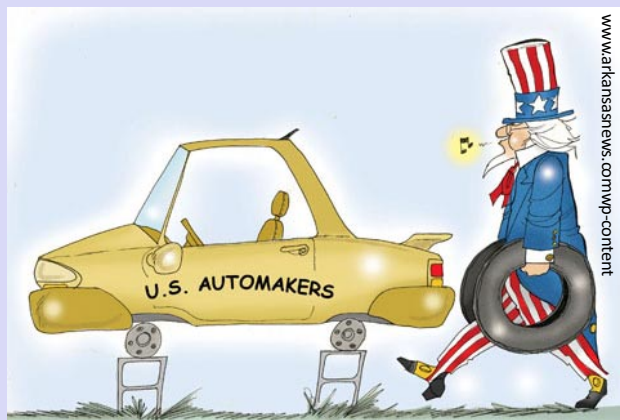
Major automakers are expected to report the highest sales rate of 2009 when they post results for June 2009, as deep discounts limit industry-wide results to a 30-percent decline. All of the largest automakers are expected to post deep US light vehicle sales declines for June 2009 to round out what has been the weakest market since the early 1980s.

Ford Motor Co expects to report sales declines in the 10 to 20 percent range in June, which would be the best result of the top six selling automakers in the US, following on a recent trend of outperforming sales for Ford.

Analysts and Ford see the industry as likely posting a sales decline in the 25 to 30 percent range for June 2009 from a year earlier. On an annualised basis, the rate could top 10 million units, the strongest total since December.

Edmunds expects

Chrysler sales to drop 29.1 percent, General Motors Corp 28.9 percent, Honda Motor Co Ltd 31.4 percent, Toyota Motor Corp 28.7 percent and Nissan Motor Co Ltd 24.2 percent.



<http://www.reuters.com/article/businessNews/idUSTRE55T5QJ20090701?feedType=RSS&feedName=businessNews>



**Rice Production High in Africa**

Paddy rice production in Africa is forecast to be 25.6 million tonnes in 2009, virtually unchanged from the record harvest of 2008. But despite the projections most countries are also expected to increase rice imports, says the Food and Agriculture Organisation (FAO).

Many African governments have made a push for self-sufficiency in rice production, but the figures show this remains a long way off. Africa will import 9.6 million tonnes of rice in 2009, up from 9.4 million in 2008, partly to meet growing demand and build up reserve stocks.

In West Africa, rice production is expected to increase in Côte d'Ivoire, Ghana, Mali and Nigeria, but decline in Burkina Faso, Chad, Guinea, Liberia, Niger, Senegal and Sierra Leone, according to FAO. Poor rains in East Africa will lower production in Kenya and Tanzania while Uganda's rice production is set to rise. FAO predicts higher yields in Madagascar and Mozambique, despite both being hit by natural disasters.

The price of imported rice across the continent in 2009, though declining, has still not dropped to pre-2008 rice price crisis levels.

<http://www.irinnews.org/Report.aspx?ReportId=85127>

**Trade surplus booms in Ireland**

Ireland had the second largest trade surplus in the European Union (EU) during the first four months of 2009, according to new figures from the European Commission's (EC) statistics service, Eurostat. For the period January to April, the value of Irish exports exceeded the value of imports by US\$18.23bn.

With a trade surplus of US\$53bn, Germany had the largest trade surplus among Member States, the data reveals. Compared to the same four month period in 2008, Ireland's trade surplus has increased by US\$6.3bn. However, this is largely due to a US\$6.02bn drop in the value of imports from US\$29.1bn to US\$23.1bn. For the period January to April 2009, exports increased by just one percent, or US\$2.9bn.

The figures indicate that during May 2009, Ireland's trade surplus stood at US\$2bn, down from US\$2bn in April 2009. The decline is attributed to a decline in the value of our exports from US\$3.9bn to US\$3.7bn and an increase in the value of our imports from US\$1.9bn to US\$2.1bn. During the first four months of 2009, the UK registered the largest deficit in the EU at US\$45bn, followed by France, Spain, Greece and Portugal.

<http://www.irishtimes.com/newspaper/breaking/2009/0717/breaking47.htm>

**European F&V Imports Decline**

European buyers have reduced the volume of their orders for fresh fruits and vegetables from developing countries, including the Philippines, and are opting for more quality products to get value for their money amid the global financial crisis.

These were the key findings of a report released by the Netherlands-based Centre for the Promotion of Import from developing countries (CBI), which tackled the effects of the economic slump on the fresh fruit and vegetable sector.

The CBI's Sector Alerts revealed that the crisis has a "profound" impact on the exports, profit margins and employment in the sector which varies per exporting country, depending on the type of export products, the structure of production and the target markets.

The sector is also hit by reduced demand for more expensive varieties of tropical fruits and vegetables, for products grown outside of the European growing season and for recently introduced varieties.

The CBI said the situation is further aggravated by the difficulty of companies in accessing the financial services of financial institutions, and suppliers turn to their EU importers for support.

<http://businessmirror.com.ph/component/content/article/53-agri-commodities/13351-europe-to-reduce-fresh-fruit-vegetable-imports.html>

**Wal-Mart: World's Biggest Employer**

**A**t a time when the economic crisis is forcing companies to reduce costs and cut jobs, retail giant Wal-Mart has emerged as the biggest employer in the world with a whopping 2.1 million people working for it in 2008, according to the Fortune magazine.

The Fortune Global 500 list ranks Wal-Mart Stores as the top company in terms of employee strength at the end of 2008. After Wal-Mart, China National Petroleum is the second biggest employer with 1.61 million employees in 2008 followed by the State Grid with 1.53 million employees in the third place, followed by the US Postal Service with 765,088 employees in the fourth place, followed by Sinopec with



639,690 employees in the fifth place.

In 2008, Wal-Mart racked up US\$30bn in additional sales – the equivalent of adding the annual sales of a Fortune 75 company. That growth was fueled by double-digit sales increases at international stores.

Wal-Mart's 2009 prospects remain promising as shoppers battered by the recession shop for value, it added. The retailer has seen 7.2 percent increase in profit at US\$405,607 in 2008 as compared to 2007.

<http://www.financialexpress.com/news/walmart-is-worlds-biggest-employer-in-2008/487255/>

**Asia's Beverage Sector Fizzes**

The crowds drinking beer in the bustling bars of Mumbai and Shanghai underscore the motive behind a flurry of recent merger and acquisition activity in Asia, with forecasts of strong growth for beer and spirits in years to come.

In China and India, as well as smaller markets in Southeast Asia such as Singapore, Thailand and Vietnam, beer drinking is becoming a popular past time due to rising disposable income and relatively young populations who are embracing the party scene.

Market research firm Euro monitor International says Asia is the most dynamic region globally in volume for beer, with average annual growth of eight percent between 2003 and 2008. China is the world's biggest beer market and India's US\$12bn alcohol market has been enjoying 12-15 percent annual growth.

In China, per capita consumption of alcoholic drinks is expected to rise to 53.4 litres by 2013 from 37.8 litres in 2008, according to Euro monitor. It sees consumption in Singapore and Thailand rising to 23.1 and 61.4 litres respectively by 2013 from 21.1 and 48.4 litres in 2008.

<http://www.vccircle.com/500/news/asias-beverage-sector-fizzes-despite-downturn>

**Chile Upbeat About Copper Recovery**

The price of copper has risen steadily since crashing in mid-January 2009, settling at roughly 2.54 US\$ per £, almost a 15 percent increase, though it has fallen to roughly US\$2.45 since then. About 12,000 jobs had disappeared in the mining sector at the economy's lowest point, but over 7,000 of those have returned.

Compañía Minera Doña Inés de Collahuasi, a major mining company and operator of the second largest copper mine in Chile, has begun the initial stages for environmental approval for an expansion of their processing plant. They seek to raise their refined copper production to 600,000 tonnes by 2010 and reach a

million tonnes by 2015. The company produced 464,000 tonnes in 2008.

Collahuasi, which is owned by the London-based Anglo American plc, and the Zug, Switzerland-based Xstrata, as well as a Japanese conglomerate, will be pursuing their project with an investment of US\$750mn, designed to increase the mine's capacity to transport the material by up to 170,000 tonnes per day.

<http://en.mercopress.com/2009/07/30/chilean-copper-industry-recovers-and-regains-over-half-lost-jobs>

**Zimbabwe Stocks Keep Soaring**

The market value of stocks in Zimbabwe may rise to US\$5bn by the end of 2009, a fivefold gain from an estimated US\$1bn in February 2009 when trading resumed after a three-month shutdown, according to Renaissance Capital's research.

The market capitalisation of shares on Zimbabwe's bourse had a 10 percent chance of reaching US\$5bn by the end of 2009 and a 60 percent chance of rising to US\$4.5bn from US\$4.08bn.

Reserve Bank Governor Gideon Gono ordered the exchange's closure in November 2008, alleging some traders were engaged in fraud, as President Robert Mugabe blamed Western pressure for pushing the economy toward collapse. The exchange resumed trading in US\$ in February 2009.

African Sun, the hotel company with assets across the continent, Econet Wireless Holdings, the country's biggest cellphone operator, and Delta, Zimbabwe's largest beer and beverages maker, are among Renaissance's top 10 picks.

Pearl's commercial properties should command "comparatively higher returns" because they were modern and situated in "key locations". Art Corporation, which manufactures and distributes paper and plastic products, benefited from "strong brand recognition".

<http://www.busrep.co.za/index.php?fSectionId=565&fArticleId=5104689>

**Bank Profits Less than they Seem**

The big banks are making big money again, but they would not be back to health as long as they have to deal with a recession and customers defaulting on mortgages and credit cards. The impressive numbers included a US\$3bn second-quarter profit announced by Citigroup and US\$2.4bn for Bank of America. They followed similarly robust earnings for Goldman Sachs and JPMorgan Chase.



Bank of America Corp., JPMorgan Chase & Co. and Goldman Sachs Group Inc. earned profits this spring largely on investment banking and trading — not traditional banking businesses, which still look shaky. Citi benefited from selling its majority stake in the Smith Barney brokerage.

Strip away those money-makers and the banks have to rely on customers who are losing their jobs or earning less money. The banks will suffer as long as their customers do.

Bank of America, JPMorgan Chase and Citigroup Inc. all reported they lost more money on loans during the second quarter. Bank of America alone set aside US\$13.4bn to cover loan losses.

[http://www.mail.com/Article.aspx/money/business/APNews/General-Business/20090718/U\\_US-Banks-Report-Card?pageid=1](http://www.mail.com/Article.aspx/money/business/APNews/General-Business/20090718/U_US-Banks-Report-Card?pageid=1)

### Impact of US and UK Legislatures on Aid

In recent years foreign assistance has come into focus among policymakers, global foundations, international business, and celebrities. The policy paper calls for greater accountability and results have led donors and aid recipients alike to pursue new principles on aid delivery. There is a higher level of agreement internationally on what is needed to bolster aid effectiveness than in the past.

However, within donors these discussions continue to unfold and remain far from being resolved. In some cases legislatures play a critical role in determining aid policy and can heavily influence the ability to make progress on host-country partnerships, greater cooperation, and alignment with local needs.

This study seeks to examine aid through the lens of the relationship between the legislature and the aid agency in two leading donors: the US and the UK. The objective of this report is to deepen understanding on how this relationship potentially impacts a donor's ability to pursue its development objectives and internationally recognised best practice in aid.

<http://www.odi.org.uk/resources/download/3547.pdf>

### Climate Change Creating Poverty

'Suffering the Science' combines the latest scientific observations on climate change, with evidence from the communities Oxfam works with in almost 100 countries around the world, to reveal how the changing climate is already hitting poor people hard.

The report outlines evidence of how climate change is affecting every issue linked to poverty and development from access to food and water to health and security. It warns that without immediate action 50 years of development gains in poor countries will be permanently lost.

One of the most worrying trends highlighted in the report is the impact of erratic weather on agriculture. Poor farmers, who can no longer rely on seasons, are losing crop after crop because of sudden heat waves or heavy rains.

<http://www.oxfam.org/sites/www.oxfam.org/files/bp130-suffering-the-science.pdf>

### Natural Catastrophes: A Threat

Natural catastrophes are a major threat to sustainable development, especially in Asia and the Pacific. The Asian Development Bank's (ADB) developing member countries are particularly vulnerable.

Catastrophe risk could be transferred through a regional public and private insurance partnership. This is the key finding of the ADB Conference on Natural Catastrophe Risk Insurance Mechanisms for Asia and the Pacific held in Tokyo in November 2008.

This report answers questions about disaster risk management and shows how ADB can ease access to catastrophe risk transfer mechanisms. It also suggests that a regional approach is an appropriate mechanism to bridge existing gaps and unlock resources needed to better manage risk.

<http://www.adb.org/Documents/Reports/Natural-Catastrophe-Risk-Insurance/Natural-Catastrophe-Risk-Insurance.pdf>

## World's Growing Food Price Crisis

World prices for basic staples have skyrocketed up 83 percent compared to three years ago while hunger and destitution reaches record levels. Corn registered a 31 percent increase between March 2007-2008, rice 74 percent, soya 87 percent and wheat a whopping 130 percent.

Policy makers and media continue to place blame for skyrocketing prices on a variety of factors, including high fuel costs, bad weather in key food producing countries, and the diversion of land to biofuels. Increased emphasis, however, has been placed on a surge in demand from emerging economies for instance, from the middle classes of India.

The report recognises the negative impact of excessive and rapid trade liberalisation on food security, poverty alleviation and the environment and calls for a systematic



redirection of investment, funding, research and policy focus towards the needs of small-farmer. The report also concludes that GM crops are unlikely to play a substantial role in addressing the needs of small farmers and instead, recommends sustainable agriculture that is biodiversity based as being beneficial to poor farmers.

[http://www.oaklandinstitute.org/pdfs/Blame\\_Game\\_Brief.pdf](http://www.oaklandinstitute.org/pdfs/Blame_Game_Brief.pdf)



### South-South vs. North-South FDI

Over the years FDI activities from developing countries have grown very rapidly and most of these investments end up in other developing countries. Such FDI flows are formally known as South-South FDI. This paper attempts to compare the characteristics of South-South FDI vs. North-South FDI in the context of India.

The analysis is carried at two levels. First, the overall trends of FDI flows (both inward & outward) region wise (North vs South), country wise and sector wise is looked at. Results confirm that India's FDI activities have broadly been consistent with the well known concept of Investment Development Path (Dunning, 1981). While country profiles have undergone changes, there has been no significant shift in the sectoral profile.

Next an econometric analysis is carried out at the sectoral/industry level for inward FDI from the North and from the South to examine the difference in the characters (if any) of FDI from the two sources.

<http://www.icrier.org/publication/WorkingPaper238.pdf>

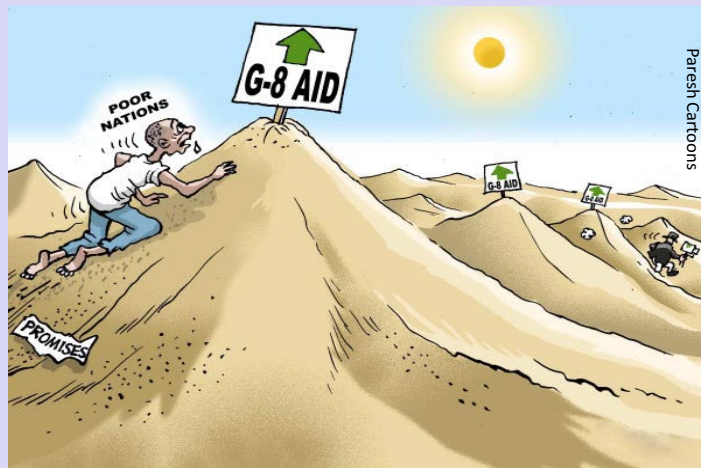
### The Pitfalls of Transit Trade

The memorandum of understanding (MoU) signed by the Pakistani and Afghan foreign ministers in Washington on May 06, 2009 on the conclusion of a new transit trade agreement by the end of 2009 raises several questions which the government has still not answered satisfactorily.

The fact that the signature took place in the capital of a third country and that the Pakistani public had been kept in the dark about the preceding negotiations was unusual. To add to the mystery, news about the MoU was broken at the trilateral meeting not by the Pakistani or Afghan side but by US Secretary of State Clinton. Then, at the press briefing given, she declared that Washington was determined to bring the transit agreement to a "resolution" – an extraordinary assertion given the fact that the US is not a party.

## G8: Feed the Hungry or Fuel Hunger?

G8's extravaganza in L'Aquila, Italy on July 08-10, 2009 showcased its efforts to combat world hunger. The US announced a "significant" increase in funding for agricultural development aid and urge multi-year commitments from other G8 countries to reach a US\$15bn target, that will be pooled in a global agriculture and food security trust fund administered by the World Bank. This move follows the G8's admission of failure in tackling hunger at its first-ever farm conference in Treviso, Italy in April 2009.



Proposals to challenge hunger have become essential at international conferences since the 2008 food crisis. The 83 percent increase in food prices between 2005 and 2008 created a massive surge in global hunger. The number of hungry in 2008 increased from 854 million in 2007 to 963 million. (FAO, 2008), compelling heads of states to discuss food security amidst warnings of political instability and social unrest grew.

<http://www.oaklandinstitute.org/?q=node/view/512>

More than one month after the MoU was signed the government has still not clarified the key question whether Pakistan will grant transit facilities to India for trade with Afghanistan via the land route.

<http://worldtradereview.com/news.asp?pType=N&iType=C&iID=209&siD=14&nID=48058>

### Potential Impact of AfT Initiatives

This paper is designed to help both the beneficiary governments and donors of aid-for-trade (AfT) identify countries that are under-performing in trade and which are receiving less aid for trade than their global performance might otherwise suggest is necessary.

The authors develop ten measures of trade performance and capacity (including trade-related infrastructure, institutions, and

incentives) to assess potential demand, and then look at country allocations of aid for trade to see which are receiving below-average amounts in the supply of AfT – relative to their potential demand. As they design national development strategies, countries may wish to consider giving greater attention to trade and requesting that donors allocate more aid for trade.

As part of the analysis, the paper provides a conceptual framework for selecting indicators of trade performance and its policy determinants that the World Trade Organisation (WTO) and its partners might monitor closely as part of the AfT initiative.

[http://www-wds.worldbank.org/servlet/WDSContentServer/WDS/IB/2009/07/13/000158349\\_20090713112808/Rendered/PDF/WPS4991.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDS/IB/2009/07/13/000158349_20090713112808/Rendered/PDF/WPS4991.pdf)

### Recent Event

#### Eco-labelling for Textile Industries

CUTS and the South India Textile Research Association (SITRA), in collaboration with United Nations Environment Programme (UNEP) organised a workshop on 'Eco-labelling for Textile Industries' under the project entitled, 'Enabling Developing Countries to Seize Eco-label Opportunities' in Coimbatore, India, on July 27, 2009.



The objectives of the workshop were to build on the momentum generated by the first national workshop on eco-labelling and follow up recommendations made at the conference in Mumbai on global textile opportunities; present project outcomes and engage relevant stakeholders; and increase stakeholders knowledge of the EU Eco-label.

There were speakers from textile associations, national laboratories associated with the manufacturing of textiles, as well as from UNEP.

### Upcoming Events

#### Indo-Bangla Trade: Focus on the North-East

A 'Stakeholder Consultation on Indo-Bangla Trade: Focus on the North-East' will be organised in Agartala, on August 09, 2009. The workshop will be attended by high level delegates from the Indian and Bangladesh national governments and the Tripura state government, and CSOs from Bangladesh and India. The focus will be on trade and transit issues concerning Bangladesh and India, especially the North East. The emphasis will be on recent developments involving the Government of Bangladesh and Tripura.

#### GRANITE State level Workshop – Phase II

A State Level Workshop for Grassroots Reachout & Networking in India on Trade & Economics (GRANITE) Phase II will be held in Jaipur, on August 17, 2009. The objective of the workshop would be to present research findings; share opinions for making the National Foreign Trade Policy (NFTP) more pro-poor; share views and opinions as to what could be done to increase exports of gem and jewellery from Rajasthan; and identify areas of further research.

For more information, please visit:

[www.cuts-citee.org](http://www.cuts-citee.org)

### Publications

#### Informal Sector: Definitions and its Implications for Growth (No 9/2009)

The importance of the informal sector in supporting livelihoods and contributing to production and consumption activities of developing countries is widely evident. However, lack of consensus across countries in regard to a clear and uniform definition of the informal sector has hampered its identification and measurement for proper comparison. This paper attempts to arrive at an operational definition of the informal sector and also provides an overview of the relationship between informality and economic growth.

<http://www.cuts-citee.org/pdf/BP09-DI-04.pdf>

#### India should go for FTA with Central Asian Countries (No 10/2009)

The political-economic-strategic factors do favour a Free Trade Agreement (FTA) by India with the Central Asian countries, at least to start with Kazakhstan. This Paper lays stress that India should take the initiative to start negotiations for a FTA with Kazakhstan and thus, rewrite the history of economic-cultural cooperation between the two countries in order to facilitate future cooperation between India and Central Asia. <http://www.cuts-citee.org/pdf/BP09-REC-02.pdf>

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