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WTO in 2006: Looking Back to Move Ahead

Post-Hong Kong is More Challenging

After successfully avoiding the second possible fiasco at Hong Kong, the World Trade Organisation (WTO) Members are gearing up to face tougher and more intense negotiations in 2006. This year three deadlines are to be met: April 30, July 31 and December 31.

Firstly, the important challenge is to meet end April deadline on agreeing on modalities for eliminating farm export subsidies and establishing modalities for non-agriculture market access (NAMA). Members are also required to summit comprehensive draft schedules by end July. Secondly, in services a revised timeline has been agreed for requests and offers. Finally, the most important date is to complete the Doha Round by the end of 2006. However, given the past experience, it is very difficult to tell how the deadlines would be met. Even at Hong Kong, there was much divergence on the broad contours of agreement, and no deal has been reached, as the negotiations on core problems have been postponed.

Comparing the development at Hong Kong with the 'July Package', the progress is minimal. The most contentious and toughest part of current negotiation i.e. the modalities, which cover time period, formulae and principles for reductions of tariff and subsidies, have remained unresolved. The three issues of concern for the developing countries are: the cotton initiative; the duty and quota free market access on all products; and the amendment of the trade related aspects of intellectual property rights (IPRs) agreement. Unfortunately, developed countries remained non-committal on these critical issues.

The Ministerial began with pessimistic note, without much expectation from the Member countries. However, on December 16, the first ever joint Ministerial-level meeting of the G-20 and G-90 took place. Both the Indian Commerce Minister Kamal Nath and his Brazilian counter part Celso Amorin were instrumental in building this grand alliance of 110 countries covering four-fifth of the humanity. Only after the formation of the G-110 alliance, the focus of the negotiations was brought back to the main agenda resulting in the release of a revised text on December 17 and adoption of final declaration on December 18.

The main demand of G-20 countries to eliminate export subsidies by 2010 was not accepted by the EU; it agreed to eliminate all forms of export subsidies by end 2013. Agreement on three bands to classify WTO members as per their levels of trade was also reached. Flexibility was given to the developing country members to self-designate an appropriate number of tariff lines as special products and also rights to have recourse to a special safe guard mechanism.

The text on NAMA gives a sense of comfort to some extent as tariff peaks and tariff escalation would be reduced or appropriately eliminated by using 'Swiss Formula' with multiple coefficients. Preference erosion has also been recognised in the text. However, there is no meaningful forward movement on negotiations on non-tariff barriers.

In services, new method and timeline have been agreed to carry forward the negotiations. Since the existing bilateral 'requests-offers' proving to be more laborious and time consuming, WTO Members adopted a new plurilateral basis in addition to bilateral approach. This alternative format would allow any WTO Member or group to make requests and offer collectively to other Members. India along with the EU and other developed nations supported this shift in methods.

On providing duty-free and quota-free market access to least developed countries (LDCs), the demand of including all products has not been accepted unequivocally. In fact, some of the LDCs might be completely denied of this preferential market access. The language of the text on cotton is disappointing. There are also no firm commitments from the US on reduction of domestic subsidies on cotton. Also, with regard to the demand of creating a 'Special development fund' for the transition period, the US remained non-committal.

The developing countries have not achieved much in terms of getting more market access in the North, particularly for the products of their export interest.

The developing countries need to develop an alternative to the markets in the North. This is only possible through greater South-South cooperation on trade and economic issues. This should also cover the larger issues of technical assistance and capacity building (TACB). Greater South-South trade will further strengthen different South alliances in WTO, which at present are more political in nature.

However, South-South trade cannot be a substitute for global trade. Hence, multilateral trade will continue to be the engine for growth and prosperity. Therefore, countries need to continue to devote their resources and energies at the WTO.

(Excerpts from an article written by Pradeep S Mehta, Secretary General and Pranav Kumar, Policy Analyst of CUTS International, published as Briefing Paper, No1/2006)

INSIDE

SAFTA and the Benefit of Free Trade

The United States joins the world in congratulating the signatories of the SAFTA, an achievement that promises to have a positive impact on economic growth and development in the region. The enthusiasm shown in each capital during the recent negotiations bodes well for the tough work that still lies ahead to successfully implement the framework. The US is optimistic that the nations of South Asia will exhibit the same spirit of cooperation that led to the signing of this important endeavour in 2004.

The potential benefits of SAFTA-type arrangements in the region are significant. Regional trade in South Asia now accounts for less than 6 percent of total trade, compared to 22 percent within the Asean Free Trade Area (AFTA), and 65 percent within the European Union (EU). Free trade fuels economic growth. Free trade fuels investment, creates jobs, and raises incomes. Free trade lifts people out of poverty. This is not mere ideology. Recent WB studies show that developing countries that have embraced open-market strategies in the past decade have grown much faster than those that have not.

In US, as total trade as a share of the US economy has risen from 10 percent to nearly 30 percent, the economy itself has grown from about US$1.6tr to over US$11.7tr. In our hemisphere, the benefits of the North American Free Trade Agreement (NAFTA) with Canada and Mexico are clear. Total trade among these three countries more than doubled from US$306bn to almost US$621bn between 1993 and 2002. For Mexico alone, exports to the US and Canada grew by over 200 percent during this same period. With a strong, stable and transparent framework for investment, the region has attracted foreign investment at record levels, not just from NAFTA partners, but from around the world. At the same time, all three countries have experienced strong economic growth.

Since the 2004 implementation of the US-Chile FTA, two-way trade has increased by over 30 percent. This includes a growth in Chilean exports to the US from US$3.71bn in 2003 to US$4.73bn in 2004. After only one year in effect, the agreement has already benefited workers and consumers in both countries. In addition, since embracing free trade, Chile, which has signed more FTAs than any other country, has significantly reduced its domestic poverty rate. Under Jordan's FTA with the US, its 2005 exports to the US are up 75 percent since last year, accounting for millions of dollars in new exports and new jobs. That growth is expected to continue as tariffs are lowered on more categories each year. Exports under this agreement already make up 16 percent of Jordan's exports to the US and will continue to do so.

The experiences of rapidly growing developing countries, such as those in South Asia, demonstrate that continued protectionism only perpetuates inefficiencies and stagnation. Freer trade, by contrast, rewards ambitions across the board. The challenge lies in finding ways to use the new resources derived from trade to expand opportunity – that is, in improving government so that an entire economy, not just individuals and businesses, becomes more competitive. Just as the AFTA resulted in both greater intra-regional trade and greater foreign investment among Southeast Asian nations, so too will be the benefits of SAFTA.

The Indo-Sri Lankan FTA, one of the first bilateral agreements within South Asia, is a vivid illustration of two countries working together to overcome these challenges. The agreement has already brought economic benefits to both countries, contributed to greater cooperation, and created a sense of shared fortunes. The SAFTA framework agreement carries the great promise of sustainable regional economic growth and development. It also promises to add momentum to the Doha development global trade negotiations, which the WB estimates can lift more than 300 million people out of poverty. The US has every expectation that the nations of South Asia will continue the positive momentum they have created and realise this promise. The US stands ready to assist SAFTA countries expand their economies, lift people out of poverty, and achieve the prosperity they deserve.

(Excerpts of the article written by Josette Shineri, US Under Secretary of State for Economic, Business, and Agricultural Affairs; BS, 29.10.05)

Developing a Closer Cooperation between India-Pakistan

Letter from Pradeep S Mehta to Robert Zoellick, Deputy Secretary of State, US Government

One of the issues that we are working upon is to develop a closer cooperation between India and Pakistan, so that there is a peace divided and consequently more money available for development and poverty reduction in our two countries.

One idea, which I wanted to sound you, was if in the US-GSP schemes an extra concession is offered to India and Pakistan if they use inputs from each other in manufacture of goods for export to US. This will help to speeden this process.

Response from Stephen Blake Director State Department US Government

Thank you very much for your thoughtful proposal. Deputy Secretary Zoellick has asked me to respond to you on his behalf.

We strongly believe that intraregional economic cooperation builds trust between neighboring countries, and promotes peace and prosperity. The United States considers a variety of factors in its GSP preferences, and we are updating them to further development assistance goals. We are considering a number of ways to promote Indian-Pakistani cooperation and appreciate well-intentioned suggestions such as yours.

Sincerely,
Stephen Blake
Director
Office of India, Nepal,
Sri Lanka, Bhutan and Maldives Affairs

Nobel Prize for Game Theory

The Nobel Prize in economics for 2005 has been awarded to Thomas C Schelling and Robert J Aumann for their contributions to the game theory.

Nobel laureate Aumann is a mathematician and a professor at the Hebrew University, Israel. Schelling, a conventional economist and practitioner, is a professor

emeritus at the university of Maryland, US.

The analysis of "repeated game", started by Aumann, is now the mainstream part of all social sciences and applied to issues as diverse as political conflicts, irrigation systems, international treaties and collusion among companies.

Schelling developed a theory of conflict situations that strongly influenced US attitudes towards nuclear deterrence in the cold war period of the 1950s and 1960s. Schelling's most important contribution is his1960 book 'The Strategy of Conflict'. *(FT, 11.10.05 & 13.10.05)*

Chinese Economy Ranks Fourth

In 2005, China has overtaken Britain to become the world's fourth biggest economy. Rapid growth in China, weak performance by UK and changes in exchange rates left only the US, Japan and Germany ahead of China in 2005.

China's gross domestic product (GDP) had been put at US$1.65tr in 2004. The sterling dollar exchange rate averaged US$I.83 in 2004, making China's GDP worth US$1.85tr while the British GDP in 2004 was put at US$1.92tr.

In 2005, China is estimated to have experienced nine percent growth surge, five times as the 1.75 percent forecast for Britain. Starlings decline against the dollar also had the effect of inflating the value of China's GDP. This increased the case for China to join the G-7, perhaps in place of one of the smaller countries like Canada.

(BL, 04.12.05; HT, 15.12.05)

Global Economy in Full Swing

The Organisation for Economic Cooperation and Development (OECD) report states that global economic growth has quickened over the last few months of 2005. The report predicted 2.9 percent growth in 2006 and 2007 for the OECD countries as a whole, as against 2.7 percent in 2005.The US economy is also expected to grow by 3.5 percent in 2006 against 3.6 percent in 2005.

The report also states that higher oil price have yet to push up inflation, and is not expected to do so to any significant extent. The impact of energy costs on US prices will decline and joblessness in Europe will also force down prices.

However, in spite of the optimism it is feared that inflation could rise from the current level, housing and bond prices may suffer sharp corrections in some countries and fiscal and trade deficit may also remain too large in many countries.

(FE, 24.11.05 & 29.11.05)

Caution on Corruption in Debt Relief

Transparency International (TI), the anti-corruption watchdog while airing its annual index of corruption around the world, cautioned the 19 countries, mostly African and Latin American that set to gain relief on debts owed to the WB, the IMF and the African Development Bank (ADB) had serious to severe levels of corruption.

Still, TI insisted that this factor should not be taken by the donors as a justification to withdraw or withhold assistance for the developing nations. Instead, donors should combine increased aid along with the support for anti-corruption measures to be taken by recipient countries, which experience has shown, could reduce corruption.

The organisation also called on western countries to help ensure that multinational companies (MNCs) did not engage in or assist corrupt practices. *(FT, 19.10.05)*

G-20 Vows Coherent Trade Policies

The G-20 group vowed to pursue coherent trade policies in a world of increasingly global trade where high oil prices and protectionism threaten growth and prosperity.

In a joint communique published after a two-day meeting at Xianghe, China, G-20 finance ministers and central bank chiefs agreed to adopt appropriate policies and to speed up the pace of structural change needed to make global economic growth more lasting and stable.

The joint communique, endorsed by rich countries, including US, France, China, India, Brazil and Saudi Arabia voiced concern over high oil prices as the risk in terms of both inflation and lost economic growth.

Australian Treasurer Peter Costello told a closing news conference, "A major risk the ministers and governors saw to the world economy came from lasting high and volatile oil prices". He further revealed that resource security would be the theme of G-20 conference, 2006. *(BS, 16.10.05)*

Basel Accord Runs into Rough Weather

Four federal banking regulators in US has announced that they would delay the adoption of an accord titled, 'International Convergence of Capital Measurement and Capital Standards popularly known as, Basel-II until January 2008. This amounts to delaying implementation up to 2011, if no other roadblock happens to come along the way. However, developing countries may welcome such delays as most of them do not have arrangements in place and Basel-II does not serve their interest.

US banks rose against Basel-II stating it was discriminatory. Even the smaller banks feared that they would lose the level playing ground and there would be competitive disadvantage for them after Basel-II, as the major local banks and the foreign banks opting for it would operate with lower capital.

Moreover, Basel-II would significantly overestimate the risk of international bank lending to developing countries. This would lead to reduction in lending. Experts worry that the complexity of Basel-II may lead to manipulation of supervisors and big banks picking smaller banks. Instead of consolidating the banks globally, it will create a global divide in banking. *(TH, 28.11.05)*

Draft Package Fails to Delight

The first draft of the development package for least developed countries (LDCs) circulated at the WTO Ministerial meet in Hong Kong failed to impress targeted countries, as it lacked both numbers and legal bindings. The EU, which has been pushing the US to agree to the package, also ran down the draft by stating that it amounted to going back on ambitions.

While the circulation of the draft, however inadequate it may be, amounted to some progress towards giving LDCs their due, there was no movement on the two other layers of the development package meant for developing countries like India in the area of special & differential treatment (S&DT).

The draft is being criticised mainly because it does not impose legal bindings on commitments to be undertaken by developed countries for providing 'duty-free and quota-free' access to the products from LDCs. *(FE, 16.12.05)*

Subsidies Affect Cotton Producers

The African cotton producers say subsidies paid by the US to its farmers depress world prices. They want these subsidies scrapped but the US has said rich nations can best respond to African concerns by agreeing on a global deal to open up agricultural markets and cut farm supports.

Farmers in Mali, Burkina Faso, Chad and Benin — are forced to sell their cotton cheaply to compete with large Western farms kept afloat by state subsidies.

The WTO has already ruled that US cotton subsidies totaling some US$4bn a year are illegal. African producers say these subsidies threaten the livelihoods of 10 to 15 million African farmers and their families.

The US, however, declared in the WTO Ministerial to allow the four African nations to export duty free to US as part of a more general plan to give the poor nations free market access to its economy.

(BL, 11.12.05 & 16.12.05)

Sugar Industry Goes Global

Buoyed by their success in ending European subsidies, captains of the sugar industry are now engaged in lobbying with the trade negotiators for reducing high tariff barriers in the developed world.

Sugar industry associations from 11 major producing countries like India, Australia, Brazil, Thailand, South Africa, Guatemala, Argentina, Honduras have come under one umbrella called the Global Alliance for Sugar Trade Reforms (GASTR). The GASTR members held a meeting on the sidelines of the WTO Ministerial at Hong Kong and have outlined their strategy.

Sugar industry associations from Thailand, Australia and Brazil had earlier challenged the European subsidy regime on sugar. The WTO dispute settlement body in April 2005 ruled against the European subsidy on sugar. *(FE, 14.12.05)*

India Urges Cut in Farm Subsidies

Indian Commerce and Industry Minister, Kamal Nath asked US and EU to cut farm subsidies and resolve other issues on peak tariffs to make the Doha Round of WTO a success.

"The US and the EU should move if they want progress of the Doha Round," he said after the meeting of key trade ministers here. He said the prices of farm products have been artificially kept low by developed nations through heavy dose of subsidies to their farmers, which puts the developing nations at a disadvantageous position.

Moreover, he said tariff peaks and escalation must go. The Minister cited the examples of difference in tariff on leather and textile and the finished products.

He further added that India is keen on measures to improve market access to its goods, correction in antidumping law and removal of non-tariff barriers. *(FE, 29.12.05)*

EU Refuses to Budge on Services

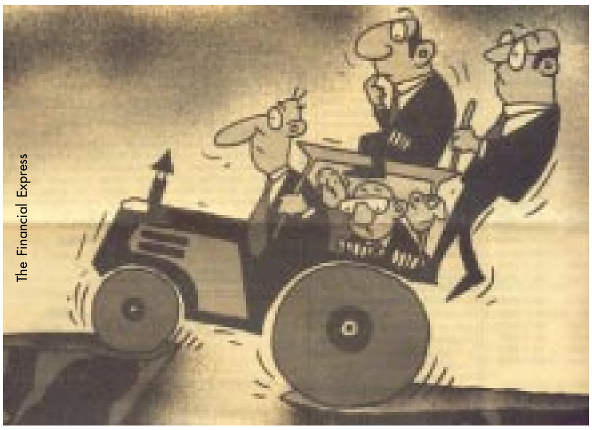
In a press conference, a EU official stated that there was no question of dilution of 'Annex C' of the services draft text circulated by the WTO prior to the meet.

The Annex C of the draft, which lays down the objectives, approaches and timelines for carrying out the services negotiations, was severely objected to by many developing countries, especially the African, Caribbean, Pacific (ACP) group, which said that it would not agree to adopt the overall draft unless it indicates that there is no agreement on the Annex.

Making a strong statement, the EU said that the present text was already so weak that there was no scope of diluting it further by putting Annex C in brackets. "We can't be in the business of unraveling and weakening the GATS agreement," a EU spokesperson said. *(FE, 16.12.05)*

Pakistan Joins Cairns Group

Pakistan has decided to join the Cairns Group — a coalition of 17 developed and developing countries headed by Australia — in a bid to seek a greater market access for its agriculture products. The decision was taken in a meeting between Australian Prime Minister John Howard and President Pervez Musharraf held recently.


The Financial Express

Pakistan's joining of the new club of agriculture exporting countries just ahead of the Hong Kong Ministerial Conference provided a parallel forum for presenting its own agenda on the agriculture sector.

The 17-member Cairns Group include Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.

Since its formation in 1986, the Group has played an influential role in negotiations on agriculture and was instrumental in the insistence by developing countries that a framework for the reform of agricultural subsidies be formalised.

(BS, 14.12.05)

Saudi Arabia joins WTO

Saudi Arabia formally joined the world Trade Organisation (WTO) on December11, 2005. It brought the global body's membership to 149.

The Middle East Kingdom was admitted to the WTO by its then 148 member governments in November 11, 2005, capping more than a decade of negotiations, and the move came into force one month later.

Tonga, another small country has entered into an accession treaty to join the WTO as its 150th member. However the country appears to have been given stiff entry terms by the member countries and has been asked to bind its tariffs at 20 percent.

(FE, 12.12.05;BS, 17.12.05)

India sets group of 9 for NAMA

India formed a band of nine countries to put up a joint fight for their right to undertake "Proportionally lower reduction commitments" in industrial tariffs compared to their developed counter parts. The new nine-member group is an indication that developing countries are preparing for a long drawn fight for special treatment.

The group includes India, Brazil, Indonesia, South Africa, Philippines, Venezuela, Namibia and Egypt. The move is in response to the offensive approach of the EU and US, which have refused to allow developing countries special treatment while deciding on the structure of the tariff reduction formula.

The group said the principle of less than full reciprocity in reduction commitments by the developing nations and special and differential were agreed to in the Doha mandate and remain central to the NAMA negotiation. *(FE, 13.12.05)*

G-110 to take on US, EU

'Developing countries participating in the Hong Kong ministerial indicated that they would forge a bigger coalition, likely to be called the G –110, by roping in the G –20, G-33 and G-90, to ensure that the developed countries do not dilute the contours of any global trade agreement by splitting them.

The G-110 will represent the biggest group of poor countries including developing nations such as India, Brazil, Kenya and Malaysia. The coalition is expected to come into force before the release of the final Hong Kong declaration.

The formation of a greater coalition is significant as it is perhaps for the first time at a WTO ministerial, that all the developing countries, almost 125 countries out of 149 members of WTO are attempting to stick together. *(BS, 16.12.05)*

WTO deal fails to heal rifts

WTO members yesterday reached a compromise agreement that averted the crisis at the Hong Kong meeting, but at the cost of postponing until next year all the most difficult negotiations in the troubled Doha Round.

Members reluctantly approved a draft ministerial declaration hammered out after five days of arduous talks that failed to bridge deep rifts between them.

Although the ministers patched up some bitter disputes, none of them moved beyond long established negotiating positions. Their final declaration, intended to provide guidelines for the next stage of the talks, contained many vague provisions and ambiguities.

However Pascal Lamy, WTO director –general claimed " We have managed to put the round back on track". He said talks are now 60 percent of the way to their conclusion and that he was more confident than a month ago about the prospects, though he was still not sure they would succeed. *(FT, 19.12.05)*

EU rules out India's plan on food package

The European Union has shot down India's proposal for including developing countries in the aid package being considered for the least developed countries (LDCs). EU has maintained that the focus for the moment will be on the poorest countries.

Commerce and industry minister Kamal Nath said he had discussed with the LDCs the issue that development package did not mean just a package for LDCs. There should be package for LDCs but the development package must address the concerns of both the developing countries and the LDCs. EU Trade Commissioner Peter Mandelson said that they would focus on the poorest countries.

Hong Kong Ministerial Delivers

The grand alliance of developing and least developing countries led by India, Brazil and Zambia managed to wrest significant concessions from the west as the sixth ministerial of WTO was about to conclude.

EU committed to end export subsidies in agriculture by 2013 and provide flexibilities in tariff reduction in agriculture and industrial goods. Developing countries got the flexibility to self designate an appropriate number of tariffs lines

as special products in agriculture.

The contentious issues of domestic subsidies and reduction formulae for tariffs in agriculture and industry however remained unresolved. No agreement was however, reached on domestic subsidy reduction in agriculture

In services, the text laid down various criteria under which negotiations will be done under the various modes and also mentions the time lines. Demand by the least developed countries forced the US also to agree on an ambitious reduction of the huge levels of trade distorting domestic subsidies for cotton. *(FE, 18.12.05)*

Looking at the EU's stand Indian officials expressed their concerns that by linking implementation of the LDC package to the end of the Doha Round, the developed countries would pressurise the developing countries to move on the areas like non-agriculture market access.

(BS, 15.12.05)

Call for Pan-Asian FTA

At the Association of Southeast Asian Nations (ASEAN) Business Council in Kuala Lumpur, Prime Minister, called for the creation of a pan-Asian FTA. Like EU and NAFTA, it would be a dynamic, open and inclusive association of regional nations.

The Indian Prime Minister informed that India and ASEAN nations could double their trade to US$30bn by 2007. After registering an eight percent growth rate in 2003-04, India's economy recorded upwards of seven percent growth for two years in a row, and in 2005-06, it touched eight percent, he said.

India was committed to bringing down its tariffs to ASEAN levels, dismantling unwarranted barriers and expanding capital flows, emphasised Dr Singh. "We must walk this road together… There may be losers, and there will certainly be gainers, but on the whole, we will obtain a win-win outcome", he added. *(TH, 13.12.05)*

China & Chile FTA- A Paradigm Shift

At the Asia Pacific Economic Cooperation (APEC) Summit, China and Chile signed a Free Trade Agreement (FTA). With immediate effect, 92 percent of Chile's current exports to China will enter that country duty free. The same goes for 50 percent of China's current export to Chile. This trade agreement is not only the first such agreement between China and a Latin American nation but also the first signed by China with a single country, as opposed to a regional grouping, anywhere.

Chile's exports to China have more than tripled, from US$958mn in 2000 to US$3.34bn in 2004, and Chinese exports to Chile have almost doubled, from US$1bn to US$1.9bn. With a total trade of US$5.2bn, China is now Chile's second largest trading partner after US and its third largest export market, after the US and Japan. Minerals make for almost 80 percent of Chile's export to China. China is the world's largest consumer of copper and half of it come from Chile. *(TH, 22.11.05)*

Deadlock over Peru -US Trade Talk

Peru is pushing to finalise the US-Andean FTA while. Colombia and Ecuador needs at least one more discussions to finalise it. Colombia's chief negotiator, Hernando Jose Gomez, said, "The areas that need more work from both parties are Intellectual property rights and agriculture". Meanwhile, Ecuador's chief negotiator, Manuel Chiriboga said they have deep disagreement with the US in agriculture.

The two sides are at loggerheads on farm trade issues. The Andean group has large farm population, with agriculture comprising of 30 percent of the workforce in Colombia and eight to nine percent in Peru and Ecuador. With less than one percent of its workforce in agriculture, US is pushing for the elimination of the high Andean tariffs on key US exports such as rice, corn, wheat, soybeans, poultry, pork and dairy as part of pact.

The US sugar producers, on the other hand, are refusing to give new access to US sugar and cut- flower market. *(BS, 23.11.05)*

Iran, Iraq Reopens Trade

Iran is emerging as a trade lifeline for Iraq, as Baghdad seeks to rebuild its economy shattered by years of sanctions, neglect and corruption under Saddam Hussein followed by his overthrow. As Iraq picks up the pieces, it is becoming a key market for its neighbours, especially Iran which it fought during 1980-88.

Iranian commerce ministry has estimated that trade with Iraq could reach US$1bn by March 2006, in everything from fruit and vegetables, home appliances, air conditioning systems to refrigerators and detergents, as well as construction materials. Goods worth US$650mn were exported to Iraq in the first ten months of 2005. In August 2005, Iran reopened a trade office in Baghdad for the first time since the war.

Iran has long wanted to cooperate with Iraq by swapping crude oil and possibly developing joint border oil fields. Besides Oil, Iran has established a US$1bn line of credit to get exports flowing into Iraq and also has a deal to export about 200, 000 tonnes of flour to Iran. *(FE, 22.11.05)*

US-ASEAN Trade Pact

The US and Southeast Asian nations have agreed to work for a region-wide trade and investment agreement as part of efforts to improve ties.

Both sides released a 'Joint Vision Statement on the ASEAN—US Enhanced Partnership' ahead of the meeting between seven Southeast Asian leaders and US President George W Bush at a regional summit recently.

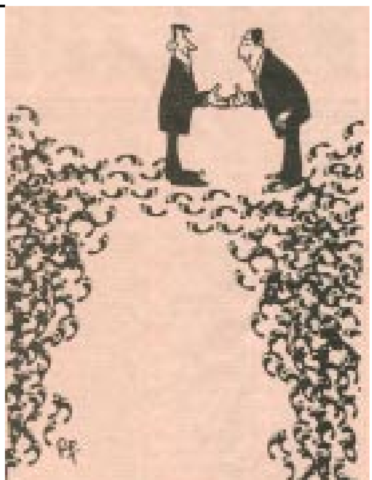
The statement said that the ASEAN and the US had agreed to launch a partnership covering cooperation in the political, security, economic, social and development fields. On the economic front, the two parties agreed, 'to work together to conclude a region-wide ASEAN-US Trade and Investment Framework Agreement'. *(FE, 18.11.05)*

Japan-India Relationship – A Model for East Asia

India and Japan can play a vital role in providing the fundamental conditions to achieve the integration of East Asian community (EAc) and can create an ideal prototype of an EAc. Accompanied by the long historical bond, spiritual affinities, common values and principles, the two countries have become responsible and major players in Asia.

Japan has set several principles regarding regional cooperation in East Asia. These include: 'open regionalism', whereby EAc must be open to those nations with willingness and capability to contribute to its formation. Secondly, a 'functional approach' whereby a region-wide community can be created by combining the frameworks established in each individual functional sector, such as energy, environment, and non-traditional security issues.

Lastly, 'respect for and realisation of universal values and rules such as democracy', which means the global rules and open-market economy. It is also important to enhance political and security cooperation, comprehensive economic engagement, cultural and academic initiatives and people-to-people contacts etc. *(TH, 29.11.05)*



Business Standard

ADB on Regional Cooperation

The Asian Development Bank (ADB) would spend nearly US$1bn over the next three years on projects aimed at developing closer regional cooperation. This is part of ADB's Central Asia Regional Economic Cooperation (CAREC) programme.

The CAREC programme will focus on transport, energy and trade between 2006-2008 and include 16 projects worth US$943mn and 13 technical assistance projects totalling US$9mn. ADB President Haruhiko Kuroda, on his trip to Central Asia, announced that multilateral institution, including ADB, are planning to lend US$1bn to the region for the transport projects alone over the next two years.

The CAREC programme is an alliance comprising of eight countries: Afghanistan, Azerbaijan, China, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan and Uzbekistan; and six multilaterial institutions: ADB, European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), Islamic Development Bank (IDB), United Nations Development Programme (UNDP) and WB.

(FE, 24.11.05)

SAARC Falters on Aid Package

With less than two months to go before the SAFTA becomes operational form January 1, 2006, member countries have so far failed to reach an agreement on the mechanism to compensate the poorer countries in the region for possible revenue loss due to reduction in tariffs.

The previous expert committee meeting in October 2005 ended in a deadlock with Bangladesh not agreeing to a proposal mooted by Pakistan.

Now India has come out with more flexible compensation package that is likely to be tabled at the next meeting. Though India has already offered to remove specific duties on 189 tariff lines pertaining to textiles and removes another 117 textile items from its sensitive list to boost exports from Pakistan and Bangladesh. In addition, the commerce ministry has offered to allow import of 3 million garment pieces comprising shirts and trousers from LDCs by fixing tariff rate quota.

(BS, 06.11.05)

Warning over Free Trade

Growing political pressure on Beijing to rein in its swelling exports is corroding public support for free trade, only three years after the country began opening its markets to join the WTO. Ma Xiuhong, a Vice-commerce Minister, said that Chinese business and the public were increasingly complaining about foreign pressure to wind back the country's sales overseas. She added, "After we joined the WTO, we educated our people about trade liberalisation, so the public has got rather confused about what has happened. We find it difficult to answer their questions".

Both the US and China itself curbed Chinese textile imports this year only after the end of restrictive quota system in clothing. With Chinese trade surplus to about US$100bn, it is likely that Xiuhong and her Chinese complainants will have to get used to further pressure, particularly from US.

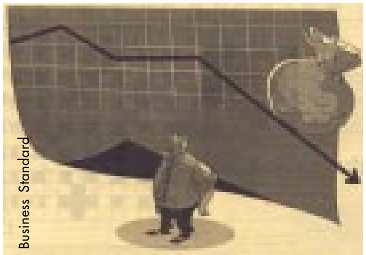
Rob Portman, the US trade representative will visit China for further talks, making way for President George W Bush's visit in mid-November. Allegations will be on the menu that China boosts its exports by maintaining an undervalued currency.

(FT, 04.11.05)

World Trade Growth Retards

The WTO foresees slowdown in world trade growth this year because of the lower economic output, brought on in part by the steep rise in crude oil prices. World merchandise export is likely to grow by 6.5 percent in 2005, markedly less than the nine percent growth logged in 2004.

In its annual publication International Trade Statistics,



released in Geneva, the WTO said dollar value of merchandise exports increased by 14 percent in the first half of 2005, which is markedly lower than in 2004 when the value of global merchandise exports rose by 21 percent. The trade declaration was particularly pronounced in Asia and Europe.

The report said world merchandise exports increased in nominal terms by 21 percent to US$8.9tr whereas trade in commercial services grew in nominal terms by 18 percent to US$2.1tr in 2004. Also, global exports of agricultural products expanded by 15 percent to US$783bn in 2004.

(BL, 28.10.05)

China Shields Cotton Farmers

China, home to world's largest textile industry, is considering raising import duties for cotton in 2006 to protect its farmers, which may also help restrict textile exports. Traders and industry officials say Beijing faces a challenge of protecting its 43 million cotton farmers, while fostering the textile industry, which needs to import more than 3 million tonnes in the marketing year that ends in September 2006.

An influx of cheap subsidised cotton from the US has impeded growth of cotton industry in China, apart from threatening to exclude millions of Chinese farmers from market.

According to Oxfam, sales of cotton from the US to China rose from 48,000 tonnes in 2001 to 1.06m tonnes in 2004. This year, imports are expected to surge to a record 3m tonnes, almost half China's production 6.3m tonnes in 2004.

(FT, 07.12.05, BS, 08.12.05)

Free Trade Fetches Low Benefits

The WB has scaled back its estimate of the overall gain to the global economy from the elimination of tariffs and subsidies.

The Bank's most recent estimate shows a gain of US$290bn from a move to 'Free Trade' compared with a 2003 report than showed a benefit of US$500bn. The gains, while still hefty, cast a new light on global trade talks as Members of the WTO race to complete talks on the Doha Round to reduce trade barriers.

The Bank's new estimate said that developing countries would get somewhere between US$20bn and US$48bn of the gain, depending on the plan adopted by WTO Members.

The WB economist Richard Newfarmer said that the revisions comes as a result of new calculations, which also included the recent change of the global tariffs such as the disappearance of textile quotas in 2005.

(BS, 18.10.05)

EU to exit World Sugar Market

EU, the world's most expensive sugar producer with a market share of 5 million tonnes white sugar, has been asked by WTO to exit the world market in the next seven months, a move that will immediately open the way for Indian exports.

The EU has until May 22, 2006 to comply with the WTO ruling that upheld a complaint by Brazil, Australia and Thailand that EU's sugar subsidies were illegal. The EC already has proposed cutting the guaranteed EU sugar support price by 39 percent over two years from 2007, changing four-decade-old regime.

India has been unable to compete in the world market till now because high subsidies by EU have kept world prices artificially low. As its main market were Asia and Middle East, India is expected to easily step in with competitive priced sugar. *(ET, 31.10.05)*

Losing Banana Battle

It is the second time that the WTO arbiter has found against the EU on bananas this year, meaning that the EU has now exhausted the legal instruments under the WTO to push through a planned switch to a single tariff system.

In a final ruling, the WTO arbitrators found that the EU's proposed US$223 tariff, which was tabled following the rejection of an initial US$275 proposal, 'would not result in at least maintaining total market access' for Latin American producers, as had been agreed in 2001 following a previous defeat for the EU.

This ruling came amid intense pressure on the EU from its main WTO trading partners to table an improved agricultural market access offer to keep on track the Doha Round of world trade talks. *(BS & FT, 28.10.05)*

Japan to Lift Ban on Beef Imports

Japan is set to end a two year old ban on US beef imports following the recommendation by a scientific panel that meat from US cattle under 20 months old was safe. Japan banned imports of US beef in December 2003 after discovery of cows of Canadian origin infected with one Bovine Spongiform Encephalopathy (BSE), a mad cow disease, on a US farm.

Before Japan banned US beef, it imported about 41.5bn of American beef and beef products a year. The recent decision helps to solve a running dispute that has cost American farmers and slaughterhouses more than US$2.5bn and put a strain on otherwise good US-Japanese relations.

Some US Congressmen have accused Tokyo of hiding behind bogus science as a quasi-protectionist measure and have threatened Japan with sanctions. However Japanese government has maintained throughout the dispute that it would base its decisions purely on scientific evidence.

(FT, 06.10.05 & 09.12.05)

Blow to Indian Seafood Industries

In a major blow to the seafood industry, the International Trade Commission (ITC) of the US has decided to go ahead with the 10.17 percent anti-dumping duty imposed on Indian shrimp.

The Commission reviewed the duty imposed on India and Thailand early this year in the backdrop of the *tsunami,* which had led to critical circumstances, and voted 6-0 in favour of continuing the duty.

The exporting community feels this could force India not only to look at new markets and bring the affected countries to jointly combat US decision but also go in for production of finished products. Thailand, the largest exporter of shrimp to the US, has filed a complaint to the WTO, saying the duties violated trade rules.

AJ Tharakan, national president of the Seafood Exporters Association of India (SEAI), which fought the case in the US, told that the vote was a big blow to the industry. The total shrimp exports of the country was 1,38,085 tonnes worth Rs 4,220.67 crore during the last fiscal year.

(FE & ET, 03.11.05)

US, Brazil dispute over cotton row

The US deputy Secretary of state Robert Zoellick warned that Brazil's threat to slap sanctions on the US in a dispute over government subsidies to US cotton growers could worsen the trade row.

After meeting the Brazilian finance minister Antonio Palocci he said " We are trying to act to fix the problem both directly with Congress and trying to do so as part of the Doha negotiations". He further added that any retaliation at this point would actually aggravate the situation, making it harder to get the problem fixed.

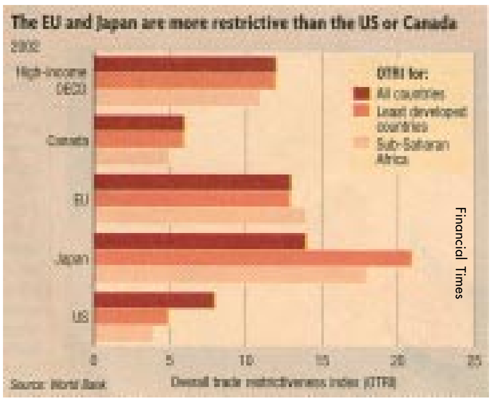
However, Brazil sought authorisation from the World Trade Organisation (WTO) to impose sanctions on the US. The request for the sanctions will be discussed at a meeting on October 18 of the WTO's dispute settlement unit. If the United States objects to Brazilian request, the WTO will arrange for the arbitration to determine if Brazil can go ahead with the measures.

(FE, 07.10.05)

Cleaning EU Hygiene Rules

Trade hygiene rules, particularly the sanitary and phyto-sanitary (SPS) standards imposed by governments, are acting as backdoor protection against developing countries. The EU's tough SPS rules, is judged more than twice as restrictive of imports from developing nations than Canada and the US.

The health and hygiene rules even keep US's top five agricultural exports – soya-beans, corn, beef, chicken and pork – out of EU markets. Some of the EC standards appear to be motivated to preserve the EU's agricultural system rather than to be based on science. The EU counters the allegation saying that its standards are necessary to protect consumers.



Financial Times

There are also arguments that high standards can help exporters raise their game. Steven Jaffee, a World Bank economist, notes cases in Bangladesh and Nicaragua, where US and EU blocks on shrimp imports led industries to improve their hygiene. However, earlier this year, Peter Mandelson, EU trade commissioner, told the *Financial Times* that he had heard many complaints about the EU's standards and said, "There is a case for a review". *(FT, 10.10.05)*

India third Largest in New Anti-dumping Measures

Though India has emerged as third largest initiator of new anti-dumping measures during the first half of 2005, after South Africa and EU, the number of initiations of anti-dumping reported by India has more than tripled, the WTO said in Geneva.

In its semi-annual report on the state of anti-dumping duty, the WTO reported that between January 1 to June 30, 2005, 15 members reported initiating a total of 96 new investigations, down from 106 initiations in the corresponding period of 2004.

A total of 12 members applied for 53 new final anti-dumping measures during the period, compared with 58 new measures applied during January-June 2004.

Among the leading new initiators, South Africa with 17 reported the highest number followed by EU (15), India (13), and China (11) as the second, third and fourth highest numbers during the 2005 period. *(BL, 25.10.05)*

US Appeals WTO Ruling

The US will appeal a WTO ruling that allows the EU to reapply punitive duties up to US$4bn on US exports, a top trade official said.

The US faces the threat of renewed sanctions after the WTO ruled again in favour of the EU in running dispute over tax breaks for US exporters, including Boeing Co.

Earlier, the US Congress passed legislation to repeal the tax breaks, to which the WTO had repeatedly ruled out saying they were illegal export subsidies. However, lawmakers provided two years of transitional relief for the companies that previously received the benefits. They also preserved the tax breaks for goods exported under the contracts signed before September 17, 2003. The EU challenged the two provisions and was officially informed it had won. *(ET, 04.10.05)*

EC Warns China over Car Imports

The European Commission (EC) told China to open up its market further to imports from European car manufacturers or face a legal challenge at the WTO.

Brussels said that the car manufacturers from the EU are still facing obstacles in China, including 'favoritism towards domestic producers, investment restrictions, local content constraints and weak enforcement of intellectual property rights'.

The Commission added that it would 'continue its close monitoring of Chinese business and regulatory developments with a view to assessing the possibility of success at an eventual WTO dispute settlement, if situation does not improve.

The possibility of an EU trade challenge against China was raised as a part of a package of measures proposed by the Commission sponsored group tasked with examining ways of boosting Europe's car industry. *(FT, 13.12.05)*

Cash in on Controversy

Five US companies received more than half of the US$226mn, as per the controversial 2000 Byrd Amendment that allows US companies to receive monies from tariffs levied as a result of the anti-dumping lawsuits that private US companies bring against foreign competitors.

Since the amendment was enacted in 2001, more than US$1.26bn has been paid out to US companies. In 2005, 80 percent of the money distributed by the US Treasury went to just 34 companies, including candle-makers, catfish farmers and honey producers.

The scheme has already been ruled illegal by the WTO and the same has been voted to abolish by the US House of Representatives but still Senate has failed to act. Now the amendment's fate would probably be decided in the forthcoming congressional budget bill. *(FT, 13.12.05)*

Policing IP Piracy

The US plans to launch an initiative at the WTO to press China to beef up policing of intellectual property piracy.

The plan, likely to be supported by Japan and Switzerland, is to draw on rarely used WTO authority to make China detail moves it has taken to crack down on such violations, including particulars about cases and penalties imposed. The US has long urged Beijing to take a tougher line on such violations.

Widespread piracy and counterfeiting of goods ranging from music and films to medicines and auto parts cost American companies billions of dollars in sales loss every year. *(FE, 26.10.05)*

Dispute over Subsidies Deepens

The transatlantic trade dispute over aircraft subsidies deepened after the US dismissed an olive branch from the EU aimed at restarting negotiations over state aid to Airbus and Boeing.

This move came after European Aeronautic Defence and Space Company (EADS) the 80 percent owner of the European aircraft maker, gave the go-ahead for Airbus to build its planned A350 long-range aircraft to compete with the Boeing 787 Dreamliner.

EADS, Airbus and British Aerospace Electronic (BAE) Systems, the holder of a 20 percent stake in Airbus, said they had agreed that no aid should be paid before the end of 2006 as long as there was 'a credible prospect of negotiations' and 'similar restraint was shown in the US.

However, a spokesperson for Rob Portman, the US trade representative, has said that launch aid for the A350 or for any other Airbus aircraft was 'completely unacceptable'.

(BS, 07.10.05)

WTO ruling on GMO

A WTO dispute panel ruling on the EU's alleged moratorium on market authorisations for new genetically modified products is put off until the WTO's Hong Kong Ministerial Conference in December citing scheduling conflicts. The panel has informed the EU and the three complainants in the dispute - the US, Argentina, and Canada - that its preliminary ruling, which had been due October 10, will now be postponed until the first week of January 2006.

The three co-complainants have asked the panel, which was established way back in August 2003, to rule on what they claim is that the EU operated *de facto* moratorium on the approval of products containing genetically modified organisms (GMOs).

(American Soybean Association Weekly Update, 10.10.05)

Cost of Flu Pandemic

The WB said human influenza pandemic could cost world's richest nations US$550bn. The World Health Organisation (WHO) added that H5N1 avian influenza virus, known to have killed 63 people in four Asian countries and led to the culling of 150 million birds world wide, was spreading fast.

In a report on bird flu, WB said studies on bird flu pandemics had suggested any new out break could kill between 100,000 and 200,000 in the US alone, which translated into economic losses of between US$100bn and US$200bn. If it extrapolated from US to all high-income countries, there could be a present value loss of US$550bn.

It also noted a two percent loss of global GDP during a pandemic like that caused by SARS in East Asia during the second quarter of 2003- would represent about US$200bn in losses in quarter or US$ 800bn in a year. *(FE , 07.11.05)*

Corruption Rocks Asia

A report released by a Hong Kong-based think tank, Political & Economic Risk Consultancy Ltd., shows that corruption is getting worse in Philippines and Thailand. India, China, Indonesia and Vietnam still have high level of corruption but their governments were seen to be making headway in fighting the menace. China is making the most progress.

The report says, "In the Philippines well-placed officials appeared to brush aside accusations that corruption was a problem. In Thailand, corruption seemed to be intensifying in some ways, even though direct bribes, concessions and favours might be less of a problem".

In developed economies in Asia, corruption was seen as the biggest problem in Taiwan, followed by South Korea. In both case, corruptions was largely in the form of weak corporate governance, fraud and white-collar crime rather than political corruption although that did exist as well.

(ET, 06.12.05)

Sops to Poor Nations

India and Pakistan have to provide compensation to the LDCs like Bangladesh, Bhutan, Maldives and Nepal in the proposed SAFTA for four years for the losses suffered by them. The losses were on account of lowering of import duties as part of trade liberalisation programme.

Sri Lanka, the only other non-LDC besides India and Pakistan, will have to provide compensation to LDCs for only three years with the exception of the Maldives to which it would provide compensation for four years.

The extent of the compensation, to be paid annually in dollars, has however, been capped in each of the four years as a percentage of the basic customs duty collected on imports of non-sensitive items from India and Pakistan in base year. The base year is defined as average of the calendar year 2004 and 2005.

(BS, 22.12.05)

IMF's Relief for 19 Countries

To allow 19 countries to promote growth and make progress towards achieving millennium development goals (MDGs), IMF will grant 100 percent debt relief to them amounting to US$3.3bn under the Multilateral Debt Relief Initiative (MRDI). This will allow these countries to increase spending in priority areas to reduce poverty, promote growth, and to make progress towards achieving MDGs.

The countries include Benin, Bolivia, Burkina, Faso, Cambodia, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Mali, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Tajikistan, Tanzania, Uganda and Zambia.

These countries would receive debt relief in early 2006. The list of countries announced only represented the first phase and there are other nations as well that are eligible and at various stages on the road to qualification under MRDI.

(FE, 11.10.05)

G-20 calls to Reform IMF and WB

The G-20, the group of the world's leading rich and developing countries, has called for reforming the International Monetary Fund (IMF) and the World Bank (WB), in order to improve their governance, strategies and operations.

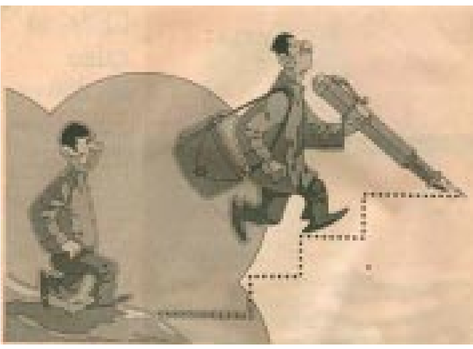
The G-20 said that in governance of the fund, the bank did not keep pace with changes in the global economy –notably the growth of Asian economies, including China and its South-East Asian neighbours.

The G-20 emphasised that achieving concrete progress on quota reform by the next IMF and WB Meeting to be held in Singapore was very important.

The IMF quotas determine a country's capacity to borrow from the fund, including its share of the votes on the IMF board. It is expected that reforming the IMF board would pave the way for a similar exercise at the WB. *(FT, 17.12.05)*

Literacy Holds the Key to Development

There is a powerful link between adult literacy and better health, higher income, more active citizenship and children's education. This link should act as strong incentives for government and donors to be more proactive in addressing literacy deficit.



Business Standard

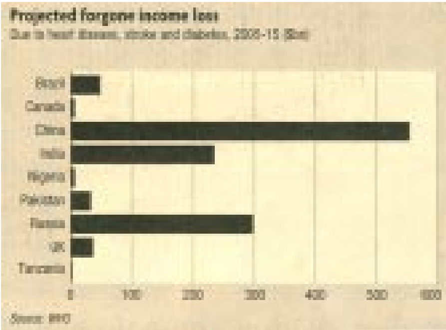
However, illiteracy remains a low priority among governments and non-governmental organisations (NGOs) in the developing countries. Even the rich world fails to tackle illiteracy in the developing countries.

Almost 30 out of 73 countries were at serious risk of not halving their level of adult literacy by 2015 – the deadline set by the World Economic Forum (WEF) in 2000. The fourth edition of 'Unesco's Education for All Global Monitoring Report' said that one-fifth of world adults were illiterate and 100 million children of primary school age were still not enrolled in schools.

The position of women has changed little in last fifteen years. They account for 64 percent of adults worldwide who cannot read or write with understanding. Only 47 countries out of 163 achieved universal primary education in 2002. Support for basic education only accounted for less than 2 percent of all development assistance between 1998-2003. *(FT 10.11.05)*

WHO Aims to Avert Deaths from 'Invisible Epidemic'

According to World Health Organisation (WHO) report, global action to cut premature deaths from chronic diseases could save lives of 36 million people over next decade. Diseases such as cancer, diabetes and heart ailments are by far the biggest killers, accounting for 60 percent of all deaths around the world.



Lifestyle changes, such as urbanisation, shift to processed food and rising tobacco consumption are increasing risks, especially in developing world. Eight in 10 of the projected 36 million deaths from this 'invisible epidemic' in 2005 are in low and middle-income countries.

The report puts economic losses between 2005 and 2015 at US$558bn for China, US$336bn for India and US$303bn for Russia. WHO is proposing a global goal to reduce upward trend of chronic disease death rates by 2 percent each year until 2015. This would prevent 36 million people – of the 390 million-projected death toll – dying of these diseases over next 10 years, nearly half of them before the age of 70. *(FT, 05.10.05)*

'Shock Loans' for Poor Nations

The IMF considers a new form of financing to provide quick help to poor countries hit by economic shocks, including sudden rises or falls in commodity price such as oil.

Known as 'exogenous shocks facility', the proposal is being pushed by the Group of Eight Industrial countries, which includes US, France and Britain. Under the proposed facility, poor countries that do not have a standing relationship with the IMF will be eligible for aid.

Under the proposal, developing countries would be offered quick access to two to three year loans, with a lump sum upfront to ward off immediate problems from sudden economic shocks. The reminder would be paid out in regular installments while the borrowing countries make the necessary adjustments to deal with the shocks. *(BS, 31.10.05)*

One-third Population Lacks Toilets

A survey by UK charity organisation, WaterAid reports that more than a third of world's population lacks access to adequate sanitation. The organisation has compiled an international 'bogroll of dishonour' designed to shame countries into improving facilities. "Lack of adequate sanitation is not just a problem of convenience", Water Aid says, "it is also a health hazard".

Among those listed as having more than 10 million people deprived of use of hygienic lavatories are Romania, Russia, Turkey, Mexico, Brazil, Egypt and Morocco.

About 2 million people a year – mainly children die of diarrhoea, chiefly as a consequence of poor sanitation. Overall 2.6 billion people or above 40 percent of the world's population are without hygienic toilet. In India itself 772 million people are forced to squat in fields and on roadsides. *(BL, 19.11.05)*

Income Gap Threatens Stability

The UNDP has warned that growing income gap between rich and poor in China could threaten country's stability and economic development. It asked Beijing to increase social spending, reform fiscal system and push government reforms such as improving infrastructure, increased spending on health, welfare, education and other policy issues to narrow gap.

Khalid Malik, UNDP resident representative said, "China's Gini Coefficient now exceeds 0.4 and could be as high as 0.45, the threshold considered by many to indicate potential social unrest".

Chinese income inequality is now markedly higher than that of avowedly capitalist US, according to UNDP data. A Chinese household survey 2002 showed richest 10 percent of population enjoyed 41 percent of China's wealth.

UNDP hopes the report will stimulate greater discussion among policy makers on how to address wealth inequality and plans to take a 'road show' around provincial authorities. *(FT, 17.12.05)*

Bush Overhauls US Foreign Aid System

In an attempt to assert more political control over international assistance, the Bush administration is drawing up plans to carry out the biggest overhaul of the US foreign aid apparatus in more than 40 years, according to officials and aid experts. The proposed reorganisation could lead to a takeover by the State Department of the independent US Agency for International Development (USAID).

Critics in the aid community fear the reorganisation will lead to the politicisation of foreign assistance, whereby aid will serve as a tool for the Bush administration's drive to promote democracy. However, supporters of the proposed reforms argue that USAID must be brought more in line with policy goals focused on post-conflict reconstruction and democratisation rather than pure development aid.

President John F Kennedy established USAID in 1961 for managing aid programmes, disaster relief and post-war reconstruction totalling billions of dollars each year. *(BS, 12.12.05)*

Blair's £7 bn Concession on Rebate

The concession from Tony Blair to the Britain's European Union (EU) budget rebate is far bigger than what Downing Street has publicly admitted, amidst signs that the deal is set to leave UK up to £2bn (US$2.3bn) worse off each year by the end of this decade.

At a EU summit in Brussels, the Prime Minister agreed to slash the cash that UK receives through rebate by £7bn (US$8.3bn) over the next seven years from 2007 to 2013. Downing street has, therefore, argued that the cost of the move to British taxpayer will be around £1bn (US$1.19bn) a year.

However, a Financial Times analysis shows that UK's rebate will remain untouched in 2007 and 2008. Instead, the US$8.3bn cash loss suffered by the UK is to be compressed into the years between 2009 and 2013. *(FT, 19.12.05)*

Fish in Troubled Water

Illegal fishing fleets are plundering the seas and endangering fish stocks by taking advantage of the international rules. A report by Australian government and World Wildlife Fund (WWF) has estimated that illegal fishing is worth US$1.2bn a year. However, the real figure could be up to US$10bn. About 15 percent of the world's bigger fishing boats are thought to be sailing under 'flags of convenience', which can be bought for a few hundred dollars.

Some countries allow boats to register and fly their flags, but fail to enforce such rules, violating safety and labour standards. Fishing fleets transfer their catch to other vessels to launder the illegally caught fish, which is traded at sea rather than in port, making it easier for pirates to circumvent regulations governing the extent of illegal catches. *(FT, 02.11.05)*

G-8 Talks of Kyoto Protocol

In a meeting in London, environment Minister from G-8 nations discussed how to tackle climate change ahead of crucial negotiations on the future of Kyoto Protocol. Addressing the 'serious divide', Margaret Beckett, the UK's environment minister, said, "We want something on which the whole world agree. Technology is essential to make transition to a low carbon economy, and targets set by country or sector or internationally have a vital role to drive forward that progress".

The EU and other developed nations favour the formula of the UN Kyoto Protocol on Climate Change, requiring participants to cut their green house gas emissions relative to 1990 level.

The US has proposed instead a reliance on new technologies to replace several fossil fuels that release the greenhouse gas, carbon dioxide, when burned.

The agreement of the US is seen as essential to opening up of negotiations but US officials have repeatedly said it would be 'premature' to engage in such negotiations. *(FT, 02.11.05)*

Staggering Investment

According to Washington-based Worldwatch Institute, global investment in renewable energy hit a record US$30bn last year, accounting for 20-25 percent of all investment in power industry.

Policies to promote renewable energy have mushroomed over past few years. At least 48 countries now have some type of renewable energy promotion policy, including 14 developing ones. Most countries with renewable energy policies are targeting 5 to 30 percent of their electricity production by 2012, the end of the first phase of the Kyoto Protocol on reducing emission of green gases.

Asia is seen as an especially fertile market for renewable energy, as it grapples with growing demand for power to feed rapid economic expansion. China, with goal of making renewable energy account one-tenth of its power grid by 2020, is a world leader in existing renewable electricity capacity. *(BL, 06.11.05)*

Malaysia to Legislate Biofuel Use

Malaysia is likely to become first Asian country to replace diesel fuel with biofuel for vehicles and machinery. This is expected to cut costly fuel subsidies and boost local palm oil industry.

Malaysia's ministry of plantation industries and commodities wants to include the mandatory sale of biodiesel in the proposed fuel bill. Biodiesel will be sold from 2007 if the bill is approved.

Officials expect that use of biodiesel could reduce demand for diesel by more than 10 percent. Malaysia is also planning to set up three plants to produce 180,000 tonnes of biodiesel for export within next year.

The biodiesel plants will operate as joint venture with local palm oil plantation companies. Global demand for biofuels was 2.5m tonnes last year and is expanding by 25 percent a year, Malaysia aiming to gain a 10 percent market share.

(FT, 08.10.05)

Deadlock over EU Emissions

The European Commission (EC) is poised to shift some burden of reducing vehicle greenhouse gas emissions from carmakers to oil companies. It came after carmakers warned it would cost thousands of euros per car to meet a target of 120g of carbon dioxide a kilometre by 2012. Automotive technology alone will not be enough to reach emission targets.

The move is expected to force oil producers to increase amount of plant-derived biofuel they mix with traditional petrol and diesel. Producers have told that fuel prices or subsidies may have to rise as a result.

The oil industry is forcing the EC to carry out a detailed study of the costs and benefits of bio-fuels. They are also not ready to set precise targets for carbon reduction until after two impact assessments report. But the EC and carmakers wants them to share the burden now. *(FT, 06.12.05)*

Ecological Capital Addresses Poverty Reduction

The world's leading environmental economists, in a meeting in London say that unless 'natural capital' is factored into national accounts, poverty in both rich and poor countries will increase.

The WB has calculated that almost a fifth of the burden of all illness in developing countries is due to environmental factors, which prevent people get out of poverty.

Partha Dasgupta, a professor of economics at Cambridge University said, "Poverty will only be made history when nature enters economic calculations in the same way that buildings, machines and roads do".

Studies by Johns Hopkins University show that for every one percent increase in deforestation, there has been an eight percent increase in number of malaria carrying mosquito.

Klaus Toepfer, Director of United Nations Environment Programme (UNEP) based in Nairobi says, "In the past, the environment has been viewed as some thing like a Hermes silk tie or a Gucci handbag – a luxury only affordable when all other issues have been resolved. Investments in the restoration of eco systems are not only cost effective but also a high rate of return". *(TH, 13.11.05)*

Concern over IPR Infringement

The US, Japan and Switzerland has invoked a rarely used WTO provision to request detailed information on how China is using its regulatory and criminal procedures to try to crack down on intellectual property violations.

This comes after US has raised concern over China becoming one of world's top producers and exporters of counterfeit automotive parts, pharmaceuticals and other products affecting health and safety of consumers.

In a submission to TRIPs Council of WTO, US stated that sale of knock-off auto parts was a particularly dangerous type of IPR infringement. It also questioned China on steps it was taking to improve IPR protection and enforcement for auto parts industry overall and in the identified provinces of municipality.

The US has further asked China to give details of laws, rules, regulations and new judicial interpretation related to IPR in China.

(FE, 21.10.05)

EU Drops Investigation

Europe's main telecom standard-setter European Telecommunications Standards Institute (ETSI) finally agreed to tighten its rules on IPRs thereby ending antitrust probe by EC. This investigation started after ETSI drew criticism from leading telecom groups like Vodafone, Telefonica who have tabled a proposal for the general assembly of ETSI's members warning that current IPR rules leave companies exposed to 'unsustainable' and 'excessive' demands for royalties since current lax IPR rules encouraged 'patent ambush'.

This practice usually involves companies trying to turn patented technology into industry standard without telling other companies about their patent claim. If their technology is accepted as a new standard, companies can then demand royalties from other groups forced to use patented technology.

The probe ended following decision by ETSI to strengthen the requirement for early disclosure of those intellectual property rights which are essential for implementation of standard, meaning thereby patent holders are obliged to flag existence of their patent early in the process of developing a new standard. *(FT, 13.12.05)*

Law on Online Music Sales

In a major move to boost sale of online music in EU, EC recommends securing pan-European copyright licences by major online music providers. The move covering web casting, music downloads reflects concern of EC on slow growth of online music industry in EU.

This was further reinforced by data published by EC in July 2005 where music providers spend upto US$576,000 to acquire a copyright licence in all EU member states for one song. EC proposes purchase of one licence from one rights manager for all member states and hopes these changes will cut selling cost of music on Internet.

The EC aims to give the industry greater scope to make its own arrangments, hence the proposition is in form of recommendation rather than a formal legislation.The recommendation copy includes provisions on transparency, dispute settlement procedures and accountability of collective rights managers. *(FT, 07.10.05)*

Action against Trademark Misuse

In an attempt to end trademark violations of Japanese goods, government officials of Japan and Hong Kong will hold first bilateral meeting to halt abuse of Japanese trademarks by mainland Chinese companies.

Japan is concerned over the number of mainland Chinese companies that register pirated Japanese trademarks as their company names in Hong Kong and use those names to operate in China. Japan's trade ministry reports that at least 130 Japanese brand names have been misused in China in this way. Penalties cannot be enforced on a Chinese trademark violator because of different legal systems in China and Hong Kong.

Registering a company name in Hong Kong is faster and cost-effective than that in China. Also, there are no trademark checks made in Hong Kong. First, the companies establish a legitimate company in China, and then register the pirated name in Hong Kong claiming the Hong Kong arm a subsidiary of the Chinese company. *(FT, 26.10.05)*

Preventing Bio-piracy

A group of countries, including India, Bolivia, Brazil, Colombia, Cuba and Pakistan have demanded that in order to prevent bio-piracy, protection of the components of biodiversity and associated traditional knowledge from theft must be integrated within the framework of the WTO trade-related intellectual property rights (TRIPs) agreement.

In a submission made to WTO council on TRIPs, these countries pointed out that the recent argument by US that there was no conflict between TRIPs and the Convention on Biological Diversity (CBD) was untrue. Further, the TRIPs agreement, as it stands today, contains no effective provisions to protect those resources and associated knowledge from misappropriation and theft.

The inclusion of provisions in TRIPs to protect genetic resources and associated traditional knowledge from misappropriation would, in practice, not only support fulfilment of the objectives of the CBD, but would also be in line with the fundamental objectives of TRIPs, the submission said. *(FE, 23.11,05)*

Easing Rules on Drugs for Poor

It took two years for WTO Members to approve a change in WTO IPRs to facilitate imports of cheap copies of life-saving drugs in poor countries. The move coming as first amendment to WTO rules is seen as an essential part of 'development package', which trade ministers hoped to approve at Hong Kong Ministerial. This is a landmark achievement that will help developing countries devastated by HIV/ AIDS and other public health crisis", said Robert Portman, US trade representative.

The decision followed agreement to give LDCs until 2013 to implement WTO intellectual property rules. They already have until 2016 to introduce patents on pharmaceuticals.

The new rule will enable the poor nations lacking the technical expertise to produce medicines can import generic copies of branded drugs under compulsory license. Previously, countries could only break patents for drugs produced by domestic manufactures to serve home market.

However, development campaigners urged rejection of this cumbersome accord, which translates a waiver to the rules, agreed in August 2003. The waiver has never been used since exporting countries then have to change their domestic patent legislation.

(BL, 17.12.05; FT 07.12.05)

Ageing Hits Workforce

A study by OECD, reports that global economic growth will decline to about 1.7 percent a year over the next three decades, about 30 percent down on the rates achieved between 1970 and 2000, unless older people work longer to offset falling birth rates and increased longevity.

The report highlights that by 2050, there will be an average of more than seven older, inactive people supported by only 10 active workers in OECD countries, compared with a ratio of 4 to 10 in 2000. The effect will be more intense in Europe, where ratio of active to inactive workers is expected to fall to one to one by 2050. Another study from employment ministry, Australia, said there could be a shortfall of 1,95,000 workers over the next five years as a result of ageing workforce leading to acute skill shortages.

A study into the impact of an ageing workforce on labour market warns of rising wage inflation, increased pressure on public finances and declining growth. The study calls for an overhaul in labour market attitudes, pension arrangements and welfare benefits to encourage older people to remain in work longer.

(FT, 11.10.05 & BS, 24.11.05)

India Tops in Remittance Inflow

India was the largest recipient of remittances in the world at US$21.7bn in 2004, followed by China (US$21.3bn) and Mexico (US$12bn), according to the World Bank's annual Global Economic Prospects (GEP) report for 2006. Among the South Asian nations, Indian migrants sent back more than five times their counterparts in Pakistan (US$3.9bn) and Bangladesh (US$3.4bn).

Remittances sent through informal channels could add at least 50 percent of official estimate, making remittances largest course of external capital in many developing nations. The WB estimates that increase in migrants would raise work force in high-income countries by 3 percent by 2025, which would in turn increase global income by 0.6 percent or by US$356bn.

To attain these gains, developing nations should enter into agreements with countries to which their workers migrate to facilitate the process.

(BS, 08.12.05)

Migration on the Rise

According to a report by Global Commission on International migration, number of migrants worldwide has reached almost 200 million from 75 million in the past 30 years and therefore greater cooperation is required for better governance of migration at regional and global levels.

Expansion in scale and scope of migration seems certain due to growing developmental, demographic and democratic disparities existing between different regions of world, said a report submitted to UN Secretary General. In developing countries alone, remittance provided by migrants living abroad amounted to around US$150bn a year.

The US Senate is likely to debate permanent residentship to thousands of immigrants from countries like India and China, which means another 1,50,000 legal immigrants could be added annually. The UK would need at least 5,00,000 immigrants over and above the current level to meet the expected pension shortfall and to tide over labour crunch. *(BS, 06.10.05)*

Asian Workers Creating Niche

Many of Asia's textile & clothing (T&C) exporting countries are coping with the end of the multi-fibre arrangement (MFA) better than had been forecast, says a report by International Labour Organisation (ILO). Predictions that end of T&C quotas in January 2005 would be labour and trade catastrophe for many Asian developing countries have not been proved true.

A report on T&C presents a global picture of labour issues in the US$350bn industry, with 40 million workers worldwide and hundreds and thousands of enterprises.

However, employment in the US T&C industry fell by 6.5 percent between May 2004-May 2005, and by five percent between February 2004-February 2005 in the EU. Similar is the situation in Lesotho, Kenya and Mexico etc. With increased competition from Asia, most Latin American producers have lost market share in the recent past.

(FE, 11.10.05)

The KPO Bandwagon

The knowledge process outsourcing (KPO) business is supposed to reach up to US$17bn by 2010, of which at least 70 percent or US$12bn is to be outsourced to India.

Nasscom and E value estimated that by 2010, 300,000 jobs would be created in KPO apace and 70 percent of the jobs are expected to come to India.

However, the KPO industry will have to wade through many challenges to keep up expectations and predictions for its bright future. One of the major problems faced by the KPO industry is the dearth of skilled manpower with domain expertise. *(ET, 18.11.05)*

Call for New Immigration Body

The Global Commission on International Migration recommended that UN should create a new 'Inter-agency Global Migration Facility' to coordinate worldwide immigration policy, an international commission recommended.

The Global Commission on international migration warned that while rich countries increasingly relied on poor immigrants to maintain their current wealth, they were failing to deal coherently or even humanely with the influx. The report pointed out that nations which had signed up to UN Human Rights agreements were not implementing their provisions against the 'exploitation, discrimination and abuse' of immigrants.

The report also noted that rich countries, despite supporting UN poverty-reduction goals were 'nevertheless recruiting personnel from hospitals and schools in low-income countries that are unable to offer basic health and education services to their own citizens'. The report was meant to take a first step towards a more coherent global migration strategy. *(BS, 06.10.05)*

A Blend of Strong Measures Puts Trade Talks Back Together

As the World Trade Organisation meeting neared the end on Sunday, the resolve of negotiators to agree on a declaration on which the completion of the Doha round next year might be based was manifest. Six days and sleepless nights in Hong Kong characterised their determination not to fail.

As the draft agreement said: "You don't close divergences by taking time off to have a cup of tea", a metaphor rich in allusion to the magical "China drink" that the Dutch East India Company introduced to Europe in an earlier age of globalisation. The interesting questions now are: why did the meeting not end in failure and where do we go from here?

Most strikingly, the protesters, carrying placards that screamed "Sink the WTO", failed in their objective. The violence at the end threatened a return to the chaos of Seattle in November 1999, when demonstrators wrested the opportunity to launch the WTO's first round of multilateral trade negotiations from the hands of delegates. But these tactics did not work this time. Hong Kong was prepared where Seattle was not.

It is now evident that the protesters and the non-governmental organisations are no more a monolithic bloc than are the negotiating governments. The South Korean farmers who constituted the majority of demonstrators in Hong Kong were protesting against the reduction of agricultural protectionism in South Korea, a member of the Organisation for Economic Co-operation and Development. Likewise, Jose Bove, the French anti-globalisation farmer who featured prominently in the protests, is a defender of European Union agricultural protectionism. They were pitted against the British charities, such as Oxfam and Action Aid, whose anti-protectionist agitation is doubtless coloured by the fact that Britain is the loser in the EU's common agricultural policy.

But if these groups no longer had the coherence that could kill the Hong Kong meeting, the negotiating governments had every incentive to save it. Those among us who thought that there were arguments for cautious optimism at Hong Kong, and for the Doha round's success, turned out to be right. The previous ministerial conference in Cancun had taken out the contentious Singapore issues - competition policy, investment and transparency in government procurement - and paved the way for a reform of the agreement on trade-related aspects of intellectual property. But in Hong Kong, there was more progress on the key issues still before it.

First, on agriculture, an agreement to eliminate export subsidies - which amount to no more than about Dollars 5bn (Pounds 2.8bn) anyway - was much desired. The EU correctly insisted that food aid, which is obviously trade-distorting, be included, as should most forms of export credits and even state trading practices in so far as they distort trade. With the support of India and China, which have generally refrained from targeting the EU, an agreement was reached to eliminate export subsidies, not by 2010 but by the end of 2013. This is a big addition to the early harvest for the Doha round.

Second, while there is no commitment on the rest of trade-distorting agricultural subsidies and on tariffs and quotas - though progress has been made on who should cut subsidies more - and on the reciprocal concessions by Brazil and India on market access in manufactured goods, no line has been drawn in the sand either against commitments to such concessions in the further negotiations.

There is every indication that India will play ball: its socialist and communist opposition is tied up with opposing privatisation and labour reforms. Indian industry has come of age and has now moved, thanks to its success in information technology, from a defeatist embrace of protectionism to a "can do" attitude. Manmohan Singh, the Indian prime minister, and Kamal Nath, his commerce and industry minister, both see protectionism as a relic of the past. Brazil and the Cairns Group of agricultural exporters recognise that the success of the Doha round is their best hope of getting trade-distorting subsidies and trade restrictions on market access removed. Given the high value they attach to the reform of agriculture in the trading system, surely they are prepared to make concessions in market access for manufactured goods. There is plenty of indication that they will do so.

Third, the 50 least developed countries have now been bought off with duty-free and quota-free access on 97 per cent of import lines by the EU, Japan and the US by 2008. In truth, this is an approach that is harmful to these countries in many ways. The preferences it implies are a wasting asset: their value, already small, declines as most favoured nation tariffs decline. Besides, it cynically helps these countries' exports at the expense of their poor competitors in the developing countries just above the qualifying line. Yet, the least developed countries are keen on this folly and since their consent is necessary before Doha can conclude, that is one more obstacle removed.

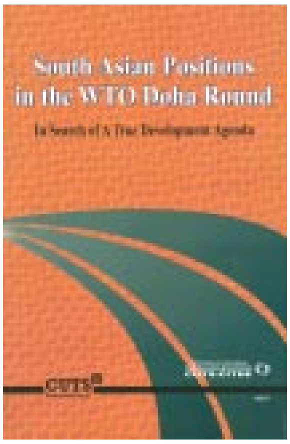
Fourth, the declaration endorses what many of us have argued for some years now: that aid should be given for trade to enable the poor countries to take advantage of the improved opportunities resulting from the reduction of trade barriers, both abroad and at home. Offers in that direction were made by the EU, US and Japan. I am glad to see that my suggestion that Pascal Lamy, the WTO's director-general, set up a task force to channel these funds in appropriate ways has been endorsed.

So, we have now taken significant steps towards the conclusion of the Doha round. The urgency of reaching the contours of the final agreement by the end of 2006 (because of the expiry of fast-track authority in the US) has led the 149 governments, which have little doubt about the value of the Doha round, to set April 30 as the new deadline. We can fully expect that the governments, and the WTO secretariat, will be consuming a lot of tea as they make this final dash to a successful completion of Doha.

Jagdish Bhagwati, Professor of economics and law at Columbia University, (FT, 19.12.05)

South Asian Positions in the WTO Doha Round

In Search of A *True* Development Agenda



The success of the current Doha Round of trade negotiations hangs in the balance. Advancing the agenda for development within the Doha negotiations is in the development interests of developing and LDCs alike. The Doha Round aims to reverse the brewing scepticism by providing a reliable engine of trade-led growth and development.

South Asian Positions in the WTO Doha Round: In Search of a *True* Development Agenda is the first collective endeavour of five research organisations in five developing countries, viz. Bangladesh, India, Nepal, Pakistan and Sri Lanka. Each of five countries highlights the concerns of South Asian countries, in general, and (LDCs), in particular, on five key issues of the 'July Framework' of the WTO Doha Round: agriculture, NAMA, services, trade facilitation and development dimension.

This 400-odd pages book is a production of a project, 'WTO Doha Round & South Asia: Linking Civil Society with Trade Negotiation', being implemented with the support of NOVIB (OXFAM, The Netherlands). The volume traces the background of major concerns, examines various ways in which the WTO might be reformed or improved and the chances of success in the Doha Round thus enhanced *vis-à-vis* five key issues. The five major issues are addressed in six broad chapters; each covering an issue with agriculture is discussed in two.

The volume begins in a fresh style by providing a 'detailed overview' of each chapter followed by a comprehensive discussion of each topic in the orderly format. Chapter one provides a brief survey of contemporary WTO agriculture trade talks', which includes the 'three pillars' of agricultural trade negotiations, viz. market access, domestic support, export competition and outlined the three major problems: arithmetic, legal oscillations and crafting of trade-impeding NTBs.

The chapter on agriculture in the 'July Package' explores the implications of the ongoing Doha Round negotiations on agriculture for LDCs as a group highlighting the role of agriculture in the LDCs. It covers the negotiating landscape for LDCs, such as special safeguard measures, preference erosion, domestic support, export subsidies and cotton etc.

The major concerns of five countries *vis-a-vis* NAMA are simplification of RoO, concession in the coverage of tariff reductions, and duty-free and quota-free access to the markets of developed countries. In addition, it highlights the key elements of the proposed negotiating strategy for developing countries, such as 'Swiss Formula; 'Derbez Text' (a text addition after the Cancun Ministerial) and lists some of the policy implications for the five countries.

Chapter four covers a wide discussion on South Asian agenda for services negotiations. It explains the current transformation in services trade negotiation under General Agreement on Trade in Services (GATS) by identifying the major areas of strength and export interest of South Asian countries as well as lists the major barriers (Mode-4) under different modes of service supply, including the problems of LDCs. It outlines the growing importance of services sector in South Asia – both in the national economy and international trade. Besides, it highlights how services trade liberalisation is a win-win situation for all WTO Members and gives an account of approach the South Asian countries have adopted in Doha Round *vis-à-vis* services negotiations. The chapter ends with recommendations for future negotiating strategy for South Asian countries.

The chapter on multilateral agreement on trade facilitation discusses the background of trade facilitation under WTO with emphasis on core issues, such as Articles V, VII, VIII, X of the GATT, SPS Measures, Technical Barriers to Trade (TBT) and RoO.

Development dimension is a major concern for South Asian countries. And chapter on this issues starts with development related outcomes of the Doha Ministerial and goes on to discuss the negotiations on development dimension, viz. special and differential treatment (S&DT), implementation-related issues, capacity building (CB), technical assistance (TA) before examining the negotiating positions for LDCs.

This book is a valuable source of both information and analysis on the main agenda items facing developing countries in future negotiations on the WTO. Examples, figures, tables, boxes based on case studies provide ornamental beauty to the content. The contributors from five countries include scholars of repute: Raghbendra Jha, Jacob George, Posh Raj Pandey, A R Kemal, Muleh-ud-Din, Ejaz Ghani, Pranav Kumar, Dshmi Weerakoon, Jayanthi Thennakoon, Salma Chaudhary Zohir and Narayan Chandra Nath, who pragmatically assess what developing countries try to get and how they should go about getting it.

The volume is a must for researchers, scholars, academics, organisations, institutions, students and general readers who have even least interest in WTO-related issues.

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