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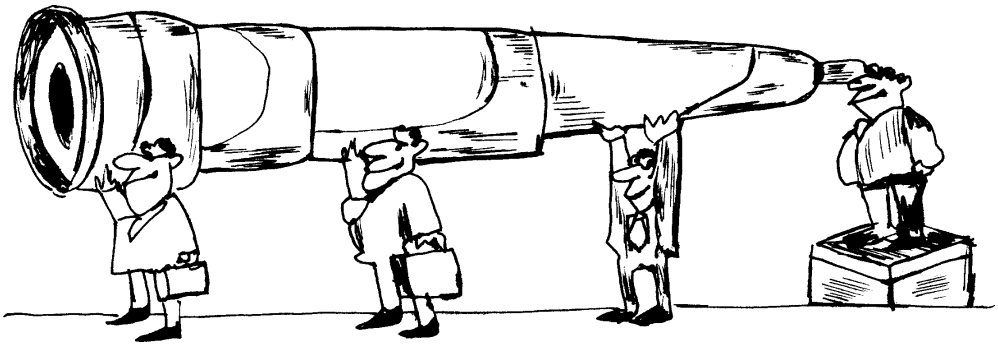
*No. 14, April-July 2000*

# Trade and ....?



The latest salvo to be fired by the European Union at the World Trade Organisation is to link animal welfare with trade in the Agreement on Agriculture. The issue of linking environment and labour standards with trade has not yet died down, and now animal welfare has been added to the menu.

The EU has cleverly killed two birds with one stone by proposing that animal welfare standards be looked at in the context of trade, under the agreement on agriculture. Firstly, it will satisfy its animal welfare lobbies, who have been screaming for it.

Secondly, it will continue to muddle the agricultural negotiations, as it has been dragging its feet on it. It doesn't want to give anything in agriculture unless it gets something out from future agreements on investment and competition policy. And that, according to the Europeans, can only be negotiated under a new round.

At the Singapore ministerial meeting of the WTO, when investment and competition policy issues were agreed to be discussed, we had suggested a change in the name of the WTO as the WEO, i.e. the World Economic Organisation, as investment and competition are not strictly trade issues. Now there is more to come.

As far as animal welfare is concerned, animal welfare activists have been at all environmental meetings at the world trade fora, demanding for linkages with trade since a long time. We have been waiting for it to happen. If the movement to link it with trade is not successful, we have seen the adverse effects of negative publicity and consumer boycotts. The latest in India was the case of animals, when being taken to the slaughter houses. The US NGO: People for Ethical Treatment of Animals (PETA) went around the country and raised hell. As a result the leather industry felt the heat badly.

Prime Minister, Atal Behari Vajpayee, was provoked to write to all chief ministers to ensure that slaughter animals are not treated cruelly. Our commerce and industry minister, Murasoli Maran gave the PETA team an audience and pleaded with them for understanding our problems sympathetically.

In future, gender, and human rights activists will also push for linking trade with their concerns. They have also been on the scene since quite some time. Dowry deaths will invoke the ire of both the branches of activism, even if they do not have anything to do with trade. Just take a look at our child labour problem.

Indeed there is a much larger child labour in the informal sector and those that are in the export sectors are perhaps better off than their fellows in the informal sector. Recently, Ganesh bidis were banned from being imported into the USA, because they employed child labour. Perhaps sanctions may backfire. All such activities will go underground and corruption will increase. The actual problem may not be solved.

Therefore if all such issues continue to occupy the centre stage, and social activists continue to demand that the WTO be the ultimate arbiter for all 'trade-related' issues, it will then perhaps become the WESO, i.e. World Economic and Social Organisation.

We already have the Economic and Social Council under the United Nations so what is there is enough precedence to change its name, character and scope. Further non-trade issues likely to be demanded for being linked could be good governance and what have you!

No one will address the linkages between trade and poverty, even though the OECD and other rich countries continue to harp on 'their' target of reducing world's poverty by half by 2015, and rich countries are pumping in few million dollars in

*Contd. 2*

INSIDE



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combating poverty in developing countries.

One of the major problems with poverty reduction is the unfair terms of trade in the WTO, as it systemically disables a country's capacity to address welfare issues. And that is not being addressed at all.

Another major problem, especially for the least developed countries, is the mounting burden of external debt. The OECD countries do make noises on these issues from time to time, but when it comes to action, one sees very little of it. The last we heard was at the Okinawa summit of the G-8, but no concrete plan of action was adopted to write off the debt burden.

The issue of linking trade with either labour standards or with environmental standards has been occupying the centre stage ever since the WTO came into being in 1994. It has further divided the rich North and the poor South.

The tragedy is compounded by the fact that it is a one-way street i.e. the rich North is the demandeur and the poor South the defender. Inherently it is inequitable because the South cannot invoke any such ground to propose or justify trade measures, sheerly because it cannot afford to.

It needs trade and investment to achieve economic growth, create more jobs and get their people out of poverty. Under these circumstances, the South needs to push for its agenda more vigorously then ever before.

*Pradeep S. Mehta, Editor*

**Globalisation and Job Opportunities**

I am a regular reader of your newsletter. I had been shaping an idea on globalisation and job opportunities.

I feel that lot of opportunities exist in developing countries, yet people are migrating out. I would like you to throw more light on this issue for our information, knowledge and guidance.

*R. S. Negi*
*Dehra Dun, India*

**Fact Exploring**

I came across the mention of a research report published by your organisation. I find it very interesting and fact exploring.

I will be extremely grateful if you could kindly send us a copy of the report, "Non-trade Concerns in the WTO Agreement on Agriculture".

*Ruchita Khurana*
*Centre for Science and Environemnt*
*New Delhi, India*

**How to Subscribe?**

We would appreciate if you could send us your newsletter, Economiquity on a regular basis. Our documentation centre received a copy of your newsletter, which was very interesting.

Could you please send us the former issues and tell us how to subscribe?

*Marc Francois*
*GRESEA*
*Brussels, Belgium*

**Wonderful Help**

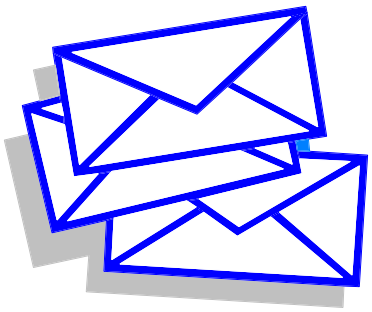
Good wishes from the Philippines. CUTS discussion paper, Multilateralisation of Sovereignty, is of wonderful help in thinking on multilateral agreement on investment.

*Veronica F. Magsino*
*Office of the Monetary Board*
*Manila, Philippines*

**Excellent Work**

I warmly appreciate the excellent work being done by your organisation, particularly on the impact of globalisation on developing countries. The collection of news items, articles and papers on the subject are of great help to researchers working in this area.

*I. N. Mukherjee*
*Jawahar Lal Nehru University*
*New Delhi, India*



# Review of the Agreement on Agriculture: Developing Countries' Thoughts

***The WTO Agreement on Agriculture (AoA) is undergoing a review process. Under the Marrakesh Agreement establishing the World Trade Organisation, in 1994, it was mandated that as of January 1, 2000, the WTO Members will launch new negotiations to continue reform process in agriculture. However, no deadline was set to complete the review. After initial hiccups over the negotiating agenda and selection of the chairman, who would preside over the review meetings, the process started in the second half of 2000.***

**A Brief History**

Since 1947 the GATT (General Agreement on Tariffs and Trade) rules governing international trade in agricultural products were relatively weak compared to those covering industrial products. Though, the introduction of multilateral disciplines in trade in agriculture has been under consideration for a long time, it was only during the Uruguay Round of negotiations that concrete steps were taken.

The AoA has three main components: reductions in farm export subsidies, increase in market access for imported agricultural products, and reduction in domestic subsidies.

Furthermore, in categorising the subsidies, it has taken traffic light approach. Some subsidies (notably for research and development) are put under green box. Some others, which are actionable, are put under amber box, while the grey areas on subsidies are known as blue box measures.

Another important element was the consideration of several non-trade concerns vis-à-vis liberalisation of agricultural trade. Domestic food security is being the most important among them.

However, looking at the implementation of provisions of the Agreement, especially by the US and European Union (two biggest players in the arena), developing countries expressed their dissatisfaction on several occasions. These get reflected in their submissions to the review committee as well.

**General Subsidies Box**

One of the key problems of implementation is that domestic support, measured in terms of the aggregate measurement of support, was to be reduced by 24 percent by developed countries.

However, despite this reduction commitment, overall level of supports on the whole has increased. This is evident both from the green box subsidies countries have declared, as well as producer support estimate figures reported by the countries of the Organisation for Economic Cooperation and Development (the rich nations club).

Given this, eleven developing countries noted that the various subsidy boxes have not been helpful in lowering overall subsidy levels. The reality is that huge amounts of subsidies are mostly production related and trade distorting. The proposal was submitted to the June Special Session of the WTO Committee on Agriculture. It was submitted jointly by Cuba, Dominican Republic, Honduras, Pakistan, Haiti, Nicaragua, Kenya, Uganda, Zimbabwe, Sri Lanka and El Salvador.

They also noted that the non-actionable green box subsidies are often seen as provisions, which allow governments to provide for the non-trade concerns mentioned in the preamble of the Agreement. However, it is used most frequently by a small group of developed countries.

It was proposed that the present structure of subsidy boxes should therefore be changed. Collapsing all subsidies into one category would eliminate the existing loopholes and bring rationale and structure to the Agreement. Having one general subsidies box would greatly ease the load for many understaffed developing country member delegations.

They proposed that a common level of supports should be allowed, e.g. ten percent of production for all countries. This level of subsidies should be non-actionable. Subsidies of five percent above this ten percent level will be actionable for developed countries. Subsidies beyond this level should be treated as prohibitive. Developing countries, however, will be allowed additional flexibility under a "development box".

**Need for A Development Box**

Above-stated countries are of the view that for reasons of national security, economic and political stability, special and differential provisions giving more flexibility in agricultural trade policies must therefore be allowed to them.

Key products, especially food staples, should be exempted from liberalisation, and the domestic production capacity of developing countries must be encouraged and helped along to become more competitive, rather than destroyed on the basis of non-competitiveness.

Under GATT Article XXI, national security issues may be exempted from the WTO trade disciplines. Food security is also inextricably connected to national security and political sovereignty.

Chronic food insecurity puts national security in jeopardy by placing at risk, the health of a large number of people, and also because it incites internal turmoil and instability. The other dimension is political independence and sovereignty.

Countries in dire need and dependent on other countries for something as basic as food are politically weakened because they have little choice but to accept the conditions which may be imposed on them by lending agencies or countries.

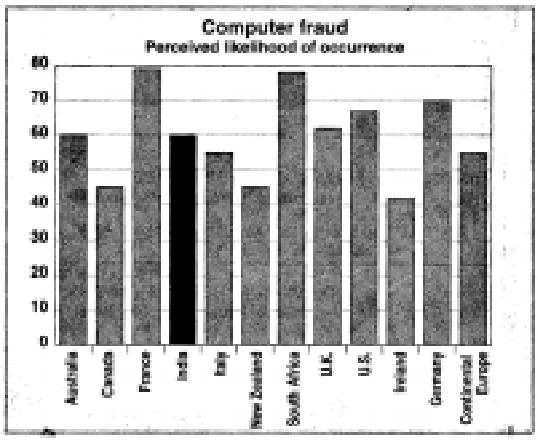
Taking into account all these factors, the proposal was a development box should be created with policy instruments that aim to:

- protect and enhance developing countries domestic food production capacity particularly key staples;
- increase food security and food accessibility for especially the poorest;
- provide or at least sustain existing employment for the rural poor;
- protect farmers which are already producing an adequate supply of key agricultural products from the onslaught of cheap imports;
- flexibility to provide the necessary supports to small farmers especially in terms of increasing their production capacity and competitiveness; and
- stop the dumping of cheap, subsidised imports on developing countries.

# Corporate Fraud Goes Global

Management consultancy Ernst & Young's fraud investigation group has released "The Unmanaged Risk", a comprehensive international survey on the effect of fraud on business.

The evidence has been gathered from senior executives across 739 organisations from 15 countries. Over 60 percent suffered a fraud in the last 12 months, while ten percent suffered more than 50 incidences. Many respondents perceived their greatest threat to be computer-related fraud.




Fraud loss recovery levels are very low; just 29 percent of the total value of the frauds reported in the survey.

According to the study, not enough is being done to increase fraud awareness and to treat fraud as a serious crime.

Further, frauds are not just restricted to one company or one country but in the new connected economy. It is cross-border and even global. *(BL, 07.06.00)*

**Warning on French Economy**

Dangerous bottlenecks are developing in the French economy. This created an urgent need to raise investment and remove labour market rigidities, warned Jean-Claude Trichet, governor of the Bank of France.

The tone of his commentary nevertheless complimented the modernising process of the French economy. He highlighted the huge productivity gains made by industry, where unit wage costs had grown 16 percent less than in the rest of the euro zone since the late 1980s.

But for the third year running he took the government to task for the continuing high level of public spending. He also criticised the government's failure to bring the budget deficit down further at a time of strong growth. Other European Union members were near balance or in surplus.

At the same time, Trichet pointed out that capacity utilisation now touched a high of 87 percent while 31 percent of businesses were reporting production bottlenecks. *(FT, 30.06.00)*

**Accounts Rules Adopted**

Broadcasters, municipal contractors and any companies combining public service obligations with commercial activities will have to keep separate financial accounts under rules adopted by the European Commission.

Such separation of internal accounts will make the actual costs of the public service obligations more apparent and provide the Commission with the necessary data to examine complaints about alleged cross-subsidisation.

The rules will particularly affect public broadcasters, such as the British Broadcasting Corporation in Britain. As the rules are in a Commission directive, they do not have to be agreed by member countries but become law in 2002.

Rules already exist for sectors such as telecommunications, railways and postal services where companies must provide separate accounts. *(FT, 13.07.00)*

**Money Laundering: A Menace**

According to one official of the Organisation for Economic Cooperation and Development, the problems of money laundering has not been resolved, though progress has been achieved.

The latest issue of OECD Observer commented the facilities and methods used by launderers are changing all the time as they try to circumvent the preventive measures put in place by various countries.

The scale of money laundering could be somewhere between two to five percent of world's gross domestic product. On 1996 statistics, this translates into a range of $590bn to $1.5tn. *(BL, 20.06.00)*

**Czech Recovery on the Road**

The Czech economy is on the road to recovery, with strong western European demand and record foreign direct investment making up for weak consumer spending and long-delayed corporate restructuring.

GDP increased by 4.4 percent year-on-year in the first quarter, which was double that expected by many economists.

The Czech economy went into recession in 1998-99 after a currency crisis and subsequent tightening of monetary and fiscal policy.

However, economists warned that overall growth this year was still likely to reach only 2.5 percent at best. This is because the rise in the first quarter was exaggerated by the low base last year, more working days and increased inventories. *(FT, 27.06.00)*

**Too Good to Last**

A 20-page document doing the round of Moscow's corridors of power might just herald the start of radical and long-awaited reforms to Russia's battered economy. It contains the outline of a government action programme for the next 18 months, that was endorsed by the cabinet.

There are calls for:

- a shake up of the tax and customs regime;
- the break up of the country's gas and electricity monopolies and the introduction of competition;
- the end of housing subsidies; and
- a balanced federal budget from 2001.

"When you list them it all sounds wonderful. It also sounds unrealistic. Russia has a fantastic record of producing economic programmes but a hopeless record of implementing them," said Ronald Nash, an analyst with Renaissance Capital, the Moscow-based investment bank. *(FT, 04.07.00)*

### Walking Economic Tightrope

South Korea is walking a tightrope with its economic reforms only half complete, the OECD has warned. The country will face problems unless it does more to reverse government intervention in the economy, the organisation says in a report on regulatory reforms.

There is a risk of complacency and even a tendency for government intervention to creep back into economic management. The report comes when Korea has been grappling with losses among its investment trusts and liquidity problems at its Hyundai conglomerate.

The OECD argues that some of the actions taken to deal with the 1997 crisis have reinforced the role of government in the economy instead of reducing it. A decision to slow or reverse reform would exacerbate the structural weakness that made Korea vulnerable to the 1997 crisis, it says. *(FT, 03.06.00)*

## US: The Most Competitive Economy

According to the annual rankings of the Swiss-based International Institute for Management Development, the US remains by far the most competitive economy. The IMD also gives high marks to several smaller western European economies that are investing heavily in information and communications technology.

Finland, which has the world's highest mobile phone density, was again in third place after Singapore, jumping from 15th place in 1996. Ireland, Sweden and Iceland make the top ten this year, behind the Netherlands, Switzerland and Luxembourg. Germany, Europe's biggest economy, moved up a notch to eighth place.

The IMD, unlike the World Economic Forum that produces a rival competitiveness league table, gives some weight to quality of life indicators as well as economic performance.

The IMD defines overall competitiveness as the extent to which countries sustain the ability of companies to compete with foreign rivals at home and abroad. *(FT, 19.04.00)*

**World Competitiveness 2000**

| | Ranking | | |
|---|---|---|---|
| | 2000 | 1999 | 1998 |
| US | 1 | 1 | 1 |
| Singapore | 2 | 2 | 2 |
| Finland | 3 | 3 | 3 |
| Netherlands | 4 | 5 | 4 |
| Switzerland | 5 | 6 | 7 |
| Luxembourg | 6 | 4 | 9 |
| Ireland | 7 | 11 | 11 |
| Germany | 8 | 9 | 14 |
| Sweden | 9 | 14 | 17 |
| Iceland | 10 | 17 | 19 |
| Canada | 11 | 10 | 10 |
| Denmark | 12 | 8 | 8 |
| Australia | 13 | 12 | 15 |
| Hong Kong | 14 | 7 | 3 |
| UK | 15 | 15 | 12 |
| Norway | 16 | 13 | 6 |
| Japan | 17 | 16 | 18 |
| Austria | 18 | 19 | 22 |
| France | 19 | 21 | 21 |
| Belgium | 20 | 22 | 23 |

### Call for Policy Rethink

The United Nations Conference on Trade and Development has underlined ther need for a rethinking of global and domestic policy approaches for the Sub-Saharan African countries. This should be based on a realistic assessment of their resource needs, it says.

UNCTAD argued such an approach would recognise the shortcomings of pre and post adjustment policies and address directly the structural constraints and institutional hiatus that pervade the region.

It said despite many years of intensive and widespread adjustment, barely any African country has successfully completed its adjustment programme and set off on a sustained growth process.

"Not only have there been serious shortcomings in the design and implementation of policies, but also adjustment has generally been under-financed," it said. *(BL, 29.07.00)*

### Japan Hit by Exodus

Two British economists say they know who is to blame for Japan's decade of lost economic growth and its uncertain future—Toyota, Hitachi and all other multinational companies.

An exodus of big Japanese companies since the early 1980s has wrought havoc on the all-important small business sector by starving it of new investment and order, according to Keith Cowling and Philip Tomlinson of Warwick University.

The decline in profits and return on capital suffered by most Japanese manufacturers between 1992 and 1997 was particularly steep in those sectors where a significant share of production was shifted overseas. *(BL, 28.06.00)*

### Latin America: Patchy Recovery

Latin America's economic recovery is picking up steam, but the pace of the revival from the sharp downturn in 1998 and 1999 is uneven.

While Mexico, Brazil, Chile and Peru are expected to grow at a faster rate than they were three months ago, prospects in Argentina, Venezuela and Colombia have deteriorated.

Overall the region will grow by 3.9 percent, according to the monthly analysis of economic forecasts by Barcelona-based LatinFocus Consensus Forecast.

Rises in the price of oil and some other commodities, an improvement in international investor confidence and a gradual recovery in domestic demand are the main factors behind the recovery. *(FT, 19.06.00)*

### Plan for Single Currency

Six West African countries, all with huge economic problems, have announced plans for a single currency within three years. Gambia, Ghana, Liberia, Nigeria, Sierra Leone and Guinea signed up an agreement for this.

They set themselves economic convergence targets described as stringent by Ghana's president Jerry Rawlings. Independent economists call that an understatement.

"It took euro five years with more or less everything on its side plus 20 years of close cooperation between the central banks. Starting from scratch would be very difficult," said Sheila Page, a research fellow with the Overseas Development Institute, London, UK.

The six countries nonetheless agreed to target a list of convergence indicators:

- single digit inflation in 2000, five percent maximum by 2003;
- reserves covering three months of imports by end-2000, six months by end-2003;
- central bank financing of budget deficit limited to one percent of the previous year's tax revenue; and
- budget deficit, excluding grants of no more than five percent in 2000 and four percent in 2002. *(FT, 06.05.00)*

**Indonesia Set to Miss Deadline**

Indonesia risks failing to meet its own deadline for reforms to comply with an International Monetary Fund agreement, despite speeding up its attempts to change policy. The delay coincided with a steady decline in Indonesia's stock market and currency.

Important policy changes include auditing the central bank, recapitalising bankrupt banks and appointing special judges to hear commercial cases. Many economists said, "There is no way the government will implement some of the [IMF] reforms in the allotted time."

Indonesia has promised extensive restructuring of its economy. Reforms include liberalisation of markets and strengthening the legal system. Implementing the IMF programme has often proved painful for the Indonesian government.

President Wahid's economic management and ability to implement the reform programme has come under increasing criticism in recent months, not only from opponents in parliament, but also from colleagues. *(FT, 29.06.00)*

**Strong Growth in EU**

The European Union's economy will grow faster this year than at any time since 1989 and is on track to create around 2mn new jobs in the two years to the end of 2001. This was stated by the European Commission.

The Commission disclosed a sharp upward revision in its expected growth rates in the EU and the euro zone to 3.4 percent in 2000 from forecasts of three percent and 2.9 percent for the two areas.

On the basis of unchanged policies, the Commission believes the EU and euro zone economies could grow by a further 3.1 percent next year. "The last ten years were a decade of stability," said Pedro Solbes, the EU commissioner for economic and monetary affairs.

"Now we want the European economy from stability to dynamism," he added. The Commission admitted that EU's economic performance in the 1990s was disappointing, both in comparison with the past and with the US. *(FT, 12.04.00)*

**OPEC to Raise Production**

Leading oil exporters agreed to a nominal output increase of 708,000 barrels a day, in a move expected to offer little relief to consumers struggling with a near trebling of oil prices over the past 18 months.

Ministers of the Organisation of Petroleum Exporting Countries reached agreement after only two formal negotiating sessions in Vienna, Austria. This was an indication that they were keen to make a gesture to oil consuming countries, which are worried about price levels.

However, OPEC countries are already producing beyond their quotas. A large part of any formal increase will be seen as merely legitimising the present level of cheating. *(FT, 22.06.00)*

**Warning over Debt Restructuring**

Thailand, which formally graduated from a $17.2bn International Monetary Fund stabilisation programme, logged healthy first-quarter economic growth of 5.2 percent year-on-year.

However, economists warn that the country must push forward with corporate debt restructuring to avoid undermining a steady recovery. Thailand's economy is widely expected to grow by five percent this year.

Driven by a 25 percent surge in exports and a five percent pick up in private consumption, first-quarter manufacturing output 9.5 percent year-on-year, while transportation grew 5.6 percent. Private investment also grew by 14.6 percent. *(FT, 20.06.00)*

**From Spectacular to Good**

US economic performance is shifting from truly spectacular to merely good. Mounting evidence points to a slowdown in the economy's growth trajectory.

The latest sign was a second consecutive month of declining retail sales, another was the drop in housing starts. With inflation remaining tame, the current Federal Reserve tightening cycle is at an end. The equity market tends to do well once the Fed finishes tightening.

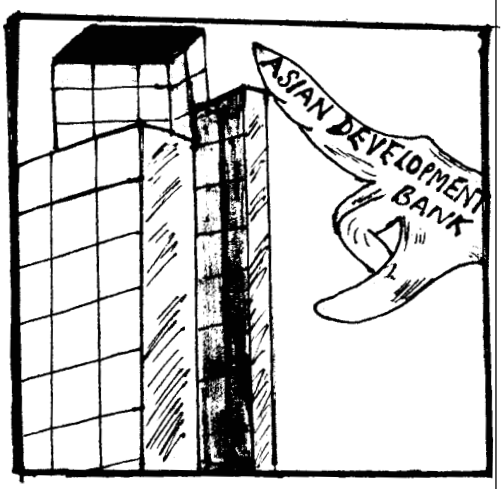
On the other hand, the technology share of the US economy will continue to rise over the next couple of years. Companies everywhere are in the midst of the most rapid change in the corporate business models in the history. They must successfully harness the internet or wither away.

That imperative is fuelling a tremendous, ongoing surge in technology investment that shows little sign of cresting. The explosion of technology is primarily responsible for the remarkable acceleration in US productivity growth. *(BL, 23.06.00)*

## Set for Exceeding Expectations

Asia's economic recovery from financial crisis has "exceeded all expectations", with regional economic growth this year likely to reach 6.2 percent for the second year in succession, according to the Asian Development Bank.

Yet, the ADB says more democracy and good governance are needed in tackling poverty and social deprivation.




The region's growth in 1999 was primarily caused by increased global demand for electronic goods in the first half of the year and fuelled by expansionary policies and structural reforms in the second half, the bank says.

Consumer confidence is returning, especially in the newly industrailised countries and south east Asia, owing to improved global economic conditions and booming equity markets. *(FT, 20.04.00)*

### NZ to Tighten Investment Law

New Zealand's government would instruct the country's foreign investment watchdog to tighten its approval process, which previously saw almost all applications approved.

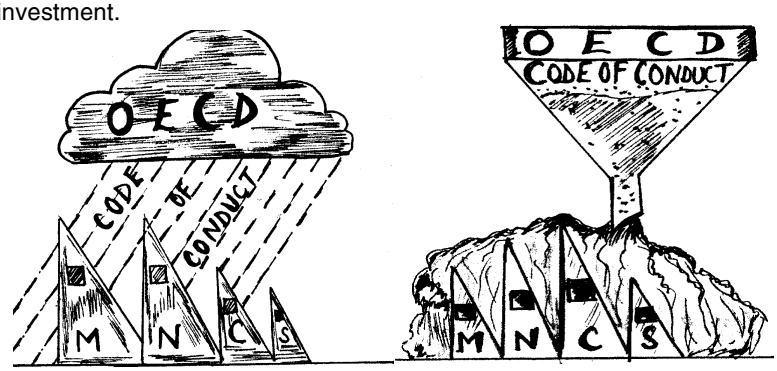
The government was redrafting instructions to the Overseas Investment Commission on how it was to treat applications under the Overseas Investment Act, 1998 and the Fisheries Act, 1996.

In a related development, the government's move to stop a foreign company owning 50 percent of Sealord, the country's biggest fishing group, to sell its stakes to another foreign company is widely seen as a political gesture.

This was the first time since 1984 that New Zealand administration had acted to overrule the Overseas Investment Commission, whose constitution requires it to take a bilateral approach to such issues. *(BL, 31.05.00; FT, 11.05.00)*

## Agreement on Global Company Code

Members of the Organisation for Economic Cooperation and Development (OECD) approved a revised code of conduct for multinational companies. Labour unions and NGOs hailed it as a breakthrough after their vigorous campaign three years ago against the organisation's failed effort to negotiate a multilateral agreement on investment.




However, the NGOs said the code was still too weak. They pledged to continue pushing for binding international rules on multinationals and warned governments that they would campaign against the code if they found it was not being implemented properly.

The OECD guidelines for multinational business have been in existence since 1976 but have fallen into disuse over the past decade. However, they were not legally binding and the system of national contact points set up to monitor respect of the agreement was fallen by the wayside. *(FT, 28,06.00; BL, 29.06.00)*

### Beef up Global Financial System

Leaders of the group of seven rich industrial nations endorsed ways to root out abuses of the global financial system. They also confirmed that they would be prepared to block loans from agencies such as the International Monetary Fund if countries do not cooperate to money laundering.

In a related development, the Bank for International Settlements has warned against a sharp and unwelcome turn away from a market-based approach to less desirable solution.

The potential economic costs of sporadic financial crises must always be weighed against the on-going benefits of freer capital markets, it cautioned. It also said that a further constraint on the pursuit of efficiency, particularly in the development of financial systems, must be considerations of safety and stability. *(TH, 22.07.00; BL, 06.06.00)*

### Marked by Volatility

The international capital market was beset with high volatility in the first few months of this year. The most volatile markets being the bourses, particularly those trading technology stocks even though the volatility also spilled over to the fixed income markets and major currencies.

This volatility appears to have taken its toll on investors' willingness to bear risk. Credit spreads widened by more than what could be accounted for by the decline in the benchmark government bond yields.

Not all borrowers were affected and those with the highest credit ratings and some from emerging markets were unfazed by the volatility. But the unrelenting strength of the US real activity fostered uncertainty over the existent of monetary tightening required to slow the economy. *(BL, 13.07.00)*

### Cuba Halts Holiday Home

Cuba has halted new foreign investment in residential property, putting a brake on the construction and sale of holiday or business homes to foreigners. "The order has been given to halt new investments. We are reviewing the whole real estate policy," a senior foreign investment official said.

The freeze on new projects has caused uncertainty among foreign property developers who are involved in 17 joint ventures with Cuban partners. A question mark remains over the future of a further 50 to 80 new residential investment projects which have been under negotiation.

The possibility of construction and ownership of new apartment homes in Cuba was opened up by ground-breaking 1995 foreign investment legislation which had attracted huge interest from overseas investors.

Construction and ownership of property remains politically sensitive in Cuba. This is because although ordinary Cubans can own their own homes, they cannot generally sell or buy them freely. *(FT, 05.05.00)*

### To Clinch Asian Recovery

An upturn in investment will clinch Asia's economic recovery. The current sluggish pace pf capital spending is not a concern because most economies are running well below capacity, a World Bank study said.

"When we see a recovery in investment, that's when we'll know Asia's economies are in a solid recovery phase," said Masahiro Kawai, bank's chief economist for East Asia and Pacific.

A key question mark over the economic outlook is whether banks, with weakened balance sheets, will be able and willing to finance increased capital spending requirements.

The study highlighted concerns that a large proportion of companies in the crisis-hit countries did not expect to begin earning enough operating profits to cover interest expenses. *(BL, 02.06.00)*

**IMF to End Mission Creep**

The new head of the International Monetary Fund, Horst Kohler, called to reverse some of the fund's mission creep. The move has been broadly welcomed by the institution's board.

He called on the organisation to focus more on its core areas of specialisation, relating to monetary, fiscal and financial policies in member countries. This implies streamlining fund programmes that had begun to incorporate a growing number of policy goals.

This proposal would have consequences for the IMF's role in the world's poorest countries. It would leave the fund as the arbiter mainly of the overall macroeconomic conditions in an economy, leaving social, poverty and other questions to the World Bank. *(FT, 19.07.00)*

**Rise in EU Investment to US**

Flows of direct investment between the European Union and the US went sharply in favour of the US last year. This, economists say, offers a partial explanation of the euro's weakness on foreign exchange markets.

Businesses in the EU invested Euro161bn ($151bn) in the US, about 25 percent more than the Euro129bn ($121bn) in 1998. This data was published by Eurostat, the EU's statistical agency.

In the other direction, US businesses invested Euro68bn ($64bn) in the EU, a 15 percent increase above the 1998 level of Euro59bn ($55bn).

This trend seems likely to continue this year, especially if Deutsche Telecom proceeds with its planned purchase of VoiceStream of the US for $50bn. *(FT, 28.07.00)*

**Singapore Bank Reforms**

Singapore's banks must divest non-financial activities within three years as part of ongoing reforms to strengthen the financial sector. The chairman of the Monetary Authority of Singapore, Lee Hsien Loong told bankers that the separation of non-financial activities and the unwinding of cross-shareholdings would limit the risks of contagion to the banks in future.

Big Singaporean banks have substantial property holdings and crossholdings in various non-bank businesses. Last year, the central bank announced its blueprint to gradually liberalise the banking sector and bring local banks up to international standards.

It stressed on the need for greater transparency, a push for lower capital requirements and the separation of financial and non-financial activities. *(BL, 23.06.00)*

**Refusal to Publish Report**

The Hong Kong government said it would not make public the findings of its probe into the demise of Peregrine Investment Holdings, one of the biggest casualties of the Asian financial crisis.

Donald Tsang, financial secretary, cited public interest as the reason for not publishing the report. The downfall of Peregrine came to symbolise the wider Asian financial crisis that began to unravel in July 1997.

The decision raises questions about Asia's efforts to improve transparency, one of the lessons supposedly taught by the financial crisis.

Peregrine was brought down by a $265mn loan to Steady Safe, a politically well-connected Indonesian taxi company. The loan could not be repaid when the Indonesian currency went into tailspin. The speed of Peregrine's collapse triggered sharp falls in stock markets, with shareholders and clients laying siege to the group's head offices. *(FT, 22.07.00)*

**Recapitalisation Scheme**

Indonesian parliament is set to decide on a recapitalisation scheme for the scandal hit Bank Bali after its original owner and the government agreed an out-of-court settlement on a legal dispute.

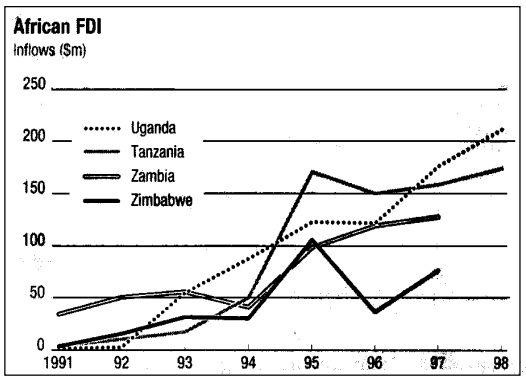
Arwin Rasyid, deputy chairman of the Indonesian Bank Restructuring Agency (IBRA) said that a parliamentary committee was considering the approval of a scheme likely to cost the government more than Rp5,000bn ($527mn).

Bank Bali was transferred to IBRA, which is leading a wide-ranging programme to recapitalise a banking sector battered by the Asian financial crisis. Last year, the original owner of the bank was unable to provide 20 percent of the cash necessary to recapitalise the bank.

The owners filed and won a legal suit challenging the nationalisation with a local court in Jakarta. Settlement of the dispute was demanded by the parliament as a precondition for recapitalisation of the bank. *(FT, 19.07.00)*

# Sub-Saharan Africa: Rapid Rise in Capital Inflows

Private capital flows to Sub-Saharan Africa have been increasing rapidly in the 1990s. This was contrary to popular perceptions, according to an analysis by an independent research centre.




Flows of foreign direct investment more than tripled between 1992 and 1995, exceeding the growth rates of other developing regions, say the report published by the Forum of Debt and Development, based in The Hague, Netherlands.

The study draws on case studies of South Africa, Tanzania, Uganda, Zambia and Zimbabwe, as well as more than 150 interviews with investors, bankers and fund managers in the UK, Africa, and inter-governmental agencies.

The report says international data is often inaccurate, partly because investment flows have not been fully recorded by national databases. It suggests ways in which African governments can encourage investors to ignore superficial impressions, overcome sensationalist reporting and enable international institutions and donors more successfully to promote flows to Sub-Saharan Africa. *(FT, 19.05.00)*

# Drugs, Competition and Price Control

Drug industries are inducing competition concerns and facing tough regulations and directions, particularly in the US and Europe. Recently, the Federal Trade Commission, the US antitrust regulator, has advised Glaxo and SmithKline Beecham to divest one of their products because the merged group would have had a dominant position in treatment for a disease. Consequently, SmithKline sold the product, meant to combat irritable bowel syndrome, to Alizyme, a biotechnology company.

Furthermore, the British and US governments have opened a talk to combat drug barons and other international criminals to crack down on cartels. If concluded, the treaty may result in forwarding of information about UK companies to the US department of justice.

Consequently, the arrangement could render British companies vulnerable to punitive damages of the type being sought in the expanded lawsuit filed recently against Microsoft. However, the British Competition Act forbids the disclosure of commercially sensitive information without the consent of the company concerned.

On the other hand, the European pharmaceuticals industry are accusing European governments of stifling the sector's competitiveness by implementing short-sighted policies to control the price of new medicines. They say that they are at a disadvantage to their US competitors. The decision by Glaxo SmithKline to move the merged company's operational headquarters to the US is being sighted as an example that the European climate is becoming difficult. *(FT, 23.05.00, 19.06.00, 23.06.00)*

**From Ten to Three**

China plans to set up three main airline groups by merging ten existing carriers, in consolidation intended to introduce efficiencies to compete with multinationals as Beijing prepares to enter the WTO. The three new groups would be based around the country's three largest groups: Air China (the international carrier), China Eastern and China Southern (regional carriers).

Each group would have around $6.04bn in assets. The other seven airlines together have some 73,000 employees and assets of $18.12bn. All are under the direct control of the civil aviation administration of China, the industry regulator.

However, the impending mergers won't reverse the essential problem of over capacity. In recent years, China's 34 airlines, which are under central or local government control, have expanded mightily to meet expected passenger growth that never materialised. *(FT, 22.07.00; ET, 25.07.00)*

**Music Deals to Hit Competition**

The European consumers' group, Beuc, is concerned that big mergers in the music, internet and entertainment business may threaten competition, restrict customers' choice and affect privacy rights. In particular it was concerned about the link between America Online and Time Warner, the pooling of Time Warner's music business with EMI and the Vivendi, Seagram and Canal Plus merger.

Beuc said, "The new giant might be able to keep new competitors at bay and stop artists from singing to another companies." The new company may further raise the prices of its music, "making some very popular music unaffordable for its competitors and more expensive at retail level".

Furthermore, Beuc is also concerned about privacy as AOL has access to huge amount of information on consumers' shopping and browsing habits. *(FT, 28.07.00)*

**Consolidation in Paper Market**

Georgia-Pacific, the US forest products group, is set to become the world's largest tissue maker after agreement to acquire rival Fort James for about $7.6bn in cash and shares.

The transaction would significantly accelerate Georgia-Pacific's transformation into a higher margin consumer products group with a significant presence in both North America and Europe.

The acquisition marks a strategy to move away from more volatile lumber, pulp and building products businesses toward higher margin consumer oriented products. *(FT, 18.07.00)*

**Likely Fall in Number**

The number of Venezuelan banks is likely to fall as much as 50 percent within the next year as a weak economy and low credit demand force institutions to merge. This was warned by the country's banking superintendent.

Venezuela's five leading banks hold about 55 percent of deposit, while the next 15 banks hold 33 percent. Independent analysts agree more mergers are on the way.

"We definitely need consolidation, there are just too many banks for the size of the system," said Miguel Octavio, chief analyst at financial brokerage BBO Servicios Financieros.

Branco de Venezuela, controlled by Spain's Grupo Santander, was in talks with Branco Caracas, potentially to form the country's biggest bank. *(FT, 23.06.00)*

**C&W's Monopoly in Danger**

Cable and Wireless, the UK-based telecommunication group, is facing new challenges to its longstanding and profitable market dominance in the Caribbean. C&W has already lost its monopoly position in Jamaica. While, Barbados and Trinidad have recently started talks with the company on ending its monopoly on telecom services. Similar moves are in prospect in the eastern Caribbean.

Governments in the region have said that the company's current licenses and the lack of competition violate WTO rules on telecommunications and are increasing barrier for local businesses seeking to compete internationally.

"The high cost of telecommunications is the biggest single barrier to our economic development," said a senior Barbadian government official. "This is as big an issue for us as education was in the 1950 and 1960s," he added. *(FT, 19.06.00)*


The Financial Express

**EU-Japan Competition Pact**

The EU has reached a co-operation agreement with Japan covering competition issues such as mergers and cartel investigations. The deal will make it easier for the antitrust authorities in the EU and Japan to exchange information and coordinate investigations.

The agreement, which would be signed in the second half of next year, is modeled on the EU's agreement with the US, which is there for ten years. EU also reached similar agreement with Canada last year.

In this regard, Mario Monti, EU's competition commissioner said: "Our experience so far has demonstrated that cooperation in competition matters between the world's major economies is beneficial not just for the authorities but is also in the interest of companies and ultimately, the consumer."

The European Commission said cooperation agreements allow antitrust authorities to pursue anticompetitive action that arises in one country but has repercussions in other. *(FT, 20.07.00)*

**Turkish Newspapers fined**

Leading Turkish newspapers have been fined by Turkey's competition watchdog for alleged price fixing and misuse of their dominant position.

The Competition Board had imposed fines totalling $1mn on Hurriyet and Milliyet, which are controlled by the Dogan conglomerate, Sabah newspaper, a competitor owned by the rival Medya group, as well as Simge, another Dogan-related company.

Also hit by fines of about $2.7mn were distribution companies belonging to both Dogan and Medya. The companies are expected to appeal against the rulings. These follow investigations into complaints lodged by other media businesses. *(FT, 21.07.00)*

**Mega Merger Deal Called Off**

Two telecom giants, WorldCom and Sprint, abandoned their efforts to merge after US and European antitrust regulators announced their intention to block the same. The failure of the proposed $115bn merger, the second biggest merger ever announced, is expected to touch off a spate of discussions over other big mergers in the US and European telecommunications industry.

The failure brings an abrupt end to the dazzling series of takeovers pulled off by Bernie Ebbers, chief executive officer WorldCom, who turned a small Mississippi reseller of long-distance telecom services into the most feared acquisition machine in its industry.

The decision was praised by the US justice department, which had filed suit to block the deal. Joel Klein, head of antitrust division, said that merger "would have led to higher prices, lower-quality service and less innovation of millions of American consumers and businesses." *(FT, 14.07.00)*

**Nortel-Corning link-up**

Nortel, the Canadian maker of communications equipment, has announced its intention to merge its optical components division with Corning, the US company and the biggest maker of both optical fibre and glass for liquid crystal displays.

The $100bn merger deal, if completed, would leave two big equipment makers with powerful position in the production of vital components for high-speed communications networks. The move is likely to attract attention from US antitrust authorities.

The deal, if come through, will create a company worth of $170bn, topping the planned merger of JDS Uniphase and SDL, which are worth a combined $140bn.

Soaring demand for optical components has led to acute shortages of some parts. That has fed concerns that giants like JDS might be able to lock up the supply of some components. Harming rivals. *(FT, 25.07.00)*

**DT Bid for VoiceStream**

The boards of both Deutsche Telekom AG, a German company and VoiceStream Wireless Corp., the US mobile operator, approved the former's $50.5bn bid of the latter. The deal sets a world record price per subscriber for the purchase of a mobile phone company.

The deal forges the first wireless competitor that operates in both Europe and North America using a common digital standard called Global System for Mobile Communications. It will pave the way for cell-phone customers to more easily use one phone all over the world.

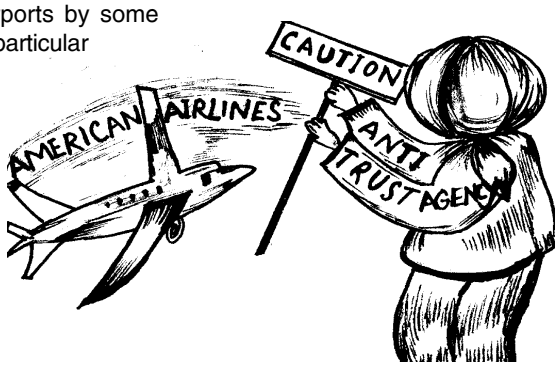
This comes despite mounting opposition to the bid in Washington, where Democrat senators led efforts to prevent state-owned companies buying US telephone networks. *(FT, 24.07.00)*

# Warning to US Airlines

Joel Klein, top official of the antitrust division of the US justice department, has said that consolidation of power within the US airline industry had already given rise to "significant competition concerns". It raises the likelihood that regulators would act if a new spate of airline mergers threatened to leave only a small group of new mega-carriers.

"Without commenting on any of the particular deals, this is an industry in which one needs to pay careful attention to the competitive issue," said Klein.

While claiming that the 1978 deregulation of the industry has been generally beneficial for passengers, the official singled out the growing dominance of key airports by some of the big carriers as a particular issue of concern.




The government had already gone to court over predatory pricing by American Airlines at its Dallas hub. The action was an important part of efforts to create "opportunities for new low cost carriers".

"We have now developed a situation where there is a great deal of hub dominance by individual carriers and I think it raises significant competitive concerns," he added. *(FT, 09.06.00)*

**New Competition Rules**

European Union companies will have a lot more freedom to reach exclusive deals for the sale and distribution of products under new competition rules. The European Commission has removed the need for companies to notify and gain approval for so-called vertical agreements between suppliers and distributors, franchisees and industrial partners, as long as they fulfil certain criteria.

The new policy means that companies with a market share of less than 30 percent will be exempt from competition rules that prevent them making potentially anticompetitive deals over distribution.

However, companies involved in the distribution agreements will not be allowed to fix the price at which their products are resold, although they can set maximum and recommended prices.

The Commission also outlaws so-called non-competitive agreements, requiring the distributors to resell only the brands of one supplier for more than five years. *(FT, 01.06.00)*

**Attack on Grain Export Monopoly**

According to a report by the Productivity Commission, Australia's A$3bn ($1.76bn) grain export monopoly managed by AWB International, is unlikely to generate net benefits for Australia.

If it does, under Australia's national competition policy, the monopoly can remain existence. If not, the 60-year old monopoly goes.

And this would usher in a new competitive wheat industry in Australia, say wheat traders and analysts. International grain merchants would expand their operations and domestic grain merchants would consolidate.

But opponents of deregulation, the Grains Council of Australia, argue that an export monopoly is necessary to counteract the distortions in the world wheat market and to guarantee wheat quality to customers. *(FT, 19.07.00)*

**MasterCard, Visa at Odds**

Many consumers figure MasterCard and Visa are one and the same. Many banks issue both. Their logos appear on the same stickers in shop windows. And the US justice department claims the credit card networks are so closely allied that it has filed an antitrust case against them.

But the lawyers of two companies are taking very different stances on one of the key legal issues in the US government's suit. Each is also trying to distance itself from some of the past behaviour of the other.

The key issue, called duality, arises from the fact that some banks that issue a large percentage of one card sit on the board of the other network. The government, claiming that the practice stifles competition and innovation, wants banks that sit on the board of Visa or MasterCard to dedicate to the brand they help grown.

MasterCard fears that dedication would hinder its ability to compete against much larger Visa. By contrast, Visa is not concerned by duality restrictions. *(ET, 13.06.00)*

**Consumers' Benefit or ..!**

European Union consumers will be entitled to free take-back of scrap cars from 2007 under legislation that will cost the motor industry billions of rupees. The agreement confirms that the industry has lost its battle against what it sees as retrospective legislation.

In a related development, Mario Monti, EU's competition commissioner, criticised the car industry over its restrictive sales system. He believes the existing system for distribution, which gives manufacturers control over car retailing, does not work to the benefit of consumers or dealers.

Furthermore, according to a study by PricewaterhouseCoopers the rapid consolidation of the automotive industry generated mergers, acquisitions and alliances worth $71.3bn last year. The report says seven car makers could run the industry in near future. *(FT, 25.05.00, 12.05.00, 16.05.00)*

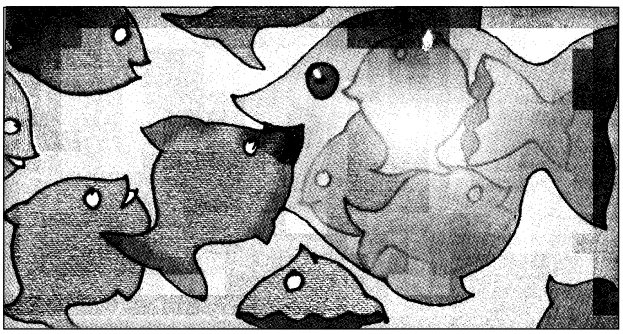
**Conditional Approval to BA-KLM**

The sale of Go and Buzz, British Airways' and KLM's low-fare operations, could be one condition for Brussels approval of their projected merger. At more than $21bn the proposed merger would create the world's largest airline in revenue terms.

The enlarged group would dominate the air routes between the UK and the Netherlands. On the London-Amsterdam route alone the two companies have 270 round trips a week. British Midland and easyJet, the other two carriers on the route, have 54 and 33 round-trip weekly flights.

The European Commission is also expected to look at the impact on the European market as a whole from any eventual BA-KLM merger. Officials have privately admitted that it would be much harder to draw up conditions in this area. *(FT, 05.07.00)*

## M&As Route to Beat the Size Problem



The Economic Times

Small is no longer beautiful in a world where critical mass is the buzzword. Thus, the Davids who outgun the Goliaths are usually willing targets of takeovers or, in some case, they quickly learn the art of mergers and acquisitions (M&As) to fuel frowth.

That is how most of the US software giants have attained their current status, by merging with and/or acquiring other companies. Several small and medium sized software houses have bought up smaller firms to quickly consolidate their operations and stay ahead of the cut throat competition.

One variation of the game that some companies are experiencing with is the partial acquisition model. This involves buying only those divisions of a target company, which fit in with the acquiring company's requirements. *(ET, 26.06.00)*

**Three-way Division!**

Judge Thomas Jackson suggested that it might not be enough to split Microsoft into two parts, and that a three-way division could be required in the landmark antitrust case.

But industry and legal sources said such a move would be unlikely. It would require the software giant to set up a standalone browser company whose prospects would be doubtful.

In addition, the judge is not likely to override the government prosecutor's extensive work in proposing a remedy involving a two-way split. Jackson ruled that Microsoft abused its monopoly power and he is now considering the government's break-up plan, along with other alternative remedies.

Earlier Jackson proposed that one of the new Microsoft companies would develop and sell operating systems such as Windows for personal computers and the other would own Microsoft's remaining software and online businesses. *(ET, 26.05.00, 09.06.00)*

**Requests Turned Down**

The US government rejected a proposal by Microsoft that it be given extra time to draft its own plans to implement any court-ordered dismantling of the software giant. The company had asked for 12 months, rather than the four proposals by the government, to prepare a plan for what it called divestiture.

"It is in the public interest that the remedy contemplated by the final judgement be implemented as soon as possible, and the time period proposed by the plaintiffs (the government) are adequate to perform the specified tasks," said the US justice department.

The government also rejected a request that the court's final ruling on sanctions against the company remain in effect for four rather than the ten years called for by justice Jackson.

Microsoft has repeatedly denounced the breakup plan as unwarranted and extreme and has vowed to appeal not only judge's findings but also his overall handling of the case. *(FE, 07.06.00)*

**A Central Requirement**

Microsoft's immediate concerns in the wake of break up order are the conduct remedies that would restrict its business practices and result in what it claims as the confiscation of its most valuable intellectual property.

The conduct remedies, to be implemented within 90 days, pose a real threat to Microsoft's ability to move ahead on costly development projects and position its Windows operating system as a core internet technology.

These remedies include disclosing the source code to its Windows operating system, a move that would reveal the secret inner workings of Windows. It would also be required to redesign some of its software, which would require redirection of thousands of its programmers from the development of new products and technologies.

However, some analysts said it may even benefit the company, increasing its agility and therefore its ability to preserve its dominant position in operating systems and other software markets. *(FT, 09.06.00)*

**EC to Continue Inquiry**

The European Commission said it would look into whether the US ruling on Microsoft had implications for its own investigations into the company's dominant position. The EU is still far from concluding its inquiries.

"If Microsoft is ultimately to be broken up and the source code to Windows is disclosed, I imagine it will have some implications for our investigations, but it is too early to say," said Amelia Torres, Commission spokeswoman.

The Commission has five inquiries under way into different aspects of the software giant's behaviour. Three of them relate to the company's dominance of the PC operating market based on the complaints from competitors such as Sun Microsystems. *(FT, 09.06.00)*

**What Consumers will Get?**

Will a split up of Microsoft really benefit consumers? Some analysts say a break up of Microsoft could actually benefit the company, the company's shareholders, and especially the consumers in the long run.

Peter Knaack of the German consumer protection agency, Stiftung Warentest, said the court's decision is absolutely consumer friendly. He also believes that many programmers may be amused when they see some of the inefficient work done by Microsoft.

Many indicators suggest that the Windows operating system would lose some of its dominance if Microsoft were split up. At the same time, an improved windows operating system could create new followers. *(BL, 03.07.00)*

## It all began One Fine Day in '92...

### Key events in US vs Microsoft

June, 1992: Federal Trade Commission (FTC) secretly investigates possible collusion between MS and IBM.

August: US Justice Department takes over Microsoft investigation.

July, 1994: Microsoft and Justice Department sign agreement that Microsoft cannot require computer makers that license its Windows operating system to also license any other software product, but Microsoft may develop ''integrated product."

September, 1996: Govt investigates possible violation of pact by Microsoft

October, 1997: Justice Department asks Judge Jackson to fine Microsoft $1mn a day for allegedly violating the agreement by bundling Internet Explorer with Windows 95.

January, 1998: Facing certain contempt citation, Microsoft signs agreement giving computer makers freedom to install Windows 95 without Internet Explorer icon.

February, 1999: Microsoft trial first phase recesses after hearing 12 witnesses from each side and videotaped testimony, including that by Microsoft chairman Bill Gates.

November: Jackson announces appointment of Judge Richard Posner, head of US Court of Appeals in Chicago, as mediator in effort to settle case.

February, 2000: Judge Jackson likens Microsoft to the sweeping Standard Oil monopoly, which the Supreme Court ordered broken up in 1911.

April: Judge Jackson rules Microsoft broke US antitrust law by abusing its monopoly power in personal computer operating systems.

April: Justice Department and 17 states ask court to spit Microsoft.

June: Microsoft makes its final filing in the case a day earlier than expected, clearing the way for a final ruling.

**Common Tariffs on the Cards**

Gulf Arab states are considering implementing common tariffs ahead of the originally set March 2005 date. It was stated in a meeting of the finance ministers of Gulf Coordination Council.

The GCC members states reached a deal to unify their customs tariffs at between 5.5 percent and 7.5 percent. The deal is crucial to its attempts to strike a deal with the European Union over its petrochemical exports to EU states and push forward talks on a free trade accord.

The GCC consists of Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, and the United Arab Emirates. *(ET, 29.05.00)*

**Urge for Better Terms of Trade**

Leaders of G-15 group of developing countries will lobby for better trade terms and will seek to bolster trade among them. They wanted to have a bigger say in global trade talks.

Member states discussed the likely impact of WTO rules that will expose their emerging economies to fierce global competition in the next few years.

"It is obvious that developed countries are ganging up against developing countries," said Mahathir Mohamad, Malaysian prime minister. "All the policies they have are directed at exploiting developing countries. There is a need to bring at least one group of countries together to take a similar stand." *(BL, 20.06.00)*

**Saudis Blamed "Unique Status"**

Saudi Arabia's attempt to join the WTO is being delayed by other countries' refusal to make special provisions for its "unique status" as guardian of the two Islamic holy shrines of Mecca and Madina.

Saudi Arabia has decided not to compromise its unique status among Islamic countries by opening its market for unrestricted access of agricultural products. Its chief negotiator, Al-faqih attacked other Islamic states for what he regards as their willingness to compromise on issues that affect "religion, public morals and Islamic traditions," in order to gain WTO membership.

WTO officials say world trade rules do not oblige any country to import goods that are prohibited on moral or religious grounds. Saudi Arabia remains one of the last three big economies, with Russia and Ukraine, still struggling to get into the WTO. *(FT, 14.06.00)*

**African Initiatives on Free Trade**

Like the European Union, the Common Market for Eastern and Sourthern Africa (COMESA) is likely to emerge as a major integrating trade bloc. COMESA states are currently on their way to achieving their target of removing all internal trade tariffs and barriers for forming a free trade area.

This exercise is scheduled to be completed by this year. Within four years of coming the free trade area, COMESA plans to introduce a common external tariff structure to deal with all third party trade and will have considerably simplified all procedures.

With its 21 member states and a population of over 385mn, COMESA today has annual import bill of $31bn.

In another development, 11 southern African countries have approved a free trade agreement aimed at eliminating all tariffs in the region within 12 years. The accord aims to simplify investment and trade among member states of Southern African Development Community. Earlier differences over timetable for reduction of tariffs and so-called rules of origin, which establish the source of products qualifying for tariff reduction, have delayed its adoption. *(BL, 17.06.00)*

**News on WTO Entry**

WTO members approved entry terms for Albania and Croatia, paving the way for them to join the organisation within the next few months once the domestic ratification is complete.

The WTO general council also agreed to establish accession working parties for Yemen and the West African island of Cape Verde, both classified as least developed countries. The Bahamas was admitted as an observer, the first step towards membership.

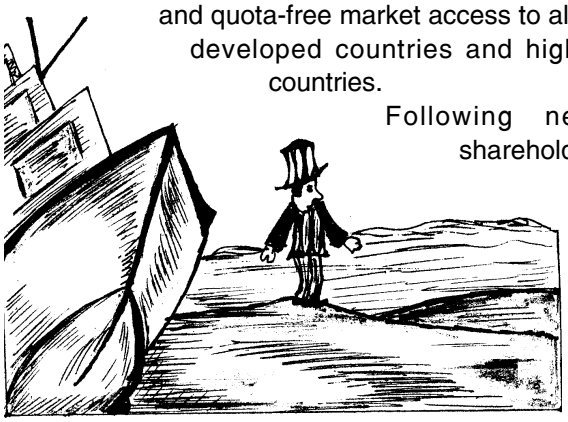
However, in a rare move the US blocked a request from Liberia for observer status, saying the time is not right. Liberia is facing international censure for handling conflict diamonds from rebel held mines in Sierra Leone.

After a lull, the WTO is on target to admit eight new members in 2000. Currently, the organisation has 137 member. *(FT, 18.07.00)*

# US Blocked Trade Perks

Specific proposals by World Bank and International Monetary Fund to extend trade privileges to poor countries have been removed from a report to government ministers. This was allegedly after pressure from the US trade representative.

The original draft of the paper suggested for extending duty-free and quota-free market access to all exports from least developed countries and highly indebted poor countries.



Following negotiations with shareholder countries of the IMF and World Bank, a later version of the document had the specific suggestions removed. The original draft was also critical of the current efforts at trade liberalisation, suggesting discussions had failed to excite developing countries.

In a related development, the WTO general council discussed mechanism for the implementation of issues brought up by developing countries. However, some trade observers are sceptical whether the developed countries let the issues actually be addressed or will they let them dragged on. *(FT, 07.04.00; ET, 11.05.00)*

### Trade and Animal Welfare

The EU has decided to call upon trading partners to allow compensation for farmers to observe high standards of animal welfare. In a submission to the WTO it says it has no interest in erecting unjustified barriers to trade but that farmers in countries applying high standards should not be put at a disadvantage.

The submission is likely to revive fears among free trade supporters such as Australia and New Zealand, and developing countries that the EU wants to use animal welfare as a form of hidden protectionism.

The EU wants multilateral agreement dealing with animal welfare. It is also seeking "appropriate labelling, compulsory or voluntary" to allow consumers to make an informed choice.

The EU paper argues that high animal welfare standards can increase costs to producers over and above any possible increased returns. *(FT, 28.06.00)*

### For the First Time

Japan plans to press ahead with attempts to conclude bilateral trade agreements for the first time ever. It is considering such agreements with South Korea and Singapore, and perhaps Chile.

"Our view is that the mainstay of development of global free trade is the World Trade Organisation, but bilateral trade agreements can play a complementary roles," said Takeo Hiranuma, the minister for international trade and industry.

He denied that this stance would reduce Japan's commitment to the WTO, saying Japan was one of only four countries which had not concluded any bilateral trade agreements. EU officials fear Japan's switch of policy may further undermine the WTO. The EU is seeking Japan's support for a new round of world trade talks. *(FT, 07.07.00)*

### Resumption of E-commerce Study

The WTO has agreed to resume its study on electronic commerce after a year long impasse. But it took no decision on extending a provisional moratorium on customs duties on electronic transactions agreed by trade ministers in May 1998.

The WTO general council agreed that the various committees looking at the implications of e-commerce should "pick up where they let off" a year ago and report back to the council in December.

However, developing countries insisted that the move should be delinked from the vexed issue of extending the duty moratorium which remains in limbo. The US claims that the moratorium remains in effect because last December's ministerial meeting in Seattle which was due to extend it was only suspended.

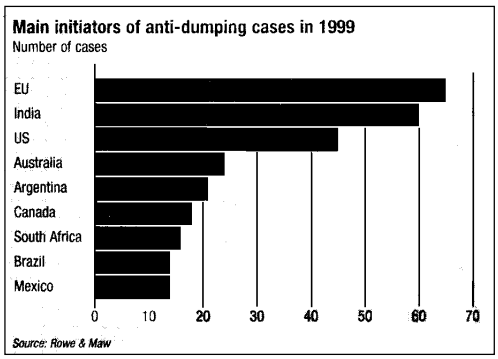
Many developing countries consider it has lapsed and are demanding concessions in other trade areas. *(FT, 21.07.00)*

## Surge in Trade Protection Instruments

Led by the European Union, importing countries opened a record number of anti-dumping investigations last year. This was revealed in a study conducted by Rowe & Maw, a London-based law firm.

The study, based on WTO statistics, finds that the use of other trade protection instruments, notably anti-subsidy investigations and safeguard actions, also grew strongly. It says 328 anti-dumping investigations were launched last year, up from 232 the previous year.

Together with EU, US, Australia and Canada acounted for 42 percent of the world wide total, up from 34 percent in 1998. However, that marked a reversal of a steady decline in the four trading powers' position as the biggest traditional users of anti-dumping policies since the late 1980s, when they brought 90 percent of cases world wide.




The biggest targets of anti-dumping action were China, Korea, Japan and Taiwan. More than half the cases brought were against imports of chemicals, plastics, rubber and steel.

The EU was also the most active initiator of anti-subsidy cases, launching 18 of the 38 investigations in 1999. The study says the number of safeguards investigations rose from 11 to 14 last year, half of them initiated by the US and India. *(FT, 17.04.00)*

### ASEAN to Hold Tariff Talks

Trade ministers from the Association of South East Asian Nations (ASEAN) will meet in Thailand in October to tighten procedures for granting concessions from free trade rules.

Under ASEAN Free Trade Area (AFTA) scheme, members have agreed to cut tariffs, including those on cars, to between zero and five percent by 2003. However, members agreed to consider a Malaysian request to maintain protective tariffs for its auto industry until January 1, 2005.

Thai officials said the rules on granting concessions would be based on Article 28 of the General Agreement on Tariffs and Trade, due to an absence of regulatory framework under AFTA.

The meeting would also explore the E-ASEAN initiative and increased liberalisation of the 10-member group's existing information technology agreement. *(FE, 13.07.00)*

### US-Vietnam Sign Trade Pact

Former enemies, the US and Vietnam, signed a landmark trade agreement, clearing the way for normal trade relations and boosting Hanoi's bid to join the WTO. The agreement would reduce tariffs on goods and services, protect intellectual property and improve investment relations between them.

In terms of commerce, the agreement would mean far more for Vietnam than for the US. It could double Vietnam's exports to the US to $768mn from $338mn in 1996.

For the US the impact was harder to gauge. Under the pact, Vietnam agreed to cut tariffs in most cases by one-third to one-half on a wide range of products, from toiletries to mobile phones to pasta. US companies like Nike, Cargil etc stand to benefit from increased access to Vietnamese market place. *(BL, 15.07.00)*

**Open Market, But Holding Back**

A WTO report on trade policies of the EU says that continued EU participation in the WTO trade initiatives have resulted in a basically open market for industrial products with a simple average tariff of 4.2 percent in 1999, down from 4.9 percent in 1997.

The report also says that market access barriers for textiles and clothing are significant due to higher tariffs and quotas in place. Furthermore, conditions of access on agricultural products are adversely affected by the operation of the Common Agricultural Policy.

The report also notes that the EU's new generation of regional trade agreements require the partner to make a greater commitment to market access for EU products than in the past. At the bilateral level, the EU aims to reduce non-tariff barriers to trade resulting from product regulations and standards, a key market access issue, both in the EU market and in its trading partners. *(WTO Press Release, 04.07.00)*

**Resistance to Early WTO Round**

Key developing countries made clear that they would not agree to a full new global round of trade liberalisation negotiations until their concerns about earlier agreements were resolved.

The stance was set out by Asian states, Pakistan, Malaysia, Indonesia and others. But some richer powers, including Canada and South Korea with support from east European states bidding to join the EU, argued that a new round would be the best way to tackle these issues.

The Asians were backed by Egypt and and other African countries, while Latin American powers in the WTO signaled sympathy if not total agreement.

"It is quite clear there is not going to be much progress towards a round unless we really move to show them (developing countries) we are not just taking them for a ride," said one European envoy. *(BL, 24.06.00)*

**Views from A Key Official**

Condoleeza Rice is foreign policy adviser to US presidential hopeful, George W. Bush, Jr. According to her, it seems incredibly complex when talking about the percentage of the world economy that would be represented by a North American-European free trading zone, may be 50 percent.

The questions are would that be useful, or should it not be broadened? She thinks power concentrated in the proposed free trade zone has two potential downsides. First of all, the complications of getting there, with the EU trying to do what it is doing.

The second thing is that it may be viewed by emerging economies as making certain that they will never enter the international economy. *(TIES WEBZINE, 29.06.00)*

**Bolivian Offer on Coca Eradication**

Bolivia has asked the US to erase all tariffs on its textile exports in return for full compliance of wiping out illegal coca cultivation. It would result in reduction in income of $500mn annually.

Export vice minister of Bolivia said: "Bolivia fulfilled enough conditions to be eligible for such a request". The Bolivian government is only marginally hopeful that its zero tariff request will be honoured. *(Agencia EFE, 24.07.00)*

**Early Harvest on Services**

The US administration said that the WTO needs to engage in comprehensive trade liberalisation talks in the areas of services such as banking with a goal of completing a deal by December 2002.

"Our goal in this negotiation will be to secure maximum market opening across a broad array of services sectors," US trade representative said. "The United States has a significant comparative advantage in services and our interests are served by removing foreign barriers to American service providers."

On the other hand, the EU continues to insist that the services negotiations should only be done as part of a comprehensive round that would allow negotiating trade-offs between the sectors.

The US negotiating proposal also says that countries should agree to a standstill that would prohibit them from increasing any barriers during the course of negotiations.

World trade in commercial services accelerated modestly in 1999 as compared to 1998. While exports grew by 1.5 percent to $1,340bn, imports went up by three percent to $1,335bn. *(Trade Compass, 24.07.00; TH, 01.05.00)*

## News on Chinese Accession to WTO

China is all set to become a member of the WTO. Mike Moore, WTO's director general, affirmed that China will join the WTO within this year as the remaining technical problems are to be solved.

China signed a WTO agreement with the EU in May, leaving just five countries with which Beijing must conclude deals. They are Costa Rica, Ecuador, Guatemala, Mexico and Switzerland.

As of late July, Mexico will sign an agreement with China


very soon, leaving Switzerland as the only WTO member to sign off on China's 14-year quest to join global trade's rule making club.

However, the WTO working party on Chinese membership is facing difficult negotiations over the protocol of accession, which will lay down the framework for China's compliance with WTO rules. "There's disagreement on almost everything," one trade official said.

China has injected a potentially explosive element into its negotiations to join the WTO. It proposed that the WTO should accept Beijing's claim of sovereignty over Taiwan. China said language relating to its trade with the "separate customs territories" of Taiwan, Hong Kong and Macau should make clear that all three are part of China. *(FT, 29.07.00; 27.07.00)*

### Japan Joins Carousel Talks

Japan has joined the European Union in criticising a new US law that requires the office of the US trade representative to apply a 'carousel' approach when trading goods for retaliation in trade disputes.

The approach was included in the US Africa/Caribbean Basin Initiative Bill. Under this, the administration is required, every six months, to consider the rotation of products and/or countries that have been targeted for retaliation by the US. The idea was to maximise the impact of sanctions.

The EU sought consultations with the WTO to address its claims that the carousel provisions are in violation of WTO rules. Ecuador and Jamaica also forwarded requests to take part in the consultations, citing substantial interests.

### Amended Legislation Proposed

The EU adopted a proposal to amend its existing legislation to outlaw permanently one of the controversial hormone growth promoters. It has cited new scientific conclusions that support a ban on imported beef from cattle treated with hormones. The argument was that the move puts in conformity with a WTO ruling.

A WTO dispute settlement panel ruled in 1997 that the ban was unjustified because the EU had not completed a proper risk assessment. The decision was upheld on appeal in January 1998, and the US was authorised to take retaliatory actions.

"We believe this will bring us into line with the WTO panel's findings. We are hopeful that the US will respond to what we have put on the table and deem it fit to lift the sanctions," said European Commission spokesman Anthony Gooch.

### Another Damaging Trade Dispute

The EU and US set the stage for another damaging trade dispute after the European Commission rejected proposals to amend a scheme allowing US companies to avoid taxes on export income.

Pascal Lamy, EU trade commissioner, said the new US proposal does not meet WTO requirements. In February, after a challenge by the EU, the WTO ruled the original US scheme was an export subsidy and therefore illegal.

Under the scheme US foreign sales corporations provide tax breaks for large US exporters. It could have damaging political and business implications in a US presidential election year. The scheme now applies to companies manufacturing in the US and exporting.

Under the new proposal, the US government would extend the scheme to include products manufactured by US subsidiaries and plants abroad, including Europe. (FT, 30.05.00)

### Banana Deal Stalled

The European Commission's attempts to end banana trade dispute were undermined. EU foreign ministers failed to provide wholehearted support for its preferred negotiating stance.

Ministers agreed to the Commission's plan to seek an international agreement for a quota regime for EU banana imports in which licenses would be distributed on first-come, first served basis. However, they refused to agree to its request for an automatic mandate to begin talks on a tariff-only solution should a quota system fail to win the support of trading partners by October.

The US and Ecuador challenged successfully the EU's banana import regime at the WTO. The Washington aims to step up sanctions against the EU by targeting different sectors for retaliatory import tariffs. In a related development, Latin American banana exporters will create a common front against the discriminatory proposal of the EU against the regional product. (FT, 11.07.00)

### Dispute over Cuban Rum

The EU has called for a WTO disputes panel to rule on a US trademark law in a dispute over Cuban rum. EU requested a panel over Section 211 of the 1998 US Omnibus Appropriations Act, which says trademarks used in connection with assets confiscated by the Cuban government in the 1960s cannot be registered without permission from the original owner.

The origin of the case is a battle between Bacardi, maker of the white rum, and the French spirits group Pernod Ricard which has the rights to the Havana Club trademark in the US.

The US appeal court upheld a ruling against a joint venture between Pernod Ricard and a Cuban distiller, which tried to defend its right to use the Havana Club name against Bacardi, which is using the same brand in the US. (FT, 04.07.00)

## Double Century: WTO Dispute Settlement System

Brooms, footwear, computers are among the many products in international trade which have been the subject of nearly 200 disputes brought to the World Trade Organisation (WTO) since its creation in January 1995.

"It is a resounding vote of confidence in the WTO's dispute settlement system that the 136 member governments, both large and small, have so often sought solutions to difficult problems through our organisation," said WTO director general Mike Moore.

In 1995, 25 cases were filed, while the figure shoot up to 47 in 1997. In 1998 and 1999, 44 and 30 cases were filed, respectively. Since January 2000, there were nine cases. 26 cases involved agreements on sanitary and phyto-sanitary measures and technical barriers to trade, followed by 25 cases concerning agreement on agriculture. Intellectual property related disputes accounted for 21 cases.

The majority of cases have been brought by the largest economies, the US and the European Union, with 60 and 50 cases, respectively. But developing countries are making increasing use of the system. Together they brought 51 cases.

However, majority of countries opposed suggestions that outside lobby groups could be allowed a role in its dispute settlement proceedings. WTO officials generally say it is up to member governments to decide whether to involve NGOs. (WTO Press Releases, 05.06.00; BL, 10.06.00)

### NZ to Lodge First Submission

New Zealand would lodge its first submission with the WTO disputes panel in a case against the US. The US outraged New Zealand farmers when it imposed tariffs on New Zealand lamb imports, claiming that increased imports were threatening the American domestic market.

NZ minister for trade negotiations, Jim Sutton, said lodging the submission was a major step along the road towards resolution of the dispute. "For the first time, we will get the chance to argue before the panellists our contention that the US tariff is contrary to that country's international obligations under the WTO agreements."

He further said the preparation for submission had been an intensive exercise, involving close consultation between the government and the meat industry.

### Philippines-Australia in Loggerhead

A simmering trade disputes between the Philippines and Australia has worsened, with Manila announcing a 20 percent cut in Australian cattle imports over the next five years. The move is in retaliation to measures by Australia to block Philippine exports of bananas and pineapples.

Manila has been demanding fast-track access for these fruits to the Australian market. Australia has refused to bend its anti-pest quarantine and inspection regulations, which requires each type of fruit to be examined, for up to 26 months, before the next is considered for importing.

Edgardo Angara, Philippine agricultural secretary said, "We are now restricting trade with countries that have imposed unreasonable restrictions to block the entry of Philippine export winners into their markets".

Canberra said that "the Philippines has clear international obligations not to discriminate against particular trading partners, and it appears to be violating these obligations." *(FT, 12.06.00)*

### US Challenges Mexico

The US has initiated proceedings at the WTO challenging Mexico's decision to levy antidumping duties on US hog imports. The Mexican government justified the decision on the grounds that its hog farmers faced the threat of damage due to an increase of US hog imports at below market prices.

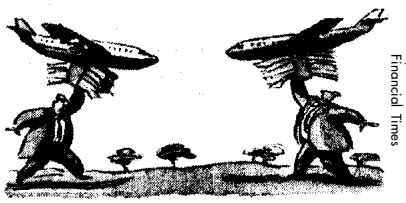
The US claims the investigation that resulted in the duties was not carried out in accordance with WTO rules.

The US is also seeking talks with Mexico to discuss other barriers to cross-border trade in hogs. This includes an alleged Mexican ban on imported hogs weighing more than 100kgs as well as sanitary and technical regulations that are applicable only to imported swine.

## Aircraft Battle Goes On

The row between Canada and Brazil over aircraft subsidy is yet to over. In April, a WTO panel ruled that both countries had failed to comply with earlier judgements requiring them to remove subsidies to their respective aircraft industries.

Brazil, whose faulted subsidies total $3.7bn, says it will appeal against the panel verdict and challenge Canada's request for $3.3bn in trade retaliation. Canada argued that Brazil's appeal was merely a pretext for delay.



Financial Times

However, Canada would await WTO authorisation to impose 100 percent tariffs on items from a product list that includes steel, fruit juice, and footwear. It may also suspend the planned lifting of textile quotas.

In addition, Canada has threatened to remove Brazil's trade benefits under its unilateral preferential scheme for developing countries. This has drawn criticism from several WTO members. *(FT, 22.05.00, 23.05.00)*

### Dispute over Fishing Limits

The EU has requested consultation with Chile in the WTO in what could be a precedent setting trade and environment conflicts concerning an endangered fish species and access to Chile's ports by EU fishing vessels.

Chile currently bans access to its ports for foreign fishing vessels that are catching swordfish inside and outside the 200miles coastal economic zone of Chile. It has strict domestic rules regarding the capture of swordfish because the species has been exploited and is now endangered.

According to Ricardo Lagos, head of trade policy in the Chilean ministry of foreign affairs: "The members can adopt policy measures that are inconsistent with GATT when it is necessary to protect human, animal, or plant life or health if they do not result in arbitrary or unjustifiable discrimination".

The EU, however, claims that under Article V(2) of GATT 1994, which sets down the principles of freedom of transit, Chile is required to give them access to its ports for any reason.

### WTO Upholds Asbestos Ban

A WTO panel has backed a ban imposed by France on imports of chrysotile (white) asbestos from Canada. Trade officials said the five scientific experts consulted by the panel had unanimously agreed that white asbestos was carcinogenic and thus dangerous to human health.

The EU, which defended the case on behalf of France, says tens of thousands of EU citizens die of cancer caused by asbestos each year. Canada argued that white asbestos was safe if recommended precautions were taken and that a ban was thus unnecessary.

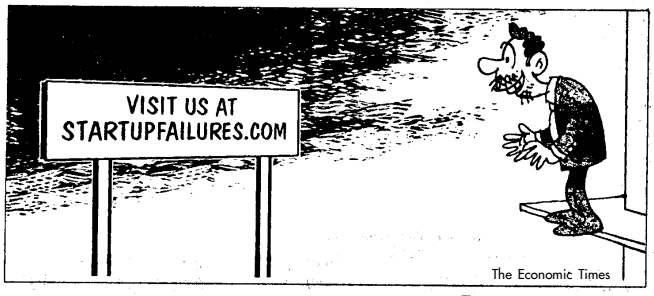
Canadian trade officials said they were examining the ruling and discussing it with industry and Quebec officials to determine the next step.

The verdict will relieve environmentalists and trade experts alike. A judgement in Canada's favour would have brought wrath of environmental groups which believe the WTO's open trading precepts are inimical to 'green' concerns.

However, the case is politically sensitive given that the industry is based in the French speaking province of Quebec. One Canadian official said the industry was being unfairly punished as a result of France's previous use of black asbestos, which poses a significant cancer threat. *(FT, 15.06.00)*

# Is the Party Over?

A shakeout is taking place among the dotcoms. At many companies stratospheric stock prices are falling back to earth, and financing is drying up. Instead of dispensing stock options, many are handing out dismissal slips.




"Frankly, my view is the internet industry, the craze around the internet, ultimately caused unhealthy behaviour," said Rod Schrock, chief executive of Alta Vista.

After rapidly expanding last year and pouring millions into advertising, Alta Vista in the past few months has laid off 50 of its 800 employees, reassigned 80 and admitted defeat in an effort to dethrone Yahoo! as the world's leading internet search engine.

The dotcom rout had already started well before the Nasdaq's dramatic decline, but picked up momentum as investors set about identifying the real victims of recent events.

"It really comes down to who's is going to stay in business and who's is going to go off the face of the planet," said George Gilbert, a technology investor at Northern Trust in Chicago, USA.

Companies with promising ideas, but little chance of earning a profit in the near-term, have been the biggest casualties. Other businesses deemed to have little chance of generating positive cash flow in the near future. *(ET, 18.06.00; FT, 18.04.00)*

**Lobby for Softer Rules**

Many information technology companies have formed a consortium that is navigating Beijing's bureaucracy and advising on the impact of potential rules on web taxation, advertisement restrictions etc.

US and Chinese technology firms are lobbying Beijing in an attempt to soften potential internet rules they fear might harm the fledging e-commerce industry. China has 17mn registered users of the internet, making it the third-largest user of the medium after US and Japan.

Chinese ministries are drawing up rules expected to slap sales taxes on online transactions, establish a regime for web site registration and regulate online advertisement technology. The goal of the E-commerce China Forum was to engage rule makers in an attempt to preempt unpleasant surprises. *(ET, 27.07.00)*

**E-commerce Growth to Stifle**

The global development of e-commerce in financial services could be stifled by the current lack of coherence among regulators of the fledging industry. This was stated in a report prepared by PricewaterhouseCoopers.

The problem of facing many regulatory environments, and the expense that this entails, is not new, the report said. "The problem really arises for domestic players who want to start selling via e-commerce across borders and to the new entrants to the financial services industry," said Philip Gough, one of the authors of the report.

Regulators around the world are beginning to discuss the problems but are still a long way from any cohesive strategy.

A recent European Union directive proposes "country of origin principle" in regulation of e-commerce where a firm will be regulated in the member state where the services are provided. *(FE, 25.07.00)*

**Worry over Cyber Loopholes**

The internet makes such light work of geographical frontiers that new cyber-borders may be needed instead. Top US lawyers said this as they presented a report into preventing global online chaos.

If a French customer buys a rug from Turkey via a web site hosted in the US and with a Swiss credit card, for example, there are risks all round. The rug might be in dud, the payment might be faulty and taxes might not be paid. But where should such matters be settled?

The report urged for the creation of a global standards commission to help set the rules. Lawyers mooted new cyber-borders as a step towards a solution of a complex and evolving issue. *(BL, 19.07.00)*

**Rich to Tackle IT Divide**

Leaders of the group of eight nations decided to establish a task force, dubbed as "Dot Force", to search for ways to bridge the yawning information technology gap between industrialised and developing countries.

The group will support the development of communications infrastructure in poor countries and drawing them into the internet-led economic revolution. "Everyone, everywhere, should be enabled to participate in and no one should be excluded from the benefits of the global information society," the G-8 said in an IT charter.

The Dot Force faces a daunting challenge to close the digital divide. Some 90 percent of internet hosts computers are in high income countries with just 16 percent of the world's population. New York has more internet hosts than all of Africa. *(ET, 23.07.00)*

**New Web Addresses**

A wave of e-mail addresses ending with .shop, .bank, .travel, or .sex could be launched next year after regulators voted for the new internet domain suffixes. Competition for the new names is likely to be fierce.

The change will boost an initiative by the European Commission for a .eu suffix to boost the internet profile of Europe-based companies.

The initiative should ease demand for new domain names and may simplify consumer searches. But critics branded it as too slow moving. Groups campaigning for a system using non-western alphabets have also expressed disquiet.

Parties will pay $50,000 each to register nominations for new domain names with ICANN (Internet Corporations for Assigned Names and Numbers), the California-based non-profit private corporation. *(FT, 17.07.00)*

**World's Fastest Computer**

IBM, the world's largest computer company, unveiled the world's fastest supercomputer, three times more powerful than the fastest computer to date.

The company claimed that its supercomputer technology has outpaced Moore's law, a fundamental metric for computing performance. The law states computers double its performance every 18 months.

The $110mn IBM ASCI White supercomputer has been built for the US department of energy to simulate nuclear weapons testing.

IBM said the rate of improvement in its supercomputer performance was double that of Moore's law. It processes 12,300bn calculations a second and weighs 106tonnes. *(FT, 29.06.00)*

**Global Library on Web**

Six of the world's leading educational institutions announced plans to create a global public library on the web. It would offer access to material ranging from Magna Carta to an interactive tour of Amiens Cathedral.

The London School of Economics and Political Science, Cambridge University Press and the British Library in the UK and the Smithsonian's National Museum of Natural History, the New York Public Library and the Columbia University in the US are the founding partners behind fathom.com.

Users will be allowed to buy knowledge products and courses as well as using free content checked by the partnership's Academic Council. "Generally what's free in the real world will be free in the virtual world," said Ann Krischner, chief executive officer of Fathom.

Fathom could go public if the partners felt it met their objectives and the market was right. Online enrolment in educational courses is expected to increase in the US alone at annual rate of 30-35 percent. *(FT, 03.04.00)*

**Internet Kidnap Warning**

The internet could indirectly drive a sharp increase in the number of American children kidnapped each year. This was warned by the US child safety experts.

Parry Aftab, a children's advocate, told a congressional commission that 3,000 children were kidnapped in the last year because of online messages posted by their abductors.

Neither parents nor children fully understand the dangers inherent in the internet, she said. A recent survey of teenage girls found that 12 percent had agreed to meet strangers who had contacted them online.

Other surveys indicate that children between the ages of two and seven are among the fastest growing users of internet, accounting for over a million in America alone. *(FT, 09.06.00)*

**Approval of EU E-com Law**

The European Parliament gave final approval to a new European Union law seen as a key part of the bloc's strategy for boosting electronic commerce. The Electronic Commerce Directive has crossed all legislative hurdles in Brussels and member states now have 18 months to put it on national statue books.

The Directive is aimed at ensuring that electronic commerce benefits from the principles of free movement of services and freedom of establishment at the heart of the EU's internal market.

It also ensures that e-commerce services can be provided throughout the EU if they comply with the law in their home member state. EU internal market commissioner, Frits Bolkestein, said he was delighted that the crucial directive has been adopted.

The Commission cited independent research forecasting that the global electronic commerce market could be worth $1.4tn by 2003.

In Europe, electronic commerce was already worth Euro17bn ($15.18bn) and was expected to reach Euro300bn ($267.88bn) by 2003. *(BL, 06.05.00)*

**Strengthening Family Ties**

The internet is impacting human relationship in Asia. A Mastercard survey reveals how the internet has resulted in changing the dynamics of how Asians bond with one another and also how it has impacted consumer habits and interactions.

The survey reveals that consumers within Asia/Pacific have indicated that they are spending less time with their family and friends than usual as a result of the internet.

Almost 60 percent of those surveyed believe that the internet has radically changed their lifestyles and habits.

When asked how they used the internet for their interpersonal relationships, 85 percent said they used e-mail to stay in touch with loved ones and 23 percent sent photos. *(ET, 19.04.00)*

## E-mails Out-of-date, Enter Video Mails

Several companies are working on technology which will allow sending video mail rather than simple text. Video mail, which does not have large file size and also does not have to be attached with to regular text e-mail.

The Financial Express

The reason: large file size means mails take too long to leave computer and even download. At the same time, attachment video mails come with their own problems. However, a US company launched a service which is pure video mail and it's called ISV (Internet Streaming Video) mail.

Advertisers, film makers can use it to test films they want to release for public viewing later. Market researchers can also benefit immensely using it for focus groups.

But the gimmicky side of video mail which always crop up wherein porn sites might send short movies to mail box in a bid to titillate. *(FE, 30.05.00)*

**Bordering on Xenophobia?**

Some 500,000 immigrants a year are seeking entry, illegally, into the prosperous European countries via Italy's Adriatic coastline. Ostensibly, they seek political asylum on the ground that they are fleeing oppression in their home countries.

Actually, they are seeking better economic opportunities. Over 90 percent of them are termed as economic migrants. All this is happening despite European governments adopting draconian new immigration rules.

The tough immigration laws highlight the xenophobia, which fuels more racism. Last year, more than 2,500 immigration aspirants died trying to get into western Europe.

Recently, Spanish government approved a bill aimed at curbing illegal immigration. It has become a controversial social and political issue in Spain; until recently a net exporter of labour. There is increasing incidence of racial attacks against foreign workers, particularly in the farming regions in southern Spain. *(TH, 27.07.00; FT, 08.07.00)*

**Demand for Foreign Geeks**

Notwithstanding the debate on foreign labour permits in various countries, IT experts are in demand in many of them. The Swiss has joined the chorus for recruitment of foreign experts to tide over its acute shortage of skilled labour, particularly in the IT field. The Swiss Liberal Party has been pressurising the government to issue labour permits to foreign IT specialists.

Japanese government has decided in principle that foreign skilled labour must be used to keep Japanese economy going and for maintaining country's competitiveness. It is planning to hire up to 10,000 foreign software professionals.

Australian IT sector has been warned by experts of a drastic shortage of professionals. Australian minister of communications, Richard Alston, indicated that the country was considering making it easier for overseas IT specialists to work in Australia. *(ET, 07.05.00, 16.05.00; FE, 30.07.00)*

**No More Caps, but ...**

A new H1-B visa expansion bill that does away with all caps on the temporary visa programme for the next three years has sailed through a US congressional panel.

However, industry representatives believe it contains too many caveats and the visa category would be more hamstrung if this bill is enacted. The IT industry argues that the bottom line is that any government involvement in an industry that has prospered mainly because it has been devoid of federal regulations would be an unmitigated disaster.

Software professionals, at the same time, have been cautioned that the visa is no guarantee for passport to green card or permanent residence or chance of US citizenship. US law specifies that only seven percent of employment-based green cards can go to applicants from any one country. *(HT, 17.04.00; ET, 30.05.00)*

**Lack of Protection**

Hardly any unemployment protection exists for those who work in the urban informal sectors in developing countries, according to a International Labour Organisation report.

ILO's world labour report, 2000 said that globally 75 percent of the 150mn people lack any unemployment insurance protection. Even rich countries reduced protection provided by unemployment insurance in the 1990s.

As of 1998, only four Asian countries—China, Mongolia, the Republic of Korea, and Hong Kong—had any form of unemployment benefit scheme. Benefit rates are generally modest. Coverage is comprehensive in Hong Kong only. *(BL, 22.06.00)*

**Slave Labour Fund**

German companies have decided to create a DM5bn (US$2.3bn) fund to compensate the victims of Nazi era forced and slave labour. However, there are difficulties in signing the final agreement.

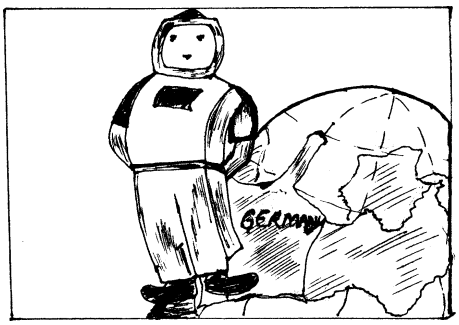
Manfred Gentz, the finance director of Daimler-Chrysler, said the differences between the lawyers over the texts allowing legal closure, protection against court action, might sound like hair-splitting to the layman but was crucial to German companies.

Gentz declined to name any of the big companies still not supporting the fund but warned public exposure remained a possible sanction. "Banks and insurance companies didn't use any forced or slave labourers," said Bernd Fahrholz, chairman of Dresnder Bank. "But we want to show our solidarity too." *(FT, 26.05.00)*

## Green Signal with Red Alert

The passage of "green card ordinance" in the German parliament has cleared the way for recruitment of foreign information technology experts to work in Germany. IT experts can be hired to work in Germany effective from August 1, 2000.

However, foreign IT experts are sceptical whether they would want to work in Germany, given the restricted validity of the labour permit and also the hostile working environment against foreigners. Initially, the German authorities will be issuing labour permits to 10,000 candidates.




There is heated national debate calling for tighter control of immigration. Edmund Stoiber, leader of Germany's Christian Social Council, said a crisis for state pensions caused by a low birth rate and ageing population, could not be solved by immigration. Instead, he said Germany could cope with no more foreigners and the country must drop a post-Nazi taboo on state promotion of child-rearing.

In a related development, German government unveiled rent law reforms aimed at injecting greater flexibility into the labour market by making it easier for tenants to move house when changing jobs. Germany's high employment rate has been blamed to a large extent on rigidities on labour market, including reluctance by the unemployed to move house in order to find work. *(FE, 20.07.00; FT, 20.07.00)*

**UK to Waive Immigration Rules**

Multinational companies will be given powers to certify staff for UK work permits in a bid to tackle staff shortages in high-tech and other industries. The proposal would allow businesses to fly non-UK workers bypassing normal immigration rules.

The pilot project, "Season Ticket," permits for regular short-term workers and a plan to allow outstanding individuals to allow permits on their own behalf. The package will also make it easier for high-level university students to switch from temporary student visas to full employment permits.

The initiative contrasts with the tight controls being exercised by the government on economic migrants and asylum seekers.

While ministers have identified shortages in health service workers, actuaries and occupational therapists, the e-skills gap is seen as particularly serious. The internet will create more than 850,000 jobs in UK in three years but one in ten could be unfilled because of skills shortages, a report warns. Internet-related services could account for nine percent of UK's'gross domestic product by 2003. *(FT, 03.05.00, 09.06.00)*

**Combat Trafficking in Women**

Officials from 12 south-east European countries have proposed a joint action plan to combat trafficking in women. They are illegally transported across borders in the region to become prostitutes in western Europe.

The plan includes campaigns to increase awareness among young women about the risks of accepting the offer of "a good job abroad". The Balkan Stability Pact has set up a task force to combat trafficking in women and children.

Unemployment and poverty, along with the opening of borders and collapse of state controls, have encouraged the growth of smuggling rings. They transport women overland to Greece and by speedboat from Albania and Montenegro to Italy.

The trafficking networks range from large international organisations operating behind a legal front to small groups that recruit women to work in clubs and bars they control. *(FT, 03.07.00)*

**Rights of Temporary Staff**

More than 7mn European Union citizens are in line to win improved working conditions. This was after employers agreed to negotiate with trade unions on temporary agency work.

The decision was welcomed by the European Trade Union Confederation (ETUC). Emilio Gabagilo, ETUC's general secretary, said: "If we [the EU] want more flexibility in the labour markets we need clear protection for workers."

Talks on temporary agency work are the third in a series on atypical workers following part-time and fixed-term agreements. ETUC wants to ensure that any agreement sets limits on temporary work and that open-ended contracts remain the most common form of employment.

Temporary agency work appears to be increasing all over the EU. It was estimated that 2mn temporary workers are assigned through an agency on any working day in the EU and that 7mn undertake such work in the course of a year. *(FT, 05.05.00)*

## The Economic Need for Immigration

The US is facing an alarming decline in the rate of growth of its working population. From 2010, the post-war baby boom generation will start to enter retirement, while relatively small number of youngsters will reach working age.

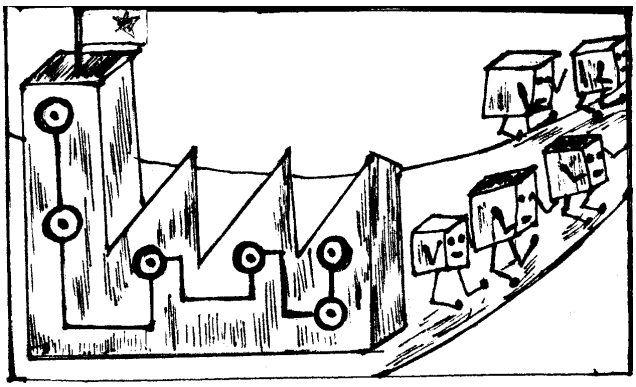
The turning point in the labour market will occur even if the current rate of US immigration is maintained. Currently, the US is witnessing about 1mn legal arrivals a year plus an estimated 275,000 entering illegally.

But if "America First" types were to have their way and immigration were to cease almost entirely now, the picture would be far worse. This was the argument put forth by Robert Dunn, professor of economics at George Washington University, USA.

It is difficult to foresee acceptable rates of economic growth in such circumstances, whatever the productivity gains of the internet and the new economy. Moreover, the decline in the ratio of workers to retirees would worsen the financial problems of the US social security and medicare systems.

The social security system would lose valuable windfall gains if H-1B temporary visas were no longer issued. Many immigrants come to the US for only a few years. If they have not accumulated ten years in the US workforce, they receive no social security benefits. The taxes that they paid are pure profit for the internal revenue system.

If immigration were to cease now, labour force growth during the next ten years would decline to 0.3 percent a



year. In the next 20 years the population of working age residents would fall by about 0.5 percent a year.

If allowance were made for birth rates among immigrant women, the decline in the labour force may be even worse. The fertility rate for all women in the US is slightly below that necessary for a long-run stable population. It was 2.0 as against 2.1 needed for stable population, allowing for premature deaths.

The US is not alone in this problem. According to the World Bank, wealthy countries as a group have a fertility rate of only 1.7. The UK and France, at 1.7, are typical of this group. Spain at 1.1, and Italy at 1.2, have the lowest fertility rates.

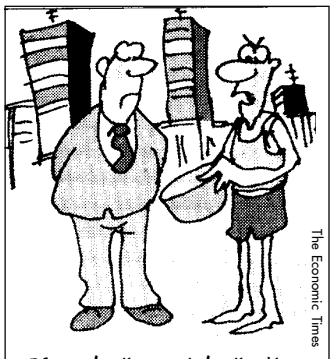
In a few years it will no longer be a matter of industrialised countries kindly deciding to allow a few immigrants to enter their labour forces. They will be compelling to attract immigrants with the skills and educational backgrounds they need to run their economies.

For the US, this suggests that the US immigration and naturalisation service might function best as a division of the department of labour. Immigration policy will become labour market policy. *(FT, 31.07.00)*

# Deep Strains in World Bank Model

The resignation of Ravi Kanbur, the author of the World Bank's world development report, 2000 (WDR, 2000) has taken on a greater significance than a simple disagreement over policy. Kanbur resigned over the importance of liberalising markets in developing countries.

The annual WDR is the pivotal statement of the bank staff's thinking. After severe criticism of its policies, and mounting protests against globalisation in recent years, the bank has made a particular effort to reach out to development campaigners.



The Economic Times

If you believe globalisation benefits everyone, then you must give me something!

Its caution toward market-oriented solutions provoked strongly worded criticism from elsewhere. Larry Summers, US treasury secretary, said: "Discussions of poverty reduction that do not lay primary emphasis on economic growth are like Hamlet without the prince."

The strains of taking these disparate views on board while maintaining an underlying intellectual coherence eventually proved too much for Kanbur.

As Jagdish Bhagwati, professor of economics at Columbia University, USA, said, the disarray at the World Bank at the draft WDR 2000 only hint at the growing disillusionment with James Wolfensohn's leadership, not just within the bank.

That leadership has consisted in downplaying the role of growth and prosperity in attacking poverty and even suggesting that no one understood that growth needs to be supplemented by other policy instruments addressed to the poor and social agendas, Bhagwati added. *(FT, 16.06.00, 22.06.00)*

**Take Pragmatic Approach**

"The international community will ultimately be judged by the way it treats its most vulnerable members," said Rubens Ricupero, secretary general of the United Nations Conference on Trade and Development. The greatest challenge for the international community is to deal with the credibility problem of its commitments to reversing the marginalisation of the least developed countries.

The third United Nations Conference on the Least Developed Countries, to be held in Brussels in 2001, should not be just one more conference, at which new targets would be defined but not the means to act on them.

"A bold but at the same time pragmatic vision" is thus required, he added. The EU considers the eradication of poverty to be the central goal of the Brussels event, especially since the situation in most of the LDCs has worsened. *(UNCTAD Press Release, 25.07.00; BL, 28.07.00)*

**Bank-Fund Blamed for Poverty**

Eighty church-based and grassroots groups accused the World Bank and the International Monetary Fund of causing poverty and criticised the UN secretary general for being sucked into a propaganda exercise with the financial institutions.

They have attracted criticism for failing to alleviate global poverty with their efforts on debt relief and other matters. The groups criticised propaganda exercise for international financial institutions whose policies are widely held to be at the root of many of the most grave social problems facing the poor.

However, Mamphela Ramphele, managing director of the bank, rejected the coalition's criticism, insisting that the bank is sensitive to the problems of the poor.

**Call for Corporate Regulation**

A meeting of the non-governmental organisations and the United Nations resulted in a call for a legally binding framework for regulating corporations, among other strong messages. The civil society declaration of the Millennium Forum also called for developing countries to be released from the WTO TRIPs Agreement.

Further demands include the immediate establishment by the United Nations of a global poverty eradication fund to ensure access to credit by the poor, with contributions from governments, corporations and multilateral institutions.

It also urges the UN to act as an independent arbitrator to balance the interests of debtor and creditor nations and to monitor how debt cancellation funds are spent.

**Discussions on WDR**

The draft world development report on poverty 2000-01 of the World Bank was widely circulated for discussions. The bank staff acknowledged various views and noted that the results of participatory exercises have been a very important motivating force for them.

The argument in the report was that forces of poverty are structural and linked to assets, institutions and social barriers. This raises an important point on limiting rich country growth. The main argument used is in terms of environmental degradation and its knock-on effects on poor countries.

The report emphasises the importance of land ownership and support land reform as a policy. The report also attempts for better integration between state institutions with social ones.

**Darkness over Africa**

A seemingly inexorable rise in the number of HIV (human immune-deficiency virus) infections has transformed Aids from a health crisis to developmental catastrophe with serious implications for regional security. Sub-Saharan Africa with 24.5mn cases is the biggest focus of the pandemic.

In parts of southern Africa one in four adults is affected. In Botswana, which has the highest prevalence rate in the world, that proportion rises to one in three. Because western medicines are too expensive and to complicated to use in most African settings, almost all of those currently infected will die, said an UN report.

"HIV infection will have a profound impact on life expectancy and economic growth," said Peter Piot, executive director of UNAids. The life expectancy of Botswana is expected to fall by nearly 20 years to around 50, wiping out decades of developmental gains. About 95 percent of the world's 13.2mn Aids orphans live in Africa. *(FT, 28.06.00, 01.07.00)*

**Information on Human Progress**

The United Nations Development Programme's Human Development Report 2000 provides an amplitude of information on human progress around the world.

The report makes a strong case for the importance of human rights and democracy as being critical to economic development. The centrepiece of the report is ranking of countries by a human development index, which greatly enlarges the picture of national progress well beyond the usual gross domestic product and per capita income figures.

Several indices focus on gender, showing disparities in opportunities between women and men. Still others deal with aspects of the environment, political participation, health care and safe water and the interaction of economic growth with the larger issue of human development.

**Race against Hunger**

The world is falling behind in its race to halve hunger by 2015. This was stated in a report of the United Nations Food and Agriculture Organisation. The FAO report said the number of malnourished people remained stubbornly high and the international community was struggling to cut it to 400mn by 2015.

The international community set the goal at a 1996 World Food Summit in Rome. According to FAO, target of halving the number of undernourished people would not be met by 2015, given the current pace of progress.

Faster progress could be achieved if the governments had the political will to stamp out hunger. If the current projections come true, we might have to wait until 2030 before the number of undernourished are reduced by half, the report added.

"Fifteen countries had less than five percent undernourishment in 1995-97," FAO said. "The number will increase to 26 in 2015 and 42 in 2030." *(BL, 25.07.00)*

**Sharp Rise in Child Poverty**

Child poverty has risen sharply in the world since the mid-1960s. According to the world labour report published by the International Labour Organisation, the reasons were breakdown in conventional families, unemployment and widening inequality.

Even in the industrialised countries where special help in provided for lone-parent families through social assistance and family allowances, a large proportion of them are living in poverty.

The poverty rates for households headed by a single mother are at least three times higher than for two-parent households in Australia, Canada, Germany and the US.

The report says that although the percentage of gross domestic product spent on social security rose in most countries between 1975 and 1992, there was a decline in such expenditure during that period in Africa and Latin America. *(FT, 21.06.00)*

**Initiatives to Reduce Poverty**

At the United Nations General Assembly Special Session on Social Development, held in Geneva, Switzerland, an agreement was reached on a wide array of initiatives to reduce poverty and spur job growth in the global economy.

The agreement provides specific targets and strategies that will have major ramifications for national governments and international institutions in setting and achieving social development objectives.

To achieve the goals countries endorsed actions to ensure improved education and health, including in times of financial crisis. The special session managed to go beyond Copenhagen to reach agreements on sensitive issues.

They are on national taxation, new and innovative sources of finance, transparency and accountability in national governments and in international organisations such as the World Bank, the International Monetary Fund and the World Trade Organisation. *(FE, 09.07.00)*

**Reiteration on Debt Plea**

Leaders of the group of 77 developing countries urged rich nations to help by extending debt relief to poor countries. The summit held in Havana, Cuba, called for real, practical cooperation between the countries of the under-developed south was the best way for them to tackle the challenges of an increasingly globalised world economy.

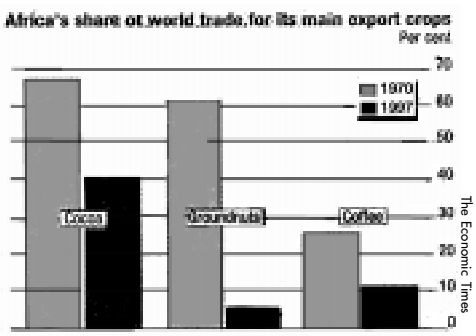
According to Olusegun Obasanjo, Nigerian president, most developing countries, like his own, wanted to do everything right by advancing good governance, human rights, popular participation in decision-making and the rule of law. But this was absolutely impossible if poor countries faced crippling and unpayable foreign debt burdens.

This fact was sinking in, but not sufficiently quickly. "The earlier it does, the better it will be for all of us," Obasanjo argued. *(FT, 12.04.00)*

## Chance of Economic Revival

The new century offers Africa a "window of opportunity to reverse the region's marginalisation", says a World Bank report.

Accelerated privatisation, greater consensus on development policies, more representative governments, a growing acceptance of market forces and a bigger role for the private sector have left the continent better placed to realise its potential.




Despite recent gains, Africa accounts for less than two percent of world trade, and net transfers from foreign assistance average nine percent of gross domestic product of a typical country.

The report, "Can Africa Claim the 21st Century?", says since the late 1960s Africa's loss of world trade "has cost it almost $70bn a year, reflecting a failure to diversify into new, dynamic products as well as a falling market share of traditional goods".

The bank calls on OECD (Organisation for Economic Cooperation and Development) countries to open their markets to African agricultural exports. It warns that with progressive trade liberalisation the preferences once enjoyed by African countries are eroding. *(FT, 01.06.00)*

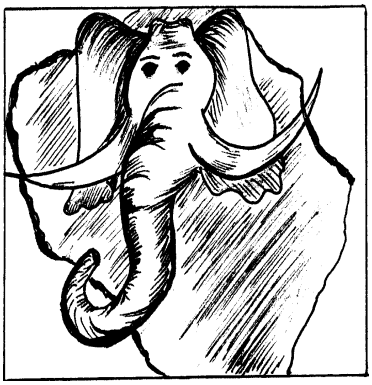
# Delay in Sales of Ivory

African countries agreed to delay ivory sales for at least two years to give them time to assess the threat that poaching poses to the elephant's survival. The compromise agreement was hammered between southern African nations complaining about elephant overpopulation and states worried by poaching.

Proposals to resume the ivory trade immediately were due to be debated at the United Nations Convention on International Trade in Endangered Species (CITES) meeting in Nairobi.

Under the deal, four southern African nations (Botswana, Namibia, South Africa and Zimbabwe) withdrew requests for approval to begin selling off their ivory stocks, while keeping open the possibility of future sales.

The deal was applauded



by conservation groups. Many of them believe CITES' decision to allow ivory sale on experimental basis in 1997 has fuelled poaching in countries with poorly policed elephant population.

While all African states agree on the desirability of protecting the elephant, they clash over methods. *(FT, 18.04.00)*

**Missing Emissions Targets**

The future of the 1997 Kyoto Protocol on climate change is being jeopardised by the failure of much of Europe as well as US to curb greenhouse gas emissions. A study by the Pew Centre, USA, found that several European countries were on track to exceed their emissions targets by a large margin.

In a study of five European countries accounting for 60 percent of the EU's 1990 emissions, the UK was the only country that looked likely to fulfill its obligations. The Netherlands, which has agreed to cut overall emissions by six percent below 1990 levels by 2010, is producing 17 percent more carbon dioxide than in 1990.

The US is also likely to miss its target by a substantial margin. It would need to cut as much as 30 percent from where they would have been in 2012 to meet the target specified in the Protocol.

The organisation called for renegotiations of the targets in the Protocol. "Adhering to unrealistic targets would undermine support and provide opponents with additional ammunition," it said. *(FT, 22.06.00)*

**UK to Ban Fur Farming**

Britain risks prosecution in the European Court of Justice after five European countries objected to the government's plans to ban fur farming. France, Spain, Italy, Denmark and Finland claim the legislation to outlaw fur farming breaches European Union law.

The British government justified a ban not on animal welfare grounds but public morality. Britain is the first EU country to seek to ban fur farming. But the fur farming industry, which is a big employer in Finland and Denmark, fears the government's plans could lead to bans in other European countries.

Robert Morgan, spokesman for the British Fur Farming Industry, said: "Clearly, several other countries share our concern that the UK government is trying to wipe out an entire industry on such weak grounds as so-called public morality, and effect that could have on all farming, no matter where in the EU." *(FT, 15.05.00)*

**Earth Charter Launched**

The Earth Charter, a document 28 years in the making and intended to codify principles for sustainable development, was launched in The Hague in late June. The Netherlands was the main western country to keep faith in the troubled project.

Steven Rockefeller, who chaired its drafting committee, said the campaign would now begin for an international covenant on environment and development, to be adopted by the UN General Assembly in 2002. That would mark the 30th anniversary of UN efforts to draw up a world approach to ecological security.

North-south disagreements prevented an accord, and it was left to non-governmental organisations to seek a way forward. The Charter, embodying 16 principles, is also to be applied to business as a yardstick against which to measure operations. *(FT, 29.06.00)*

**Set to Cut Nuclear Discharges**

Britain plans to reduce nuclear discharges into the sea by a further 85 percent by 2020 in order to meet European commitments. The proposals are unlikely to please Denmark and Ireland which are pressing Britain to curb all discharges and close the Thorp nuclear reprocessing plant close to the coast of Sellafield, north-west England.

British environment minister, Michael Meacher, said the commitment referred to additional concentrations being reduced to "close to zero" rather than the scale of actual discharges.

Greenpeace, the environmental pressure group, said it would still leave Sellafield as one of the world's biggest nuclear polluters. *(FT, 22.06.00)*

**Smog Returns to South-East Asia**

Hazardous thick smog triggered by forest fires in Indonesia blanketed parts of Sumatra and reduced visibility in neighbouring Malaysia. The pall raised fears of a return to the health crisis of 1997.

At that time, forest fire smoke covered several parts of South-East Asia, triggering tourist cancellation by the thousands. Environmentalists criticised regional governments for not having learnt their lesson and for not revealing more detailed information about the health risks.

They also raised fears about the economic cost to the region, still recovering from the 1997-98 financial crisis. *(BL, 18.07.00)*

**Brussels in Polluter Pays Plans**

European Union consumers will be able to demand that worn-out electrical products are taken back by manufacturers free of charge. The proposed directive covers goods ranging from electric trains to mainframe computers.

It would force manufacturers to recycle a set proportion of each product's weight, ranging from 50 percent for toys to 75 percent for large household appliances such as refrigerators.

The European Commission is also seeking prohibitions on heavy metals such as lead, mercury, cadmium and haxavalent chromium, although there will be exemptions for their use for specific purposes.

The Commission says the take-back measures are justified under the polluter pays principle laid down in the European Union Treaty. *(FT, 13.06.00)*

**Research on Green Energy**

British ministers are planning to pump an extra GBP25mn ($38mn) into research on green energy such as off-shore wind power. The funds will be drawn from an expected GBP50mn ($76mn) surplus on the government's proposed climate change levy on industry.

The move came after the plans to end the non-fossil fuel obligation scheme which set aside a small proportion of electricity bills to help fund green energy projects. Environmental groups had criticised the ministers for scrapping the scheme.

The government has set electricity suppliers the target of buying ten percent of their output from renewable energy sources.

At least GBP10mn ($15mn) is expected to be devoted to the development of off-shore wind farms and a similar amount to energy crops. *(FT, 20.06.00)*

**Environment Ombudsman**

The director general of IUCN-the World Conservation Union and the chairman of the Earth Council signed a memorandum of agreement establishing the International Ombudsman Centre for the Environment and Development, OmCED.

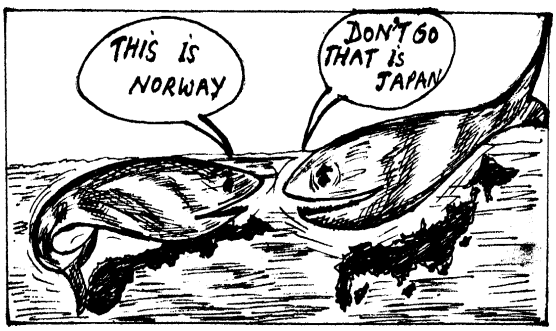
The two organisations have responded to a long perceived need for a non-adversarial, non-judicial and agile mechanism to deal authoritatively with potential and actual conflictive issues pertaining to environment and development.

OmCED will seek to open new avenues of avoidance and/or redress of conflicts for which existing mechanisms are not fully effective or available. In its work it will rely on international and national legal, economic and social instruments and principles, including the Earth Charter.

# Go Ahead on Commercial Whaling

Japan and Norway successfully blocked the creation of a South Pacific whale sanctuary by the International Whaling Commission. But the vote raised questions about Japan's ties to the Commission's Caribbean members.

Japan was accused of international extortion after a minister from the Caribbean country of Dominica resigned as a result of pressure from Japan over votes cast. The vote set the stage for a resumption of limited commercial whaling after a 14-year old moratorium.




The reason for the shift is the continuing refusal of Japan and Norway to abide by the ban. Norway resumed commercial whaling and is now stockpiling blubber for sale to Japan. Tokyo announced plans to expand its so-called scientific whaling programme in the coming year.

Meanwhile, the World Wildlife Fund called upon the US to act swiftly to impose economic sanctions against Japan, following the first confirmed report of the killing of a Bryde's whale. *(FT, 04.07.00, 05.07.00, 07.07.00)*

**Vital Signs 2000**

Inequalities of wealth, power, opportunities and survival prospects among the world's peoples are confounding efforts to reverse environmental degradation. A new study by the World Watch Institute, USA, "Vital Signs 2000: The Environmental Trends that are Shaping Our Future", found this.

Although the world economy pumped out nearly $41tn of goods and services in 1999, 45 percent of the income went to the 12 percent of the world's people who live in western industrial countries.

"This wealthy minority is largely responsible for the excessive consumption that drives environmental decline," said co-author Molly O Sheehan. For example, per capita paper use in industrial nations is nine times higher than in developing countries.

Vital Signs 2000 also highlighted several encouraging trends in renewable energy and efficient technologies. For instance, 1999 saw wind power surge by 39 percent, production of solar cells expand by 30 percent, and sales of energy efficient compact fluorescent lamps grow by a 11 percent.

**Environmental Trade Rules**

The US administration took step that will subject future trade agreements to tougher environmental reviews, maintaining that free trade and environmental protection can go hand in hand.

"When it comes to trade and the environment we don't have to choose one or the other," US trade representative Charlene Barshefsky said. Daniel Seligman, director of the Responsible Trade Programme of the Sierra Club, said the administration's procedures are a good first step but did not go far enough.

"The key to these guidelines is public involvement early in the process to identify the relevant environmental issues, which will enable our negotiators to craft a strategy that will produce a good trade agreement and protect the environment," Barshefsky said. *(Trade Compass, 20.07.00)*

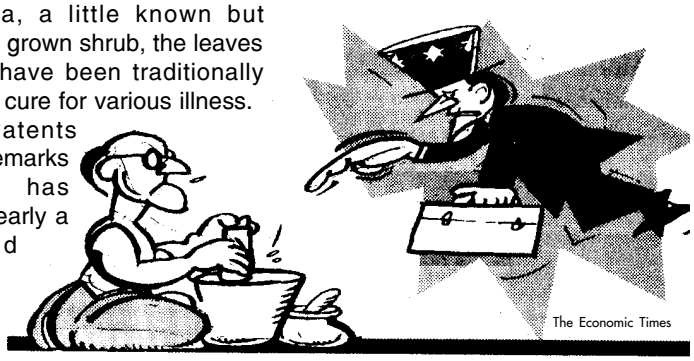
# An American Problem

After the furore over American patents on the wound healing property of turmeric, new cases are coming to light of how multinational pharmaceutical and biotech companies are using medicinal plants.

The latest to emerge is that of Aloe Vera, a little known but commonly grown shrub, the leaves of which have been traditionally used as a cure for various illness.

US Patents and Trademarks Office has granted nearly a thousand patents on the properties of Aloe Vera. Most of the patents were absurd as they were for uses for centuries.

These and hundreds of other patents on various mixtures and combinations of plants like carrot, linseed and tobacco, are an appropriation of traditional knowledge, says an expert. According to him, the problem of bio-piracy cannot be resolved by seeking legal recourse and by bringing in suitable domestic bio-diversity legislation. *(ET, 23.07.00)*




**Dispute over Music Piracy**

The US record industry has admitted that its recent high profile attempts at curtailing widespread music piracy over the internet only worsened the problem. The increase in music piracy had reached record levels, the industry said.

The increase was due to users of the Napster web site, a California-based music swapping service with 22mn members. A San Francisco judge had issued a preliminary injunction that would have stopped them from sharing copyrighted music through the web site.

The injunction had been requested by the Recording Industry Association of America. The organisation said Napster facilitated in the daily illegal sharing of millions of files of copyrighted music between its users. *(FT, 31.07.00)*

**Not A North-South Issue**

A two-day meeting on Intellectual Property Rights and Genetic Resources, held in Geneva, Switzerland, have thrown up many complex issues needing study and analysis. This was even as private corporation in the north, with some help from their governments, are speeding ahead to pirate and misappropriate rights of others for profit.

The meeting was convened by the World Intellectual Property Organisation (WIPO) as a result of Colombia's move at the Standing Committee on Law of Patents. The idea was to introduce a provision to ensure that product and process patents relating to genetic resources are given only when these resources are legally acquired from the country of origin.

A WIPO document spoke of the multifaceted notion of traditional knowledge and expressed that traditional knowledge is not necessarily ancient, and its not a north-south issue.

**Simpler Procedure for Patents**

Members of the WIPO expected to adopt a new international treaty to simplify and harmonise patent application procedure. WIPO says the patent law treaty should cut the cost of patent protection and make the process more user-friendly and widely accessible, especially to individual inventors, small business and inventors in developing countries.

An earlier attempt to revise international patent law foundered in 1991, when the US and European Union failed to reach agreement on reconciling the US "first to invent" system and the "first to file" approach used by the rest of the world.

The proposed treaty adopts the same requirements for filing patents under national law as WIPO lays down for international applications under its widely adopted patent cooperation treaty.

"This will eventually lead to standardised formal requirements and procedures for all patent applications world wide," the organisation says. *(FT, 11.05.00)*

**Cost of Counterfeit Goods**

Counterfeiting and piracy is costing the European Union as much as Euro415bn ($389bn) a year. This was revealed in a study by the UK-based Anti-counterfeiting Group (ACG).

The manufacture and trade of fake trademarked products in the areas of clothing, footwear, toys, sports goods, pharmaceuticals, cosmetics and perfume result in the loss of 17,490 jobs.

John Anderson, executive secretary of ACG, said that the removal of trade barriers in Europe had resulted in an increase in movement of counterfeit products between countries.

The study also suggests that counterfeiting and piracy cost the global economy around Euro1,060bn ($993bn) every year. *(FT, 20.04.00)*

**Tougher Gene Patents Standards**

Scientists urged the US congress to toughen standards for granting gene patents. The US government is expected to draft legislation soon to clarify the standards for issuing gene patents.

Concerns are growing that genomics companies such as Celera, Human Genome Sciences and Incyte are being granted sweeping power to demand royalties on any product associated with a vast array of genes.

Some questions the wisdom of patenting genes found in nature. But it is unlikely that the government will deny intellectual property protection entirely. Rather, the debate is centred on the extent of knowledge needed to gain commercial protection.

"If standards are too loose, and anything is patentable, it will hinder progress in finding cures for disease, because universities and other groups conducting basic research will be forced to pay heavy royalties," says Sergio Traversa, a pharmaceuticals and biotechnology analysts. *(FT, 14.07.00)*

**US Blocks Progress**

The US and some Cairns Group members have frustrated the attempts of developing countries to exclude the patenting the life forms from the WTO Agreement on Trade Related Aspects of Intellectual Property Rights.

At a meeting of the WTO TRIPs Council, they also blocked the extension of geographical origin to certain items of developing country interests other than the traditional and agreed upon wines and spirits.

The US also opposed any recommendation for extension of the moratorium on non-violation of TRIPs disputes beyond the initial five years (i.e. till December 1999). According to the US position, TRIPs is a market access agreement and as it deals with non-tariff barriers it falls under the domain of non-violation complaints.

Interestingly, even the European Commission and Canada, apart from developing countries, have contested the scope of the non-violation complaint in the TRIPs Agreement. *(ET, 06.07.00)*

**New Initiative against Piracy**

Trade groups representing the motion picture, music, business and gaming industries pledged support for a new initiative to stamp out piracy of compact discs and digital video disks.

The initiative aims to protect copyrights on digital products and help reduce the publishing of pirated materials by specifying a series of international standards.

The motion picture industry strongly supports this programme which provides an initial step in detecting and controlling optical disc piracy at the replication level.

"These standards are an important step towards a reduction in the manufacture of pirated optical discs," said Ric Hirsch, senior vice president at Interactive Digital Software Association. *(ET, 14.05.00)*

**Change Rules on Trademarks**

Sweden is pressing the European Commission to change the European Union trademark regime to allow companies to sell branded products purchased outside the EU, more cheaply.

"We don't need to maintain companies' present privileges to rip off consumers," said Leif Pagrotsky, Swedish trade minister. The EU operates its own restrictive trademark regime which prevents parallel imports or the sale of branded goods at a cheaper price outside official distribution channels.

Under the EU regime, goods can only be sold in the EU once they have been put up for sale in one EU country. If the EU were to adopt international rules on trademark exhaustion, branded products could be sold in the EU once they had gone on sale anywhere in the world. *(FT, 02.06.00)*

**Slippery Slope of Patenting**

The fertile fields of central Mexico have been the epicentre of the global exchange of genetic plant material for 500 years. Such cross-breeding has resulted in bigger and more hearty wheat and corn, which helps all people, but none more so than the poor.

For more than 40 years, plant breeders from around the world have freely used genetic material from one of the world's greatest collection of wheat seeds—150,000 varieties stored in a concrete bunker built 100 years ago.

Now there is a threat. Private companies and universities are busy patenting plant genes and claiming intellectual property rights to biotechnology advances.

Even the International Maize and Wheat Improvement Centre, the non-profit agency that runs the corn and wheat banks, surprised everyone by putting into place its own policy to patent work that was traditionally made available to everyone. *(The New York Times, 24.05.00)*

**UNDP Criticised Patent Regime**

The Human Development Report of the United Nations Development Programme criticised the TRIPs Agreement as being biased towards the developed countries and from which the developing world can attract little benefits.

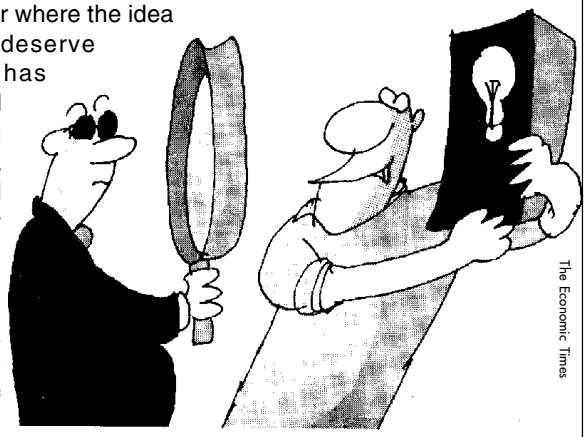
The report says, the 1994 agreement tightens patents and copyrights protection, favouring those who develop and market technologies rather than society's interest in liberal diffusion of new technology.

However, the WIPO expressed its surprise over this criticism. According to Roberto Castelo, deputy director general, WIPO: "I am surprised and shocked at the criticism. I wonder how such a serious organisation can have such a small vision on intellectual property." *(BL, 05.07.00)*

## An Absurd State of Affairs

Internet has produced some of the most controversial patents in recent years. And, the US Patent and Trademark Office is in the focus. The critics main forum is a site called bustpatents.com, run by Greg Aharonian, who hires his services to companies wanting to challenge others' patents.

The broad concern is over bad patents that should not have been awarded because somebody else got there first, or where the idea is too obvious to deserve protection. It has happened embarrassingly in 1993 when a copmpany called Comptons New Media was given, in effect, a patent on multimedia.


The Economic Times

Not only was the patent absurdly broad, but much of the work had been done by Xerox's Palo Alto Research Centre two decades earlier.

One indicator of a bad patent is a shortage of prior art, previous work in the same area. Software patents are often short of prior art references.

Digging up non-patented stuff demands a little work, and patent examiners spend only eight hours on a patent, on average. *(ET, 07.05.00)*

**Edible Vaccine for Virus**

Small helpings of genetically modified potato have successfully immunised patients against the main cause of viral diarrhea. It is the first time scientists have managed to make an edible vaccine for virus.

In 1998, the same scientists successfully tested an edible vaccine against E. coli bacteria, which cause a more dangerous form of diarrhoea, but more extensive clinical tests have been held up by concern about the possible risks.

Edible vaccines hold great appeal, because food is almost universally preferred to needles. They are especially significant for developing world where immunisation costs are a forbidding barrier in fighting disease. *(FT, 20.06.00)*

**New Culture of Compensation**

Chinese consumers are warm to new culture of compensation. Chinese courts, experimenting with new powers and deluged by consumer litigation, have made handsome awards of late.

A Chinese court is to hear three cases filed by consumers against Toshiba in a move that underscores the perils faced by foreign companies from an increasingly litigious population.

The Toshiba action comes after awards to Chinese consumers against foreign groups that were high profile and bizarre. One involved a man who found an insect in a plate of French fries, another concerned a woman who was forced to unzip her trousers by security guards.

A culture of consumer litigation is regarded by the government as necessary, partly to help impose better standards on shoddy Chinese manufacturers. *(FT, 23.06.00)*

**Food Safety Resolution**

The 53rd session of the World Health Assembly (WHA) has adopted a groundbreaking resolution on food safety. It called upon countries to develop and maintain national and regional means for surveillance of food borne diseases.

The authority will be empowered to monitor and control relevant microorganisms and chemicals in food; reinforce the principal responsibility of producer, manufacturers, and traders for food safety; and increase the capacity of laboratories, especially in developing countries.

However, the assembly could not make much headway on infant and young child nutrition with countries opposing the issue over the minimum norms on breast-feeding being lobbied by their baby-food companies.

Delegates also concentrated on the quality, safety and availability of medicines. Member countries called for the World Health Organisation to provide price information on essential drugs to enable find different approaches to drug financing. *(ET, 24.05.00)*

**To Whack the Cell**

The ailing paging industry has launched an attack on cellular operators, after the World Health Organisation cautioned against the use of mobile phones for communication. To start with Mobilink, a paging company, has started issuing advertisements hitting the cellular operators by asking subscribers to stay in touch by using pagers, the healthy way to communicate.

To prove its point, the company is directing Internet traffic to the WHO site, which gives a detailed report on the hazards anticipated by the usage of mobile phones.

The report sparked the issue but the company plans to address many other issues in its forthcoming campaigns. WHO had recently made its findings public, which cautions users of frequent usage of cellular phones and the paging industry is using this opportunity to make a comeback. *(ET, 08.07.00)*

**Children's Foods in Risk**

Favourite children's foods such as apples and grapes have high levels of toxic residues from pesticides. Stating this, Consumers Union, USA, urged the US government to do more to ban the use of dangerous chemicals.

The US Environmental Protection Agency is expected to ban most home uses of pesticide Dursban because of health risks including blurred vision and memory loss. Dursban is a staple of many American gardeners.

The consumer group applauded the decision, but underscored the need for tighter control of 20 specific chemicals, which are responsible for the lion's share of residues found in foods.

The report based its conclusions on an independent analysis of the US department of agriculture's 1998 tests of thousands of fruit and vegetable samples, domestic and imported, fresh and processed, for pesticide residues. *(BL, 08.06.00)*

## Unhealthy Healthcare

According to world disasters report, prepared by the International Federation of Red Cross and Red Crescent Societies, governments are abandoning their healthcare responsibilities.

Elaborating about the genesis of the emerging public health problems, the report regrets that primary healthcare is deteriorating in poorer parts of Asia, Africa and Latin America.

**Life expectancy**

| Top | countries | Years |
|---|---|---|
| 1 | Japan | 74.5 |
| 2 | Australia | 73.2 |
| 3 | France | 73.1 |
| 4 | Sweden | 73.0 |
| 5 | Spain | 72.8 |
| 6 | Italy | 72.7 |
| 7 | Greece | 72.5 |
| 14 | UK | 71.7 |
| **Bottom four countries** | | |
| | Zambia | 30.3 |
| | Malawi | 29.4 |
| | Niger | 29.1 |
| | Sierra Leone | 25.9 |

The report also pointed out the low priority accorded to health spending. For example, in 1995 the global military spending was worth $864bn compared to a mere $15bn spent on prevention and control of Aids, malaria and tuberculosis.

The figures are quite alarming. In 1999, while 70,000-100,000 people were killed by natural disasters, 13mn died of infectious diseases, who could have been saved by spending a mere $5 per person on low cost, community driven health campaigns.

Health expenditure in low income countries averages one percent of their gross domestic products, compared to six percent of GDPs in high income countries. *(FE, 02.07.00)*

**Railways to Enter Telecoms Sector**

Indian railways is to enter the telecommunications market by laying fibre-optic cable along its 63,000km rail network. The move follows the government's decision to open its monopoly on national long distance telephony to private competition and to allow state-owned companies to start up independent telecoms ventures.

India's bandwidth problem of a lack of telecoms transmission capacity is seen by analysts as one of the key infrastructure bottlenecks to its economic growth. "We have already put down 3,000km and 4,000km at an advanced stage of execution. We expect this to have a big impact on Indian telecoms as the railway network spreads right to the remotest corners of the country," said Akshey Kumar, an official of the ministry of railways.

This type of project, which uses existing communication links as the route for telecom cables, has proved successful in Europe and Japan in recent years. *(FT, 28.07.00)*

**New Jobs through Outsourcing**

India is going to be the preferred outsourcing centre for zillions of foreign companies. Michael Dertouzos of Massachusetts Institute of Technology estimates that during the next four to six years India could earn a trillion dollars and generate 50mn jobs at an average salary of $20,000 per year through outsourcing.

With a booming IT industry, the largest English-speaking population outside of the US and a deep pool of cheap and highly skilled labour, India has emerged a natural choice for companies around the world that are looking to outsource non-core activities.

Functions that are going to be increasingly outsourced are clearing and processing, payroll management, data centre management, facilities management, recruitment and training, collection of loans, compliance and concurrent audit, medical transcription, sales and marketing etc. *(ET, 08.07.00)*

**Maran Laments 'Perversion'**

Murasoli Maran, commerce and industry minister, said that the WTO system, which is suppose to be free and fair in the conduct of global trade, has been "perverted to perform differently".

He said a host of implementation problems and inherent weaknesses were becoming apparent within the multilateral system and they are blocking the way. Market access has not been widened for exports of developing countries' goods and services.

Constructive remedies have often not been tried before anti-dumping duties were slapped on exports of developing countries. Furthermore, proliferation of standards, technical regulations, sanitary and phyto-sanitary measures, which frequently are of an opaque scientific nature were blatantly misused against the letter and spirit of free trade. *(BL, 12.07.00)*

**Fourth Richest, PPP-wise!**

India has advanced to the fourth position, pushing Germany to the fifth, in the list of most richest countries in the world. But this is when the gross domestic product of economies is measured in terms of purchasing power parity (PPP).

According to the world development indicators released by the World Bank, India's GDP in 1998 amounted to $2tn, with only USA ($8tn), China ($3.8tn) and Japan ($3tn) ahead of it.

The most notable feature is that the average annual GDP growth rate in terms of PPP for the last 33 years has been a decent 4.9 percent. This indicates a sustained growth in the economy.

Simply put, the theory of PPP says that the exchange rate between two currencies equals the ratio of the purchasing power of goods and services in the countries. *(ET, 03.06.00)*

**Need to Strengthen Tariff Panel**

The commerce and industry ministry is pursuing a proposal to strengthen the Tariff Commission so that it can play the role of an expert body in the post-QRs (quantitative restrictions) era and protect the domestic industry.

The aim is to examine whether the mandate of the Commission can be redefined in the wake of removal of QRs on the remaining 715 tariff lines by March 31, 2001. It is felt that there is need for an institutional mechanism to study, analyse and recommend an appropriate duty structure to maintain a balance between domestic producers and consumers.

The government will ensure that imports do not cause any injury to the domestic producers, including agriculture and small scale industries.

In a related development, the Planning Commission has favoured imposition of maximum possible tariff on agricultural products after removal of QRs. India is losing about $27bn annually in terms of comparative international prices of agricultural products. *(FE, 21.07.00; ET, 25.07.00)*

## Where are the Boys?

India's information technology industry is faced with a potentially massive demand-supply gap for manpower. This is even as other countries are seeking to tap the country's IT talent pool.

"Immediately we cannot meet the supply demand. If we had the talent, the industry would have grown to its full potential, but it is growing only at 60 percent. Lack of talent, apart from other infrastructural deficiencies, is an impediment to growth," said Dilip Ranjekar, corporate executive vice president at Wipro Corp.

The Economic Times

A report of the National Association of Software and Service Companies estimated that the demand for IT professionals in India to be 140,000 in 2000-01 but the strength is estimated to be between 73,000 and 85,000.

How is the industry managing this shortfall? By bodyshopping and offshore development. The industry earlier used to manage by training mechanical and electrical engineers, but with technology taking the centrestage, the demand is becoming more software-centric. *(ET, 21.05.00)*

### FDI Policy to Attract MNCs

Multinationals should be given a fair share of the domestic market in sectors like electronics and textiles. This should be as a reward for setting up export-oriented, labour-intensive units in India, according to the Planning Commission adviser, Ashok Kundra.

"There is an imperative need to fine-tune FDI policies and incentives for raising the export orientation of foreign investment. Giving multinationals a fair share of the domestic market in these sectors could be a significant step in this direction," he said.

Comparing Indian export zones with the Chinese model, he says FDI in labour-intensive electronics, electricals, textiles and clothing sectors has eluded India mainly due to a lack-lustre FDI policy which could not find enough takers.

According to him, a paradigm shift is required in favour of large-sized zones for promoting multiple economic activities. Such potential areas at strategic locations need to be identified and provided with the requisite infrastructure and appropriate packages of incentives, he added. *(BL, 14.07.00)*

### FTAs with Latin Trade Blocks

In an attempt to enhance the volume and value of trade between India and Latin America, India is seriously examining the feasibility of entering into Free Trade Agreements (FTAs) with the Andean community, Caricom (Caribbean trade block) and Mercosur (southern cone common market).

The government is taking steps to sign trade MoUs (memorandum of understandings) with Brazil, Bolivia, Venezuela, Uruguay and Jamaica. It is also keen on signing bilateral agreements with Latin American countries on recognition of qualification in the field of medicine, engineering, law and commerce.

The total trade between India and Latin America has grown from $473.66mn in 1991-92 to $1,557.39mn in 1999-00. A senior official of the ministry of external affairs said it is about time that the private sector "take the bull by the horns". The LAC region comprises 46 countries with a combined GDP of about $2,076bn. *(BL, 21.07.00)*

### Privatisation of 33 Enterprises

The government has agreed to privatise 33 enterprises. This was part of an attempt to speed a sell-off programme that has so far managed majority sale of only one company. The watchword remains caution as the more baronial ministries continues to obstruct moves to free the assets they control in 246 public sector companies.

The department of disinvestment, created to sidestep these obstacles, was given powers by the cabinet committee that deals with privatisation to appoint global advisers.

The committee also vetoed for a more ambitious three-year plan. An official of the department said: "We have to create success stories to get public opinion behind us." The first majority sale, after a decade of false starts, was of Modern Foods, a bakery sold to Hindustan Lever, Unilever's Indian subsidiary. *(FT, 24.06.00)*

### Reforms and the Poor

The government has acknowledged that much still needs to be done on relating the benefits of economic reforms to the economically disadvantaged. A note from the finance ministry admits "Despite these achievements (on the reforms front), the challenge to overcome the scourge of poverty remains a daunting task."

The note adds: "It is necessary to ensure that the poor and the deprived have an even greater stake in economic reforms than at present for mobilising their enthusiastic participation in the development process. Our reforms must be guided by compassion and distributive justice."

The note categorically identifies improvement of living conditions of the poorest and the weakest sections of society and the social sector as "high priority areas in the first decade of the new millennium".

The note contends that "the positive impact of reform measures are evident on inflation". *(ET, 11.07.00)*

### Investment Treaty with Syria

The proposed bilateral investment treaty between India and Syria is likely to create the necessary framework for greater trade and cooperation between the two countries. According to Yashwant Sinha, India's finance minister, both countries should create the climate for the entrepreneurs to take advantage of the opportunities.

Both the countries have agreed to work out a mutually beneficial tariff structure on trade in agricultural products. The joint trade committee will be meeting shortly and the newly constituted joint business council will also be held later this year.

The meeting of the business council is expected to give a fillip to the interaction between the private sectors of the two countries. Syria has been a beneficiary under the Indian Technical and Economic Cooperation Programme, an official release said. *(BL, 25.07.00)*

## Mauritius Tops FDI Chart

Mauritius continues to be the leading investor in India. During the 1991-99 period the maximum foreign direct investment (FDI) has come from Mauritius. The actual inflows from Mauritius during January 1991 and December 1999 were Rs.124,659mn ($2.73bn).

The US, Mauritius and the UK topped in terms of FDI approvals. In terms of actual inflows, Mauritius was followed by the US and the non-resident Indians, who have invested around Rs.83,061mn ($1.82bn) during the period.

**Destination India**

| | Approvals 1991-99 | Actual Inflows 1991-99 |
|---|---|---|
| Mauritius | 2,21,983 | 1,24,659 |
| USA | 4,61,845 | 83,542 |
| UK | 1,59,767 | 22,279 |
| South Korea | 96,901 | 20,921 |
| Japan | 91,077 | 29,694 |

*(Rs Million)*

In some cases, there is a big disparity between the amount approved and the actual inflow. For example, though the actual approval from Malaysia was Rs.55,606mn ($1.22bn) the inflow was just Rs.30mn ($0.66mn).

Surprisingly, a few other countries, such as Cyprus, which have an equally attractive double-tax avoidance agreement with India, as Mauritius, did not figure in the list of 15 major investor countries.

On the capital gains front, both Mauritius and Cyprus rank equal. Further, both these countries do not currently levy any tax on capital gains. Yet, Mauritius continues to be a major attraction for routing investments in India. *(ET, 19.05.00)*

# Competition Regime Around the World

In its endeavour to reach out and disseminate information, CUTS Centre for International Trade, Economics & Environment (CUTS-CITEE) has been publishing a series of monographs on investment and competition policy. These are available for $5/Rs.20. The following are highlights of some monographs.

### Role of Competition Policy in Economic Development and the Indian Experience

One of the dominant economic themes in the last quarter of this century has been the process of globalisation and a progressive international economic integration of the world economy. The movement is towards widening international flows of trade, finance and information in a single integrated global economy.

However, it is inevitable that globalisation may initially, in an unequal world, throw up gainers and losers. It follows therefore that if proper checks and balances are not laid down and complementary policies are not in place, the growth, welfare and income gaps across countries may increase.

In a globalising and liberalising world economy, the number of actual or potential entrants into foreign market increases, giving rise to greater potential for competition in markets regardless of their geographical scope. Many countries have taken to measures designed to open competition in strategic sectors such as telecommunications, airlines, electricity generation and distribution etc.

This paper, written by S. Chakravarthy, former member of the Indian competition authority, address the role of competition policy in economic development and towards the end outlines the Indian competition law.

### FDI, mega-mergers and strategic alliances: is global competition accelerating development or heading towards world monopolies?

Competition is an amalgam of factors that stimulate economic rivalry. Competition can be considered to be a dynamic concept, as it attempts to judge forms of industrial organisation and the policies of firms by reference to the extent to which they promote or hamper this rivalry.

Competition describes the kind of market pressure that must be exerted to penalise laggards and to reward the enterprising, and in this way to promote economic progress.

However, competition reduces the number of players as the incompetent have to fall by the way side. This results in concentrated market structures, which may hamper economic progress.

This paper, written by Pradee S. Mehta and Manish Agarwal of CUTS-CITEE, mapped out the contours of the scenario. For example as to what are the reasons, cause and motives for increasing activity of mergers and acquisitions, and what could be the impact of their concentration in their market place.

### Globalisation, Competition Policy and International Trade Negotiations

There is a growing awareness at the international level of the need to develop guidelines for the control of anticompetitive conduct by firms, and anticompetitive measures by the governments that adversely affect international trade.

With this objective, states have been gradually introducing elements of competition policy regulation into multilateral and bilateral trade agreements, particularly over the last decade.

This has culminated in the formation of the Working Group on Competition Policy in the World Trade Organisation to consider the issues relating to competition policy and international trade.

While there is no agreement that there will be negotiations on competition policy in the WTO, the European Union in particular was promoting its inclusion on the negotiating agenda for the proposed millennium round.

This paper, written by Taimoon Stewart of the Institute of Social and Economic Research, the University of West Indies, St. Augustine Campus, Trinidad and Tobago, mapped out the issues which could likely come up when there are any negotiations on a multilateral competition policy and highlights the issues of concern from southern perspective.

### Competition Regimes Around the World

Governments rel;y on several policy tools to ensure that their markets remain contestable (easy entry, easy exit) and that competition in the markets is maintained as far as possible, so that economic growth and welfare are driven, by and large, by efficient and optimal allocation or use of resources.

Such policy tools include trade policy, foreign direct investment policy, and regulatory policy with respect to domestic economic activity and competition policy.

While the first three policies comprise rules and regulations that serve several purposes and not only that of maintaining competition, with a view to fostering efficiency, the last mentioned relates specifically to rules and regulations implemented by competition authorities with respect to arrangements among firms/suppliers and the conduct of individual firms/suppliers.

This paper, written by S. Chakravarthy, former member of the Indian competition authority, made an attempt to comply briefly the current state of competition law in some select countries.

*For order, write to:*
CUTS Centre for International Trade,
Economics & Environment (CITEE)
D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India,


*Competition, as a concept, has been strategically used by countries to suit their agenda of market access and industrialisation in the post Second World War era. Interestingly, this has happened in the context of efforts made by countries to build a strong domestic industrial base.*

*One can see the way in which countries have been treating competition concerns in discussions at the 1947 Havana meet, regional groupings, the Organisation for Economic Cooperation and Development and the World Trade Organsiation.*

Chapter One, "Globalisation, Competition Policy and International Trade Negotiations" provided the reader with a background on issues in the realm of the interface between trade regulation and competition policy and law.

"The Role of Competition Law as an International Trade Remedy in the Context of the World Trade Organisation" was the title of Chapter Two. It explored the idea of using competition law as a trade remedy in a less integrated environment.

Chapter Three, "Should Competition Join the WTO?" examined in detail the arguments that favour and reject discussing competition concerns on the WTO platform by initiating negotiations on the same.

Chapter Four, "Brief Overview of Country Presentations at the Working Group on the Interaction between Trade and Competition Policy at the WTO" endeavoured to take a closer look at the positions taken by countries on each of the items and sub-items for the period April 1997 to December 1998.

"Globalisation, Competition and Trade Policy: Issues and Challenges" was the title of Chapter Five. It looked beyond the political posturing of presentations made by countries in the WTO Working Group and mapped out the goals and benefits of trade liberalisation and regulatory reforms.

Finally, Chapter Six, "Competition Policy in A Global Economy: Towards A New Multilateral Framework" listed out the past and present efforts to develop a multilateral framework for dealing with anti-competitive issues.

## FEEDBACK

**Good Effort**

Many thanks for sending the research report, "Analyses of the Interaction between Trade and Competition Policy" along with monographs on competition policy and law.

These topics are very current and I could see a lot of effort went into the preparation of them. I shall take a detailed look at the earliest.

*V. Venkateswarlu*
*Adviser, IDBI*
*Mumbai, India*

**Retain Us in Your List**

We acknowledge with thanks the research report on trade and competition policy and monographs on competition policy and law.

UN ESCAP would request you to kindly retain ESCAP Trade Information Service on your mailing list for publications in the future.

*Marianne Debefve*
*UN ESCAP*
*Bangkok, Thailand*

**Really Appreciable**

I really appreciate your publications on competition issues. All of your publications on issues about international trade and globalisation helps me a lot in my work as editor of economic news.

I am looking forward to having all the publications/articles produced by you.

*Linda Tangdialla*
*Bisnis Indonesia Daily*
*Jakarta, Indonesia*

**Big Issue in Future**

Many thanks for sending to us your studies on competition policy. I personally consider this to be the big issue for international trade in the years to come.

With virtually all tariff barriers to goods fast disappearing and certain non-tariff barriers outlawed, the various practices used by businesses to 'improve' their competitive position will require careful scrutiny.

Indeed, with the review conference on the famous "multilateral set" coming up this September and the hopes we are investing in it as an early starter in the global discussion of these issues, your studies could hardly be better timed.

*John Cuddy*
*Director, UNCTAD*
*Geneva, Switzerland*

**Why CUTS was Left Out?**

This is to acknowledge the receipt of the research report and monographs on competition policy and law published by CUTS. However, I wonder why CUTS was left out in the high level committee on competition policy and law constituted by the Indian government.

Best wishes to CUTS for continued study and research on trade and economics.

*S. Narayanaswamy*
*Chairman, FEDCOT*
*Thanjavur, India*

**SOURCES**

ET: The Economic times; BS: Business Standard; BL: The Hindu Business Line; TH: The Hindu; FT: Financial Times; WSJ: The Wall Street Journal; FE: The Financial Express; TOI: Times of India

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