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You Liberalise, We Subsidise!

Developing countries increased their share in world merchandise exports from 18 percent to 29 percent between 1980 and 1997. However, their share of world agricultural exports remained virtually unchanged over this period, rising from 36.4 percent to 37.5 percent only. Two major reasons for this inability to capture a larger share of the market for agricultural products were high trade protection and domestic subsidy in industrialised countries.

Average bound tariff on agricultural products was at over 40 percent - roughly the same rate as was on manufacturing products in 1950. Moreover, in 1999 annual agricultural support in Organisation for Economic Co-operation and Development (OECD) countries totalled US$361bn, which was double the value of total agricultural exports from developing countries. In fact it has gone up substantially from the 1995 level of domestic support of US$282bn.

Economic literature is full of citation that those countries that have been successful in achieving significant rates of economic growth since the 1960s are the ones that have utilised available trade opportunities, while those who have erected barriers against trade appear to have fallen behind in terms of economic growth and development.

Influenced by some very strong empirical examples and foreseeing the opportunities envisaged in the Uruguay Round of multilateral trade negotiations many developing countries implemented significant liberalisation of their trade regimes during the late 1980s and the 1990s. But for many of them who significantly

depend on agricultural exports the ultimate goal of getting better market access has still not been fully realised.

The experiences so far clearly demonstrate that there is a wide difference in preaching and practicing on the part of developed countries as far as trade liberalisation is concerned. Messages from the capitals of the developed countries seem to be 'you liberalise, we subsidise!'

Though developed countries have started realising that mere rhetoric on greater trade liberalisation for the benefit of poor developing countries will not cut much ice. This is evident from many developing countries' opposition to a new round of trade negotiations at the World Trade Organisation.

High Tariff Rates

Some of the highest tariff rates in industrialised countries are applied to products, which are typically exported by developing countries. Import restrictions and subsidies in industrialised countries limit the growth of developing countries' export potentialities.

Although the average tariffs in the Quad countries (USA, EU, Canada and Japan) ranges from only 4.3 percent in Japan to 8.3 percent in Canada, tariffs on specific products exported by developing countries remain much higher (tariff peaks).

In Quad countries tariff rates on major agricultural staple food products, such as meat, sugar, milk, dairy products, and chocolate frequently exceed 100 percent. It is not only the high tariff rates, but also that tariff rates increase with the level of processing of agricultural products (tariff escalation). For example in case of food products, the EU tariff rate was 15.7 percent, 17.6 percent and 24 percent respectively at primary, semi-processed and fully processed level in 1997. In case of Canada the degree of escalation was much higher at 1.8 percent, 7.2 percent and 42.1 percent at three level of processing respectively in 1998. Typically, these are sectors in which developing countries have comparative advantages.

Contd...

INSIDE

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High Domestic Subsidies

The Uruguay Round Agreement on Agriculture required developing countries to liberalise their markets, while endorsing high levels of protection and support in developed countries. In 1999, the Producer Support Estimate (PSE) to agricultural products across all OECD countries totaled 40 percent of the value of production. The jump in support over the past two years has almost reversed a gradual decline over the preceding ten years, whereby the PSE declined from 41 to 31 percent between 1987 and 1997.

A number of OECD countries, including several European Union member states (within the EU 2000-06 Community Support Framework) and Japan, established multi-year plans covering the whole agricultural sector and a range of support measures. These plans varied in detail from setting out policy objectives to providing annual budgetary expenditure. But none of them propose long-term reductions in support measures.

Empirical Evidences

Many studies have proved that the reduction of all post-Uruguay Round tariffs on agricultural and industrial products will result in increase in overall economic welfare of both developed and developing countries.

An assumed reduction of all post-Uruguay Round tariffs on agricultural and industrial products and of all services barriers by 33 percent in a new trade round is estimated to increase world welfare by US$613bn, with gains of US$177.3bn for the US and US$123.7bn for Japan.

In Conclusion

It has been proved time and again that welfare gains from multilateral trade liberalisation are considerably greater than the gains from preferential trading arrangements and more uniformly positive for all countries.

In a speech delivered at the Institute of International Economics, Washington DC, US Trade Representative Robert Zoellick said that an open international economy would spur energies and creativity that will better the condition of people around the world, individually and collectively. The world needs these words which are being preached for quite some time to be put into practice in true letter and spirit by developed countries.

FORUM

Material for Radio Programmes

We acknowledge reception of your publication research report entitled “The Functioning of Patents Monopoly Rights in Developing Economies: In Whose Interest?” We found it extremely useful. Thanks also for sending us your publication catalogue.

Please send us periodically your publications, which we appreciate highly. Parts of your materials are being used to prepare our daily radio programmes addressed to the Bolivian Community as educational programmes. We would also like to offer you our materials as retribution to your kindness and co-operation. Unfortunately, we just print our materials in Spanish.

Hoping to receive periodically your valuable publications, please receive our congratulations for your work and our sincere thanks for your contributions.

Dr. Oscar Lanza V.
Co-ordinator, AIS-CODEDCO
Bolivia

Questions from Canada

Our office received a copy of Economiquity, CUTS In Action and a number of briefing Papers. While the copies we received are out of date (as an example Economiquity is dated July-Oct. 2000), I found the material both useful and interesting. I have three questions related to these publications.

The first is, are these publications available on a subscription basis? If so please send me the details. The second question is in regards to an article in Economiquity: “Can trade sanctions or boycotts lead to elimination of child labour?” I understand that there was a preliminary study of child working in the carpet sector around Jaipur and this was expanded into a full study that forms the basis of this article. Are complete research papers available on these topics and if so, would you please send me the details on how I can order these.

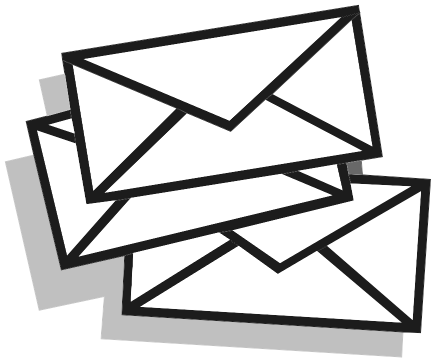
Last, there is the article in Economiquity “A Nightmare for Developing Countries!” Is there more information available on this presentation to the WTO by the United Nations study team?

Kim Boydell
Director of Policy Research
Consumers’ Association of Canada,
Ottawa,Canada

Good Stuff

Seen, read and enjoyed your newsletters.

Richard Fuchs
Information and Communication Technologies for Development
(IDRC),Ottawa, Canada



Exchanging Information

Received the package and would like to thank for the brochures and materials which meet with great interest here. We will certainly be interested in exchanging information and building up contacts with your Centre, and will bring your materials to Prof. Cottier’s attention.

Edith Bernland
Research Fellow to the MILE Programme
World Trade Institute WTI
Bern, Switzerland

…thank you for the research report “The Functioning of Patents Monopoly Rights in Developing Economies: In Whose Interest?” by Dr. Taimoon Stewart. I shall be grateful if you could kindly send us few more copies of the above report.

Counsellor (Econ. & Com.)
Sri Lanka Mission
Geneva, Switzerland

Global Environmental Governance: Weaknesses and Options

In September 2002, the international community will celebrate the tenth anniversary of the Earth Summit held in Rio de Janeiro, Brazil in 1992. The World Summit for Sustainable Development will be held in Johannesburg, South Africa. It's time to introspect about the global environmental governance in the last decade.

During the Rio Earth Summit it was estimated that for implementing Agenda 21, the world would require an approximate amount of $625bn a year, of which the international community would be responsible for mobilising about 20 percent, which comes to $125bn per year. This was additional to the existing North-South flows of official development assistance (ODA), which was then running at about $80bn. This total of some $200bn per year over a period of ten years was expected, more or less, to get the world onto a sustainable development trajectory.

Today, over nine years into this ten-year period, the total amount of money that has gone into Agenda 21 is still pretty close to zero. Furthermore, ODA instead of going up from the prevailing level of $80bn, actually came down to half of that, around $35bn. The only visible financial outcome of Rio is about $5bn worth of commitments, most of them for Global Environment Facility (GEF). Of these, less than $2bn has actually been spent.

It appears that the international community is not giving enough importance to environmental governance. The Kyoto episode further substantiates this viewpoint. It exposes the hypocrisy of developed countries of their seriousness to environmental issues. The fiasco over the Kyoto protocol forced the international community to give a serious thought over it. The Protocol commits Annex I countries (US, Japan, EU, other OECD countries, Eastern Europe and Former Soviet Union) to reduce their emissions of six greenhouse gases (GHGs) by 5.2 percent below 1990 levels over the commitment period 2008-12. Moreover, the European Union (EU), US and Japan are required to reduce emissions of such gases by eight, seven and six percent, respectively.

Undermining Environmental Governance

Non-ratification of the Kyoto Protocol commitments by the USA adds a serious question on environmental governance, i.e. how to discipline rich and powerful countries? At the same time, it endorses the viewpoint of many developing countries that complying with higher environmental standards may adversely affect their economies. This is clear from the US President's statement that compliance of the Kyoto Protocol commitments would cause serious harm to the US economy.

Two main issues, which confront the international community, are weaknesses in international environmental governance, and options for its improvement. There is a clear undermining of the authority of United Nations Environment Programme, which has been exacerbated by proliferation of multilateral environmental agreements (MEAs), having headquarters at different places.

The formation of World Trade Organisation (WTO) in 1995 provided another twist to issues of environmental governance. The EU has been pushing hard for mainstreaming of environment into the WTO, i.e. linking trade with environment, with the option of sanctions to enforce environmental standards.

Drawbacks of Sanctions Approach

There are two basic drawbacks in this approach. First, if, for the time being, we assume that the trade sanction

Down to Earth

approach has some merit, can it be effective in both ways? Trade sanction by a developed country on developing countries may have some impact. What about a poor country imposing trade sanction on a trade giant? Would this affect a big economy at all?

Secondly, linking trade with environment would adversely affect exports, which in turn may have negative impact on economic growth and development. Trade enhances economic growth, which enables national governments to spend more on environmental upgradation programmes. There is a positive relationship between economic growth and environment, which has been proved by economists. The Year 2001 Environmental Sustainability Index (ESI) of the World Economic Forum (WEF) shows that ten highest-ranking countries are all developed ones. This indicates that economic growth and development is essential to combat environmental problems.

Not only that the trade sanction approach has some inherent drawbacks but also the WTO has failed on the governance part. This is evident from poor implementation record of its several agreements. If WTO could not deliver mandated 'goods' as mentioned in its agenda, it would be too much to expect that the organisation would be able to discipline members on a non-trade issue like environment.

The Options

The existing institutional set up for global environmental governance has some serious limitations. The WTO is definitely not an appropriate forum to address environmental issues. One possible solution could be the creation of a World Environmental Organisation (WEO).

There is a growing international debate about the creation of a WEO. Policy-makers, like the former Director General of WTO Renato Ruggiero to French Prime Minister Lionel Jospin, have embraced this idea in general terms.

Before establishing a new multilateral organisation for the purpose of global environmental governance, it is important to determine why the existing arrangements have not been effective. At the international level, United Nations Environment Programme (UNEP), which may be considered as an apex organisation responsible for environmental governance, has been successful only in providing a forum to negotiate agreements.

The creation of the Inter-governmental Panel on Climate Change (IPCC), followed by the negotiation of the UNFCCC (the Kyoto Protocol) and the establishment of its secretariat, represent a string of conscious decisions not to give UNEP more executive authority. The history of the Global Environment Facility (GEF) is marked by a similar bias against UNEP.

For a WEO to be meaningful it must encompass UNEP, UNFCC and the GEF at its core as well as it should be responsible for conserving biological diversity etc. Also, it must have provisions for legally binding commitments for developed countries to ensure more financial and technical assistance to poor countries in complying with higher environmental standards.

The third important requirement is that the agreement establishing the WEO should have meaningful and implementable special and differential treatment provisions for helping developing and least developed countries in complying with and enhancing global environmental governance.

Warning on Money Laundering

Money Laundering involves exchanging or investing funds earned from illegal activities such as prostitution, gambling and drug trafficking in order to conceal their source and make the money appear legitimate.

According to an expert said it is difficult to fight money laundering in Asia because of its many underground banks and the tendency of its people to save and spend large amount of cash.

Banking Standards in Asia are improving but the lack of skills to implement them and the high cost of financial sector reform remain problems for many countries, said Asian government officials and international financial institutions.

In 1989, the Group of Seven industrialised nations created the Finance Action Task Force on Money Laundering. It established measures to combat this illegal practice and identify countries that were not complying with them.

(BL, 09.05.01 & WSJ, 11.05.01)

Rein in Deficit

In a statement released, the International Monetary Fund (IMF) warned that unless corrective measures are taken, the budget deficit is likely to rise to 6 percent of Indonesia's gross domestic product and could put the country's economic recovery at risk. The delay in implementing the measures to address the problems is a setback for Jakarta. Also, global economic slowdown and domestic political turmoil have further disrupted the economy.

Jakarta's Chief Economics Minister, Rizal Ramli, said Indonesia did reach to agreement with the IMF on 'most issues' involving the country's three year lending programme, including a new 'fiscal adjustment package' aimed at reducing the ballooning budget deficit.

The Parliament had agreed to quickly review the new package, which is intended to hold the deficit at its original target of 3.7 percent of gross domestic product by improving tax collection, privatising more state assets and cutting subsidies.

(WSJ, 29.04.01)

Handling of Economy

Stanley Fischer, the Deputy Managing Director of the International Monetary Fund, gave the South African government a ringing endorsement of its handling of the economy since it took power in 1994.

Fischer praised the Government's adherence to prudent fiscal policies and the Reserve Bank's handling of external shocks, including that of neighbouring Zimbabwe, saying they paved the way to breaking through the current level of 3 percent growth.

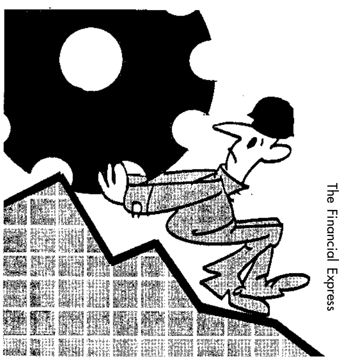
His comments, however, follow a revised IMF forecast for South Africa's growth this year from 3.5 percent to 3 percent, reinforcing fears that the economy is lagging behind leading emerging markets. After making progress towards economic growth and democracy, African countries have had their recovery overtaken by low commodity prices and rising oil prices. *(FT, 08.06.01)*

Slow down in Growth

According to the recent survey, the economic expansion in the Organisation for Economic Co-operation and Development (OECD) region will drop to two percent this year, from 4.1 percent last year. The OECD pointed out in its bi-annual report that a steep fall in the U.S. Stock markets could hit consumer spending and tilt the world's largest economy into recession.

In the industrialised countries, fresh evidence would suggest that the manufacturing gloom is now spreading to service sector. At the same time, the current economic scenario in the European Union's most powerful economies - Germany, France, Italy and the Benelux – also look depressing.

The OECD stated that the global economy may recover if there is a pick-up in the US economic growth rate later this year. A US economic slowdown could have a spill-over effect on the Euro-Zone region. *(TH, 05.05.01)*



The Financial Express

Pinch of Slow Down

After a downward revision of 1.7 percentage points, the economic growth of US' has been projected at 1.5 percent for the year. The IMF's top officials said they do not expect any worth while pickup in the US economy until the year-end. But, at the same time they sought to allay fears of a recession saying that aggressive policy responses would guard against the bleak prospects.

IMF's economic counsellor, Michael Mussa, pointedly referred to the easing brought about by the Federal Reserve and expressed the hope that significant tax cuts will be enacted as part of the responses to the slowdown.

Mussa reiterated that many Asian economies would be hard-hit by the US economic slowdown this year, particularly in countries dependent on the electronics industry, according to the Organisation for Economic Cooperation and Development (OECD). The OECD is forecasting a 1.75 percent growth in the US this year and 3 percent growth in 2002. That weakness will cut Asia's exports but import growth is likely to slow even more sharply as weaker export growth sparks inventory de-stocking, the OECD said. *(HT, 28.04.01 & WSJ, 04.05.01)*

Industrial Downturn

The Organisation for Economic Co-operation and Development (OECD) has forecasted that economic growth in the world's major economies is now projected to drop more than it had been expected, to 2 percent in 2002, half the rate achieved last year, before recovering somewhat next year to 2.5 to 3 percent.

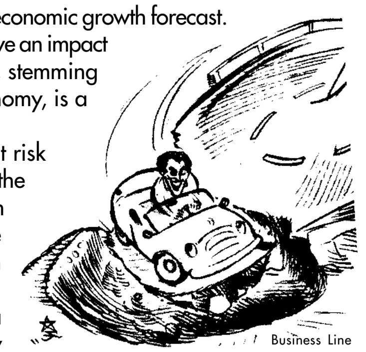
Though the core projection is "relatively optimistic," OECD did not bypass the risks to the outlook, stating that such risks are clearly on the downside. A significant stock market correction, concentrated mainly on technology stocks and not limited to the US, has already occurred, bringing equity prices closer to likely fundamental values.

If, however, these prices were to decline further, either capitalising a more severe decline in expected earnings than currently foreseen or simply shooting on the downside, aggregate demand would be hit harder. A cognate risk is that the need for balance sheet adjustment in some countries could lead to a more protracted and severe decline in global activity. *(BL, 04.05.01)*

Reviving Economy

The new financial chief of Hong Kong said his first task would be to revive the city's lagging economy. However, he declined to say if he would follow world bodies such as the International Monetary Fund and cut the city's economic growth forecast.

He said, while the US slow down will clearly have an impact on Hong Kong, he believes a structural change, stemming from the citys's merging with the mainland economy, is a more immediate change.



He warned that people in Hong Kong might risk falling behind their mainland counterparts unless the city builds on its strengths. Those who aren't much skilled and not too well educated may face challenges, as the economy becomes closer with the mainland.

Some economists believe Hong Kong faces a structural economic problem due to its increasingly strong links with the mainland. As local companies move their back office operations across the border to take advantage of lower wages and set up costs there, lower skilled people in Hong Kong may find their positions taken by their mainland counterparts. *(WSJ, 03.05.01)*

Consolidated Claims

Leading European and American banks want more information on how new rules on capital adequacy will operate, raising the possibility that final proposals from the Basle Committee could be delayed.

In a letter to William McDonough, chairman of the Basle committee of international financial regulators, banks yesterday asked for more detailed information on seven key areas. The letter was signed by heads of the United States, European and Japanese banking associations. The banking associations are asking for detailed papers to be sent to them by August so that they could respond by October.

Banks want detailed papers on the treatment of retail, equity and project finance portfolios. They are also asking for more information on the way operational risk – unexpected losses – will be treated and details on aspects of securitisation, counterparty risk and disclosure. The banks are particularly concerned about the levels of capital that would have to be carried by some institutions to cover the operational risk.

(FT, 22.05.01)

Urge to Cancel Debt

The World Bank and the International Monetary Fund could easily cancel the debts owned to them by the world's most Heavily Indebted Poor Countries (HIPC) without touching their financial health, according to an accountants' report. The report was commissioned by the campaigning group, Drop the Debt, from Chantrey Vellacot, the City of London accountancy firm.

The report suggested that the two organisations could immediately reduce debts of the 26 so- called HIPC by some \$3bn and after that a further \$1bn a year that would retire debt and pay interest as they came due. This would allow the cancellation of the debt over the next quarter- century.

The report also suggests adding a further annual \$300mn, or 8 percent, of contributions to the International Development Association (IDA), the bank's soft loan arm, to ensure it continues to disburse funds at the current rate. *(FT, 11.04.01)*

Overcoming the Challenges

Developing countries in the Asia-Pacific region must open up to greater foreign direct investment (FDI) in all sectors to overcome the challenges posed by globalisation, the Asian Development Bank (ADB) said.

For the moment, according to ADB, FDI is not only the best way to tackle the "technological frontiers," it offers the greatest protection against the market volatility. The 1997-98 financial crisis demonstrated all too clearly that participation in globalisation also brings with it major risks.

In a recent report, the World Bank also says that opening up economies to foreign capital is good for growth. The report says that the relationship between productivity and private capital flows has strengthened over time. As capital flows grow, it suggests technology and management techniques are transferred and financial sector development is stimulated. However, when capital flows are volatile, growth is significantly damped.

(BL, 24.04.01 & FT, 11.04.01)

Urge to Carry on Reforms

The Organisation for Economic Co-operation and Development (OECD) praised the Italian Government for implementing a series of reforms that have reduced state interference in the economy. However, it warned that the reform process would have to be continued if Italy was to raise its economic growth rate and attract foreign direct investment.

In a 133- page report, the OECD praised recent reforms of the Italian bureaucracy. Among the most prominent are changes introduced by Franco Bassanini, the Minister for Public Administration, who has removed layers of red tape from millions of Italians' lives.

However, the OECD had some significant criticisms. It wants to see the golden share the Government holds in former state monopolies such as telecommunications company Telecom Italia and oil and gas company ENI removed, saying this creates market uncertainty. It also said Italy needed to boost the powers of its competition watchdog, the anti-trust authority, and give it a wider range of sanctions. *(FT, 05.04.01)*

Worried about Eurostat Data

Though the economists may squabble over the state of Europe's financial health, but they agree on the inadequacy of euro zone economic statistics. The data situation in the euro zone is still very weak. According to Juergen Michels, economist at Sal Oppenheim in Cologne, reported data is extremely lagging and a lot of detailed information about the economic situation of the euro zone is not available.

In the latest survey, carried out in April, 22 economists gave Eurostat an overall median rating of 5.5 out of 10, up only a touch from five, both last year and in 1999. The ECB, which uses Eurostat data in its key interest rate decisions, joined the debate. It criticised the slowness of data from Eurostat, which collates figures supplied by member states' national statistical agencies.

Eurostat has promised to come close to matching US data for timeliness by the end of the next year. An EMU action plan was also adopted in 2000 aimed at improving reporting of statistics by member states. *(ET, 16.05.01)*

Freer Trade Move Suffers Setback

The US President, George Bush, suffered an embarrassing setback in his drive for freer trade with Mexico with a House vote to limit Mexican truckers' access to the US roads. The House voted 285-143 to bar the Transportation Department from issuing safety permits that would let Mexican trucks operate throughout the US.

As part of the 8-year-old North American Free Trade Agreement (NAFTA), Bush announced plans to let Mexican trucks begin making deliveries throughout the US, starting next January. They are currently restricted to a narrow commercial zone just north of the Mexican border.

Bush had proposed permitting those Mexican companies that comply with US safety standards. The defeat came on the very day when the Mexican President assured that all US safety standards would be met.

(BL, 28.06.01)

Japan Lifts Ban on Pork Imports

The Japan Government lifted a ban on the import of pork from a limited number of European Union (EU) nations after determining that there was a reduced risk of foot-and-mouth disease entering Japan.

The move came a month after Japan suspended imports of pork, mutton and their processed products from the EU on March 23 to keep foot-and-mouth disease out of the country. Imports will be allowed from Finland, Sweden and Denmark.

The ban of import of pork from Austria will remain in place because of concerns that it may carry swine fever. *(WSJ, 26.04.01)*

EU to Amend GSP Scheme

The European Union adopted a proposal to revise the Generalised Scheme of Tariff Preferences (GSP) for the years 2000-04. The proposed regulation would simplify the rules and harmonise procedures on the different arrangements available under the GSP. It maintains duty-free access for all non-sensitive products, while all other products would be classified in one category of sensitive products, replacing the previous three categories – very sensitive, sensitive and semi-sensitive.

The new regulation is designed to target preferences to benefit those countries that need them most, rather than countries and sectors that are in a position to face international competition without preferential treatment.

The scheme constitutes a further tangible example of the promotion of sustainable development, as it gives special incentives for maintaining core labour and environmental standards by the beneficiary developing countries. *(BL, 14.06.01)*

Highest Visible Trade Deficit

Britain's visible trade deficit with the rest of the world rose to £7.7bn ($11bn) in the first quarter of the year, official statistics showed – the highest figure since records began in 1697.

The deficit in goods and services was £5.2bn – the highest since 1989. As a proportion of the national income, the deficit is now running at its highest levels since the trade balance plunged into the red at the end of 1980s.

The figures are a sign of the growing imbalance in the British economy. Domestic demand remains robust, while exporters are suffering from the strong pound and slowing global markets. *(FT, 23.05.01)*

Farm Markets Emerging

In its just published Agricultural Outlook, 2001-06, the Paris-based Organisation for Economic Co-operation and Development (OECD) indicates that a growing world economy and population bolstered by more broad-based economic growth in the OECD area and continuing fast recovery of Asia, Latin America and Russia from the financial turmoil of the late 1990s would lead to a market turnaround.

The fall in international prices of various agricultural commodities in the post-WTO era was really a cause of concern for many developing countries. OECD said world prices for most farm products are expected to rise gradually by 2006, more for some beef and dairy products than for cereal and oilseeds.

World production of agricultural products is projected to expand over the outlook period with the mix of output changing towards a larger share of livestock products and feedstuffs and declining share for foodgrains. *(BL, 28.05.01 & 19.05.01)*

First World, Protectionist?

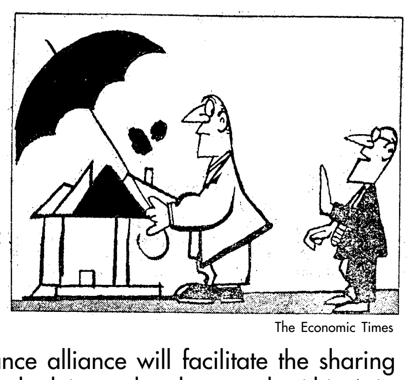
Finance Ministers from the Group of 24 (G-24), representing prominent developing countries including India, have accused industrial nations of practising protectionism, inhibiting their exports and competitiveness, which result in losses worth billions of dollars annually. They urged the World Bank to support efforts by developing countries to use the multilateral system more effectively.

A communiqué issued at the end of the end of the meeting said industrial economies spend over $300bn on agricultural subsidies, about the total GNP of Sub-Saharan Africa. These had a debilitating effect on developing country exports. It is conservatively estimated that costs, in terms of foregone income to developing countries from trade restrictions on their exports, exceed $100bn a year.

The Ministers noted that the aggregate aid flow to the developing nations was about $60bn a year, the Foreign Direct Investment remained concentrated in the hands of a few countries and many in the developing world were yet to get investments at the level necessary to spur development. *(TH, 30.04.01 & ET, 30.04.01)*

Tapping Global Insurance Business

Seven countries, including India and China, for the first time have formally planned to join hands to tap the multi-trillion global insurance business. The other five countries are Japan, Korea, Singapore, Malaysia and Thailand. Each of these countries, with their multi-billion dollar insurance industry, will multiply manifold further from the intended pan-Asian reinsurance platform.



The Economic Times

In order to create a pan-Asian platform and jointly explore various possibilities in the global insurance and reinsurance business, top executives of insurance companies met at a two-day round-table conference in Beijing in the month of June.

The proposed pan-Asian re-insurance alliance will facilitate the sharing reinsurance business among themselves – both inward and outward, within Asia and globally. *(FE, 02.06.01)*

Ranbaxy Gets EMR in US

Ranbaxy Laboratories has been granted exclusive marketing rights (EMR) by the US Foods and Drugs Administration (USFDA) for marketing 'Ibuprofen' and 'Pseudoephedrine Hydrochloride' tablets in the US markets for six months. These products have a market of $50mn in the US.

Ranbaxy's wholly owned subsidiary, Ohm Laboratories Inc., has been granted EMR for 30-mg tablets of 'Ibuprofen' and 200-mg tablets of 'Pseudoephedrine Hydrochloride' in the US market. The US subsidiary, Ohm Laboratories, has also entered into a joint venture for marketing the products.

The Economic Times

Ranbaxy is also in the process of expanding its presence in the global and domestic over-the-counter (OTC) and nutraceutical product segments.

(FE, 30.04.01)

Disappointing Decision

President George W. Bush threatened to impose restraints on steel imports to protect the US producers and called for international negotiations to curb over-capacity and end government subsidies. He ordered the US International Trade Commission (ITC) to conduct a thorough investigation into the steel industry under section 201 of the 1974 Trade Law.

The probe will determine whether the plight faced by troubled American Steel makers is caused by "unfair trade practices". Those accused include India and the European Union. Such a finding could lead to trade sanctions against India or any steel exporter to the US.

This move is a response to the growing pressure from the US steel producers and their congressional supporters to rescue an industry that has seen 17 companies go bankrupt since 1998. *(FT, 06.06.01 & ET, 07.06.01)*

North Korea Liberalises Trade Law

North Korea's highest legislative body has passed a new trade liberalisation law that analysts view as further proof of the communist country's desire to open up to foreign investment.

According to South Korea's National Intelligence Service, the North's Supreme People's Assembly on April 5 passed a trade-processing law aimed at generating more hard currency through the "expanding and strengthening of economic exchanges." Among the steps that the North Korean Government is preparing to take are the expansion of free-trade zones, the adoption of some trade guarantees and the simplification of administrative process.

To date, North Korea has concentrated its limited foreign investment projects in the port area of Rajin-Sonbong, the country's first free-trade zone. Under the new law, North Korea will expand these free trade areas into the north and south of the country and broaden the types of North Korean firms that can form partnerships with foreign companies.

(WSJ, 25.04.01)

Warning on Import Curbs

The Federal Reserve Chairman, Alan Greenspan, has warned that the slowing US economy could generate growing political pressures to restrict imports, hurting both the US and global economies. He called for greater efforts to liberalise trade in order to counter those pressures.

He said the Administration has, so far, been unsuccessful in bridging the differences between Democrats and Republicans, despite the personal involvement of President Bush in a meeting with congressional trade leaders. The divisions in the Congress might indicate that the US has become dangerously complacent over trade liberalisation.

Greenspan acknowledged concerns over the impact of freer trade on certain industries, and endorsed measures such as job re-training.

(FT, 05.04.01)

Declining Exports

Philippine export revenue fell for the second straight month in March, dragged down by a sharp drop in shipments of electronics and components amid lower demand from the US, data released by statistics office show.

Exports in March contracted 4 percent to $2.87bn from $2.99bn in the same month in 2000. In February, exports – the driver of the economy – fell 3.3 percent. Philippine exports in the first quarter of 2001 contracted .5 percent to $8.5bn from a year earlier.

Shipments of electronics, which accounted for close to 56 percent of total exports in March, fell 11 percent from a year earlier to $1.6bn from $1.8bn. Electronics exports fell 7.5 percent in February and rose a meagre 1.7 percent in January.

A weak export performance over 2001 would make it highly likely that the Government will miss its economic growth target of at least 3.8 percent in the current year.

(WSJ, 04.05.01)

Senate to Re-think Trade Laws

The US Federal Reserve Chairman, Alan Greenspan, told the Senate Finance Committee that laws aimed at punishing allegedly unfair foreign trade practices are often "just simple guises" for restricting trade, a tendency, he said, that is both unwise and self-defeating.

He said that the US Government should, instead, focus its efforts on improving the job skills of its workers and retaining the workers who lose jobs because of trade liberalisation. Although tariff barriers to trade have dwindled in industrial countries in the last 50 years, other types of barriers have become more prevalent. He cited anti-dumping laws and countervailing duties as a case in point.

Greenspan added that anti-dumping duties are levied when foreign average prices are below the average cost of production. But, that also describes a practice that often emerges as a wholly appropriate response to a softening in demand.

(WSJ, 05. 04.01)

Action on Exports

Israel has asked the EU to postpone unilateral action on goods illegally exported from the occupied territories, the first time it has acknowledged that Brussels may be serious about applying international law to its trade agreement.

It signals a growing recognition by the Israeli Government that the EU was finally prepared to take steps aimed at preventing Israel from exploiting its trade agreement with Brussels. This agreement allows it to export goods on a tariff-free basis to European countries.

Israel has agreed that its customs officials would meet EU customs authorities in July to examine certificates showing exactly which goods Israel was illegally exporting from the occupied territories.

(FT, 22.05.01)

Plagues to Suffer Leather Industry

Europe's cattle woes soon could raise the price of leather products in international market. Mad-cow and foot-and-mouth diseases, two unrelated plagues on European cattle, have dented the international supply of cowhides used to make leather goods. Europe is a major supplier of hides, contributing nearly 17 percent of the global supply of hides and skins in 1998.

But, the European beef industry suddenly is killing only half as many. The fall-off in hide production is attributable to the current widespread torching of European cows, including hides and all, in order to try to contain foot-and-mouth disease, which causes wasting, sores and, rarely, death in cattle. However, it is harmless to humans.

Leather supplies are tightening and at the same time demand is skyrocketing in America. In the US, sales of leather clothing last year jumped 71 percent from 1999, to $4.2billion. *(FE, 19.04.01)*

Mutual Imports Curbs

Japan's Government decided to slap an emergency curbs on imports of Chinese agricultural products in a bid to shore up farm-lobby support ahead of a Japanese election. This would be a provisional import restraint on Chinese exports under the rules of the WTO, the global trade umpire.

Restrictions would be placed on imports of Chinese-grown leeks, shiitake mushrooms and rushes used in making *tatami*, the traditional Japanese floor mats. If Chinese shipments of these goods exceed the average annual amount shipped over the past three years, Japan would impose duties on the three goods, ranging from 106 percent to 266 percent, to raise the Chinese products to Japanese price levels.

China has also retaliated by imposing new restrictions on imports of Japanese autos, though not publicly announced. But, several Chinese auto dealers confirmed that they are unable to get approval for import of Japanese autos.

(WSJ, 11.04.01 & 06.06.01)

Japan to Seek Trade Treaties

Japan is informally considering creating free-trade alliances with about half-a-dozen countries, including Canada, Chile and Mexico. This move follows Tokyo's decision to open free-trade talks with Singapore late last year. This is the first bilateral trade agreement that Japan has ever tried to conclude.

This new policy has been partly driven by growing unease in Japan about the future of the WTO. It also reflects concern that Japan will suffer if it does not strike bilateral trade deals, since almost all other industrialised countries have concluded a plethora of bilateral arrangements in recent years.

This step may also be exacerbated by falling trade surplus of Japan. Japan's merchandise trade surplus contracted at a faster-than-expected pace in April 2001, falling 42 percent from a year earlier to 665.9 billion yen ($5.39bn), showing that falling foreign demand continues to weigh on the economy.

(FT, 07.06.01 & WSJ, 22.05.01)

EU, Egypt Sign Free Trade Pact

The European Union and Egypt signed an agreement for freer trade and closer political ties. This agreement is part of an EU drive to contribute to stability in the Middle East. The EU already has similar agreements with Tunisia, Israel, Morocco, the Palestinian Authority and Jordan and is currently negotiating with Syria, Algeria and Lebanon. The Union aims to create a free-trade zone across the region by 2010.

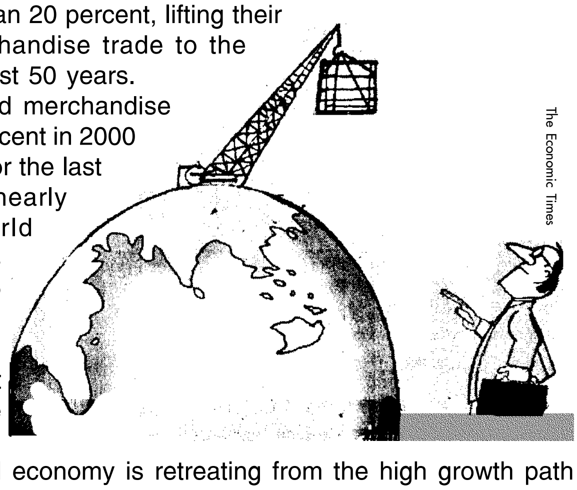
Apart from liberalising trade, the bilateral trade accord will also provide for co-operation in fields ranging from education and culture to the fight against crime. It will grant Egypt duty-free access to EU markets for industrial goods and require Egypt to phase-out customs duties on EU imports over a period of 12 years.

(BL, 27.06.01)

Strongest Global Trade

Global trade and output growth in 2000 were the strongest in more than a decade, with all regions benefiting from the stronger world economy, according to WTO Annual Report 2001. While all regions reported faster nominal trade growth, exports and imports of developing countries expanded by more than 20 percent, lifting their share in world merchandise trade to the highest level in the last 50 years.

The value of world merchandise trade rose by 12.5 percent in 2000 – twice the average for the last decade – to reach nearly $6.2tn. World commercial services trade is estimated to have expanded by 5 percent to $1.4tn in 2000, the fastest annual growth since 1997.



The Economic Times

In 2001, the world economy is retreating from the high growth path seen last year, dimming the prospects for world trade in 2001. The volume of world merchandise trade is expected to grow by seven percent, a marked reduction from the estimated 12 percent in 2000.

New US Law Fails to . . .

The United States lost a key multi-billion dollar export subsidies case brought before the WTO by the EU. A confidential WTO report determined that a new US law called foreign sales corporation (FSC) fails to adhere to free-market principles and thus runs counter to WTO's standing rules.

The findings were sent to the US and the EU to enable them to add their comments before the documentation of the final draft in July. The report will be made public in August.

A US appeal against the ruling is certain and the process could take months. Such decisions are rarely overturned on appeal. In case the ruling stands and US fails to alter the FSC law, the EU could levy $4bn in taxes on US exports. *(ET, 24.06.01)*

US Warns of Explosion

The US administration warned that the trade dispute with the European Union (EU) over the US foreign sales corporation tax could "explode" and damage attempts to launch a new trade liberalisation round. The US trade representative, Robert Zoellick, told a European Parliament committee that "it would be like using a nuclear weapon" on the global trading system if the EU decided to impose sanctions worth $4bn on US trade on the strength of a World Trade Organisation (WTO) ruling expected later. It suggested that the US administration had little hope that the WTO panel will find that changes in the US legislation had removed objections to the foreign sales corporation tax.

"We must be more creative in settling bilateral disputes. Litigation is not always the solution for every problem", said Zoellick. *(FT, 15.05.01)*

Brussels Plan Opposed

A wide alliance of business groups protested against the plans of the European Commission (EC) to propose legislation on marketing practices and consumer protection measures in the EU. Publishers, advertisers and television companies feared that the Commission will crack down on a number of existing marketing practices such as making promotional offers to children.

According to an internal working paper, the Commission aimed to develop a "harmonised approach to the regulation of trading practices between business and consumers". It said "The general duty could either be limited to covering misleading or deceptive commercial practices or could embrace wider concepts of unfair marketing that exist in member states".

The paper said that the marketing initiative would help complete the single market in consumer protection. However, the paper does point to the difficulties of harmonising consumer laws at an EU level. *(FT, 09.04.01)*

Non-market Economies

In an unprecedented step, which will gladden the industries hit by import competition, the Government declared China, Russia and 14 other countries as non-market economies. In simple terms, the declaration will help the Government in taking adequate steps to ensure a level playing field for the domestic industry.

According to the anti-dumping cases authority, various factors, including exchange rate conversions and bankruptcy laws, had been taken into account to decide whether an economy is market-driven or not.

Interestingly, China is inching closer towards WTO membership, while other countries are unlikely to get into the apex body in the near future. Once a country becomes a member of the WTO, it cannot be declared as a non-market economy. And, the information provided by it cannot be disputed. *(ET, 21.06.01)*

Grain Ban Re-imposed

Indonesia's Agriculture Ministry re-imposed a ban on Brazilian grain, such as soybeans, soybean meal and corn, following a report of a fresh outbreak of foot-and-mouth disease from the Paris-based Office International des Epizooties, also known as the World Animal Health Organisation.

The director-general of animal husbandry, Sudardjat, said that the Government was keeping its ban on corn, soybeans and soybean meal from Argentina but had cancelled a ban on soymeal from India and processed corn from China.

Indonesia was declared free from foot-and-mouth in 1990 and since then it had imposed bans on meat and animal products on nations hit by the disease and, recently, on grain imports. *(FT, 15.05.01)*

Australian Cattle Blocked

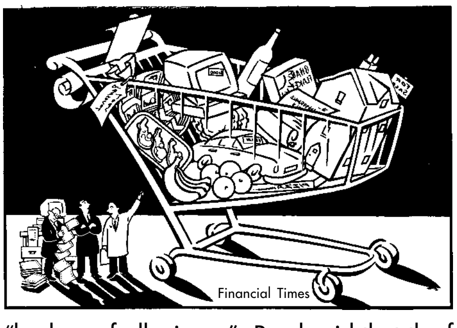
South Korean farmers blocked the cattle that was imported from Australia from entering a farm for a second day and demanded they need more quarantine time. Some 400 members of the Korea Cattle Association stopped the trucks carrying 120 cattle from Australia at the gates of a ranch in Kyongiu, 300 kms South-east of Seoul.

The livestocks were from a herd of 663 cattle imported from Australia, eight of which had been destroyed after they were tested positive for the bluetongue viral disease. It is an insect-borne virus that infects cattle and wild ruminants, but does not affect humans.

An official of the Association said they would fight to the end to block them from being supplied to the nation. *(FE, 07.05.01)*

Unofficial Merchandise Dispute

Justice Laddie referred the High Court dispute between Matthew Reed and Arsenal Football Club to the European Court after being unable to decide whether the stall holder was infringing the North London club's trademark by selling merchandise bearing the club's name and badge. If the European Court favours Reed, other clubs also stand to lose millions of pounds.



Counterfeit merchandise is a considerable problem for most clubs. Arsenal, known as the "Gunners", had registered the club logo as a crest and cannon symbol and its name as trademarks.

The judge rejected Arsenal's claim that Reed was "passing off" and upheld Reed's defence that he was merely using the marks as "badges of allegiance". Reed said that the fans buying his goods were aware that they were not official club products. Both parties submitted the arguments to the judge who was likely to take them to the European Court for a final decision.

(FT, 07.04.01)

EU Warns US

The Financial Express

The EU had threatened to retaliate against US import barriers to its steel products with a barrage of cases in the WTO, days after the US announced a move to protect its steel makers. The EU trade negotiator, Pascal Lamy, asked the US to lift penalty duties on imports from the 18 EU steel companies imposed under the US trade laws and reach a compromise before the EU deadline expires.

The EU response represents escalation in the trans-Atlantic steel battle but also shows the difficulty Europe faces in responding directly to the US threat to use Section 201 of its 1974 Trade Act to impose trade restrictions. Under this, it can limit steel imports, consistent with WTO rules, as long as the action is a part of a broad restructuring plan.

Lyall Syme, international trade director for Corus PLC, the new name for British Steel, said that the US is overusing its trade laws because it doesn't want to make tough restructuring decisions that have been forced on Europe.

(FE, 18.06.01)

WTO Rules Against US

The US will appeal a WTO panel's ruling that a quota on Pakistani cotton yarn violates global trade rules, a decision that marked the third big textiles trade case the U.S. had lost. Pakistani trade officials said that the report of the panel orders the U.S. to remove the quota, which affects cotton yarn used in underwear, socks and T-shirts. If the U.S. doesn't remove the quota, the WTO could authorise Pakistan to impose retaliatory sanctions.

The Clinton administration imposed the quota in 1998, after the U.S. yarn suppliers complained that cotton yarn from Pakistan, the second largest supplier, was flooding the market.

Pakistan promptly complained to the WTO. A WTO textile-monitoring panel in 1999 recommended that the U.S. must lift the restrictions. The Clinton administration refused to do so. Since 1996, the WTO has heard three textile cases against the U.S. policy. *(WSJ, 30.04.01)*

Dispute Ends

South Korea agreed to import 10,300 tons of Chinese garlic, ending a trade dispute with Beijing. China had threatened to stop South Korean mobile phone and polyethylene imports, accusing Korea of not keeping its promise to import 32,000 tons of garlic from China last year.

South Korean traders bought 20,000 tons of Chinese garlic last year and shunned further imports when the price of the Chinese farm product rose. The agreement was struck during talks in Beijing, when Korean negotiators offered to buy 10, 300 tons of garlic by August for $550 a ton to make up for China's loss, the Ministry of Foreign Affairs and Trade said.

South Korean imports of Chinese garlic totalled $10mn last year. It sold $12mn worth of cell phones to China in the same year. *(WSJ, 23.04.01)*

EU against South Korea

The EU proposed starting a WTO case against South Korea over its shipbuilding practices. At the same time, the EU's executive body was expected to propose allowing temporary government aid for European shipyards hit by South Korean competition.

The EU had repeatedly accused Seoul of paying its shipbuilders illegal subsidies, which it said, threatens the existence of European competitors.

Aid would be permitted pending a resolution of the WTO case for those European shipyards seen as suffering from competition from South Korea, the world's biggest ship builder.

The European Commission can launch a WTO case on its own authority but would need the approval of EU governments for the aid proposal. *(BL, 27.04.01)*

'Grey Imports' Ban

The price of a variety of items ranging from designer clothes to CDs, perfume and computer games was compared in the US, the UK, Sweden and other EU countries. The UK and Swedish governments will use the study to renew the assault on the trademarks directive blocking so-called grey imports – the unofficial importing and discounting of goods from outside the EU.

Stephen Byers, the UK trade minister, used a press conference to fight for the change. Pagrotsky, his Swedish counterpart, had led a high profile campaign to change the EU's trademark regime. Byers was joined by representatives from Tesco and Asda, two super-markets that were fighting hard for the right to sell branded goods at market-down prices.

Byers argued that one prime reason for the higher prices is the trademarks directive. The EC had been reluctant to propose any changes to the rules. *(FT, 26.04.01)*

Threat to Japan

The Chinese Government threatened to impose import quota restrictions on Japanese cars in response to Japan's move to limit imports of shiitake mushrooms, leeks, etc. The escalation of trade friction threatened to dominate the discussions between the two at the Asia Pacific Economic Co-operation (APEC) meeting in Shanghai.

Even though China is not a member of the WTO, the Japanese planned to argue that the move to reduce car quotas is the kind of retaliatory action that the WTO prohibits. It might embarrass China, which hoped to use the Apec ministers' meeting to show its qualifications to be a member of the trade body.

Japanese carmakers such as Nissan, Honda and Toyota – the country's top three manufacturers – targeted China as an important potential market and had increased their investments in the country in recent years. *(FT, 06.06.01)*

Forced into Worse Jobs

Under pressure from public opinion, the world's big football makers—Nike and Reebok—agreed four years ago with the Sialkot football stitching industry to ban work by children under 14.

Now, the production in this grey, featureless town, which makes 80 percent of the world's footballs, is done in large, well-monitored stitching centres. Child labour has all but disappeared from the Sialkot's football market. Many aid organisations now believe child labour in Pakistan, where nearly half the population is under 15, will not be eliminated by imposing bans on one industry at a time. Excluded from football making, many children have simply turned to other jobs.

The International Labour Organisation and Sialkot's Chamber of Commerce are trying to get child labour banned in the hazardous surgical instruments industry. Pakistan is yet to sign the ILO convention against the worst forms of child labour. *(HT, 30.04.01)*

Help Poorest of the Poor

Wealthy nations and international organisations should step up their efforts to help the world's poorest of the poor, the Director-General of the World Trade Organisation (WTO), Mike Moore, said.

He hoped, at the Third UN Conference on Least Developed Countries that was held in Brussels, that the participating countries would discuss the challenges faced by LDCs in a globalised economy and agree on measures the global community could take to assist them.

Moore said the responsibility for development rested first with LDC governments themselves. However, he added, global community must do more to meet the challenge of poverty-reduction.

He also called on the donor countries to provide more aid and assistance, to accelerate debt-relief and improve market access conditions for LDC products in their countries. *(BL, 16.05.01)*

Anti-poverty Policy

Cash transfers to the poorest and most vulnerable households, conditional on school attendance of their children of school-going age, should be adopted as an anti-poverty policy in African Least Developed Countries (LDCs). This is the central conclusion of a joint ILO\UNCTAD report released at the Third United Nations Conference on LDCs.

As a part of preparations for the Conference, the ILO\UNCTAD established an Advisory Group to examine the desirability and feasibility of introducing Minimum Income for School Attendance (MISA) within African LDCs.

The Group brought together distinguished specialists from Africa, Latin America and elsewhere. Clearly, there are economic, structural and social differences between African LDCs and Latin America. Nevertheless, the ILO-UNCTAD Advisory Group believes that the MISA schemes can have strong positive effects in both regions and are financially feasible.

The ILO and UNTACD are currently seeking feedback from African LDCs and potential donors on the initiative. The UNTACD Secretary-General, Rubens Ricupero, and the ILO Director-General, Juan Somavia, said in their foreword report: "The sooner such an initiative can be launched, the better. It is something practical, feasible and desperately needed."

Poverty Agenda

In the long term, the most prominent issue for the World Bank and the International Monetary Fund would be poverty reduction. There are three ways in which the World's richest countries can, and should, do more to help the World's poorest. These are: to give more financial help to those countries that have earned it, probably via more generous debt-relief; to bring down trade barriers; and to take action on Africa's catastrophic health situation.

If the debt-relief initiative is to have a long-term impact and act as an incentive for other countries to reform, it must be more generous. Economic growth too is crucial in the fight against poverty.

Nicholas Stern, the World Bank's chief economist, said that attaining the poverty reduction goal on a world-wide basis would depend mainly on sustaining higher growth rates in India and China, where most poor people live. *(FT, 26.04.01 & 30.04.01)*

Call for Fund

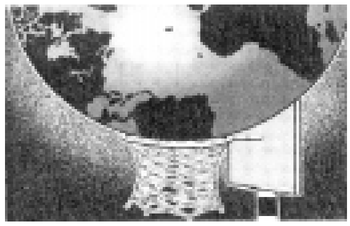
The United Nations Food and Agriculture Organisation (FAO) has appealed for the creation of a $98mn fund to help provide safe food for the world's most impoverished nations. Many people in the world's poorest countries, most of which are in Africa, still do not get a supply of safe food on a daily-basis.

The UN Secretary General, Kofi Annan, also urged governments to ensure that the Brussels meeting, unlike its two predecessors, would mark "a real turning-point in the everyday life of poor people in the poorest countries." He commented this while opening the UN conference on the world's 49 least developed nations.

However, the critics said the measures and projects, however worthy and useful, fell far-short of what was needed to meet even basic development objectives, including the halving of poverty by 2015, agreed at the UN's millennium summit last year. *(WSJ, 16.05.01 & FT, 21.05.01)*

Overriding Priorities

Commitment 6 in the draft Programme of Action for the Least Developed Countries (LDC) for the Decade 2001-2010 stresses that: "Poverty eradication should be the first and over-riding priorities for LDCs and their developed partners. Eradicating poverty is an indispensable requirement for sustainable development and has to be addressed in an integrated and comprehensive manner."



The Economic Times

Ministers underlined that the root causes of global environmental degradation are embedded in social and economic problems such as pervasive poverty, unsustainable production and consumption patterns linked to the minority, inequity in distribution of wealth and the debt burden linked to the majority.

These burdens, and more, are especially heavy for women in the developing countries and it is important that development policy fully reflects the gender topics like micro-credit schemes. The LDCs are especially vulnerable to the impacts of global warming and natural disasters. Adaptation is necessary if countries are to overcome the negative consequences of climate change.

Plea to Tackle Hunger

The FAO has called for new political commitment and time-bound action to improve the livelihood of around 800 million people in the developing countries, many of them children, who lack access to adequate food.

The FAO has invited the world leaders, the international community and the civil society to attend the global event in Rome (November 5-9) to renew their commitments made in 1996 and translate them into practical programmes.

According to the policy document, it lies well within the technical, institutional and financial capacities of the countries to win the battle against hunger and chronic hunger is both a cause and effect of poverty. Since the World Food Summit in 1996, there is no evidence of a rise in international or domestic resources for agricultural development. *(BL, 20.04.01)*

True Development Round

Speaking at a conference in Brussels to discuss how the world can help the Least Developed Countries (LDCs), the UN Secretary General, Kofi Annan, said "the best hope" for the LDCs and the developing world lies in a new round of global, multilateral trade negotiations which must, this time, be "a true Development Round."

Previous UN conferences on LDCs have not been able to reverse their precarious economic situation. On the contrary, the income gap between the rich and the poor countries has continued to increase.

Thus, the UN chief hailed that the new Round must aim to eliminate all tariff and non-tariff barriers in the developed countries to trade in agricultural products, textiles and other products of special interest to the LDCs. It should review the progress made in implementing agreements reached in the last Round – the Uruguay Round. Annan also called for additional debt-relief which must be truly additional, "not subtracted from funds already earmarked for development aid" to LDCs. *(BL, 14.05.01 & 16.05.01)*

Persisting Economic Colonies

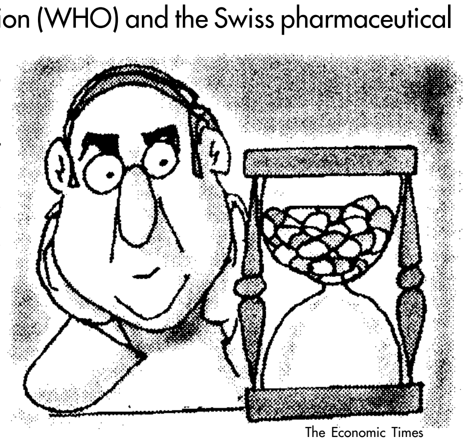
Speaking on behalf of Africa at the inaugural session of the G-15 summit, the Zimbabwe President, Robert Mugabe, said that at the economic level "some nations" were still "emperors" while others were still "economic colonies."

He added that the G-15 provided the developing countries a forum to reflect why, despite rhetoric, development assistance programmes and prescriptions from the International Monetary Fund and the World Bank, "our economies remain poor, marginalised and servile to the economies of the developed world, especially those of Europe and the United States."

The Malaysian Prime Minister, Dr. Mahatir Mohammad, also warned against the risks of unfettered globalisation. Referring to the need to create good infrastructure and a "knowledge society," he referred to India by name. *(TH, 31.05.01)*

Deal on Malaria Medicine

The World Health Organisation (WHO) and the Swiss pharmaceutical company Novartis have signed an agreement aimed at providing the developing countries with a new treatment for malaria at cost-price. Novartis will supply the new medicine called Coartem to the WHO for use in the developing countries, where parasites are resistant to chloroquine and other common malaria treatments, according to the WHO.


The Economic Times

Each tablet will cost about ten cents, which would mean less that two dollars fifty cents for adults and considerably less cost for children.

"This combination therapy will save the lives of a large number of people, especially children, who, otherwise would die from lack of effective medication," Director-General, Gro Harlem Brundtland, said. *(FE, 25.05.01)*

Boosting Rural Development Policy

Franz Fischler, the European Union (EU) farm commissioner, is seeking to shift the Common Agricultural Policy (CAP) further from a predominantly market based system of support towards a rural development policy promoting high environmental quality standards.

Such a shift would go a long way to meeting consumer demands, while putting the EU in a stronger position in talks with its trading partners and making the CAP more suitable for EUs enlargement into central and eastern Europe.

Boosting the share of the CAP budget devoted to rural development to 10 percent would mark a significant shift away from the traditional central management of CAP and alarm the opponents of reform. Most of the CAP budget is distributed directly by Brussels as direct aid to farmers based on the crops and livestock they produce and as price support and export subsidies. Rural development measures are co-financed by national administrations. *(FT, 16.04.01)*

Reviving Fears of Recession

The US jobless rates jumped to 4.5 percent in April, reviving fears of recession as companies shed the largest number of jobs in a decade. The White House stoked that concern, suggesting that economic growth in the first-quarter might be less than originally reported. The labour department's report reinforced worries that the rising layoffs might cause consumers to cut back sharply on spending and tip the country into a recession.

New claims for State Unemployment Insurance shot up to the highest level in nearly nine years, suggesting that workers are having trouble holding onto their jobs in the slumping economy. Job uncertainties are helping to turn Americans into more cautious shoppers. Most of the nation's largest retailers reported disappointing sales in May.

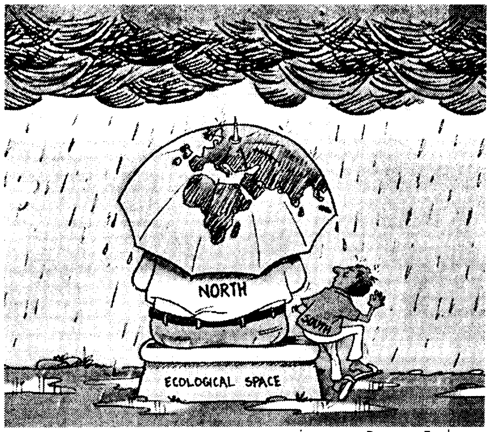
The number of new applications for jobless benefits rose to its highest level in more than 8 and half years, the Government said in a report showing a job market that continues to soften. *(ToI, 07.05.01 & BL, 09.06.01)*

Call for Urgent Action

Urgent action is needed to prevent irreversible damage to the environment over the next 20 years, according to a pioneering study by the Organisation for Economic Co -operation and Development (OECD), the industrialised country grouping.

The OECD says that population-increase, economic growth and globalisation will exacerbate the problems of over-fishing, tropical deforestation, climate change, urban air quality, waste, groundwater pollution and toxic chemicals. It also warns that environmental problems are becoming more complex and their resolutions will require more difficult trade-offs and greater international co-operation

The OECD says its member countries could cut carbon-dioxide emissions by 15 percent in 2020, compared with the reference scenario, at almost negligible cost. Removing subsidies and applying taxes on the use of energy and chemicals could do this. *(F T, 06.04.01 & 10.05.01)*



Down to Earth

Warning on Global Warming

The UN Secretary-General, Kofi Annan, warned action must be taken now on global warming and called on the United States to resume its leadership on the issue. Annan has also launched a four-year check-up by 1,500 scientists aimed at diagnosing Earth's environmental ills and identifying treatments to nurse the planet back to health. It was termed as "the first global report card on our environment."

The study will examine all the world's grasslands, forests, rivers and lakes, farmlands and oceans in a comprehensive fashion for the first time. Dubbed the Millennium Eco-system Assessment and budgeted at $21mn, the study was launched on the World Environment Day.

All the findings of the assessment will be reviewed by the peers of the UN Foundation before publication in a final report due in four years. According to Kofi Annan, environmental assessments are already under way in Africa, Asia, Central America, Western China and Norway. *(TH, 22.05.01 & FT, 06.06.01)*

Red Signal against Oil Giants

GREEN activists from around the world called for a global consumer boycott of multi-national oil companies to defend the Kyoto Protocol on greenhouse gases. About 800 delegates from 70 countries, meeting at the Global greens 2001 conference in Canberra, backed the campaign after speakers said large oil companies were behind the decision of the US President, George Bush, to withdraw from the Kyoto agreement.

Oil-companies are an obvious culprit in global warming. Three-quarters of greenhouse gases stem from burning fossil fuel. In fact, 80 percent of the world's oil reserves are owned not by western-listed oil companies but by governments and their state oil companies. The latter, however, generally lack the ability or the intention to diversify into renewables and are, thus, not considered worth targeting by green campaigners.

(BL, 17.04.01 & FT, 16.05.01)

Pollutants Ban to be Signed

The US President, George Bush, was under growing political pressure to show more concern about environmental issues after spurning the Kyoto climate change treaty. He tried to salvage some credibility with the environmental lobby by announcing that he would sign the international convention governing persistent organic pollutants.

This treaty would phase out the most dangerous chemicals used around the world in industrial and agricultural activities such as DDT and other pesticides, which are banned in industrialised countries but are still in use throughout the developing world.

The US has already all the chemicals to be immediately phased out under the treaty. But, the pact would provide financial support to the developing countries to help them phase out and find substitutes for the dangerous substances. *(FT, 20.04.01)*

Curbing Global Warming

Scientists and industry leaders are working on technologies to capture power plant carbon-di-oxide emissions linked to global warming and use them for commercial purposes. Separating and removing carbon-dioxide from power plant emissions would eliminate a major source of greenhouse gases from the atmosphere. Making the gas commercially available would be an added advantage, say researchers.

Commercially marketed carbon-dioxide is used for oil and gas exploration, fire extinguishers, dry ice and carbonated beverages like Pepsi and Coca-Cola. Carbon-dioxide that could not be sold commercially would be "sequestered" or buried in ground formations or the ocean.

A recent World Bank report says that a number of studies have been launched world-wide in this area.

(ToI, 15.06.01)

US Stance Defended

Spencer Abraham, the US Energy Secretary, sought to defuse the European anger over President Bush's environmental record by outlining the details of the new US energy policy. The new policy shows that the Bush administration intends to ease the US regulations and use tax incentives to boost domestic oil, coal and nuclear power production.

Environmentalists have expressed outrage at Bush's promise to push for the drilling of oil wells in the Arctic National Wildlife Refuge in Alaska and his rejection of the Kyoto Protocol on the reduction of the greenhouse gases.

Despite the Bush administration's decision to back away from the Kyoto Protocol, many multinational companies in the US plan to continue reducing greenhouse emissions because they face strong pressure to do so in Europe and Japan. Other reasons are rise in energy costs and a desire to promote their products as being friendly to the environment.

(FT, 16.05.01 & BL, 16.05.01)

Safeguard Warning for Tenders

The Dominican Republic Government will impose strict environmental standards on the company it selects to invest about $750mn in re-opening and working the country's main gold mine, which was closed five years ago. The Government is to announce the winner of a tender in July, clearing the way for the re-opening of the Pueblo Viejo mine, which was closed when deposits in the upper oxide zone were exhausted.

There are growing concerns about the possible adverse impact on the environment. Pueblo Viejo, which is owned by Rosario Dominicana, a state entity, has a history of poor environmental management.

However, the Government says that the reopening of the mine would be done with modern equipment and measures to prevent damage to the environment. The Environment Ministry has told the companies participating in the tender that the winner must obtain an environmental license before it can begin operations.

(FT, 25.05.01)

Earth Losing Its Lustre

The earth, as seen from space, may be growing dimmer as it warms, according to a study released this week at southern California's Big Bear Solar observatory that could ultimately lead to a new way to test for global warming. If more observations confirm this trend, the Earth's brightness – known as "earthshine" – could provide an important gauge on the health of the global climate, scientists said.

New observations suggest that the earth has dimmed by about 2.5 percent over the past five years, according to research sponsored, in part, by NASA.

Steven Koonin, a theoretical physicist at the California Institute of Technology in Pasadena, is credited with helping in reviving modern interest in earthshine. Scientists have known about the phenomenon for hundreds of years because the dark side of the moon acts as a kind of mirror, reflecting back the light from the earth. *(ToI, 23.04.01)*

Push for Sustainable Development

The European Commission (EC) will seek the backing of member-states for sweeping changes to the EU's climate change, public health and transport rules as part of a "sustainable development" policy at the next summit in Gothenburg.

The Commission proposed that the EU go beyond its Kyoto Protocol commitments and reduce greenhouse gas emissions by one percent of their 1990 levels each year until 2020. On public health, the EU proposed that by 2020 chemicals should be produced and used only in ways that do not significantly threaten health and environment. Regarding transport, the Commission proposed shifting it from road to rail, water, and public passenger transport so that the share of road transport in 2010 would be no greater than in 1998.

The Commission wants that sustainable development criteria should guide future reviews of common policies in the EU. *(FT, 17.05.01)*

Level of Green-house Emissions

Ford became the first large carmaker to tot-up how much its factories and vehicles contribute to the world's greenhouse gas emissions. The group put the annual figure at about 400 metric tons of carbon-dioxide equivalent, of which about three percent stemmed from company's manufacturing activities and the "vast majority" from the driving of Ford vehicles.

Ford's blunt assessment, which the company admits is only approximate, is contained in its annual "corporate citizenship" report. It comes amid mounting debate over the impact the production of ever-larger, gas-guzzling vehicles is having on the environment.

The Company's Chairman, Bill Ford, has conceded to a conference, run by the Greenpeace environmental group, that the internal combustion engine has had a serious negative impact on the environment. The company has created an executive team to look at ways of addressing the greenhouse gas issue. *(FT, 04.05.01)*

Long Lease on Life

Small steps are being taken by corporate giants to reduce environmental degradation. British Telecommunications was able to cut down on carbon-dioxide emission through the use of audio and video conferencing that saved its employees over 150 million miles of travelling in the year 2000. Similarly, AT&T also increased teleworking by its staff in 2000 and saved 110 million miles of car travel.

Practices such as burning the waste and converting it into heat and energy is also followed by some companies like Marconi. Recycling the paper also contributes to saving the environment.

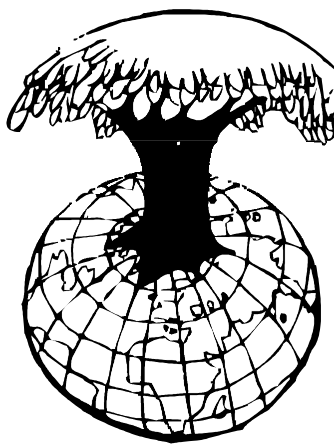
Prompted by such examples, a new initiative to improve the global environment and support sustainable development programme was launched by leading global information and communications technology majors in Torino on the occasion of the World Environment Day on June 5. The new alliance called the Global e-Sustainability Initiative (GeSI) is supported by the United Nations Environment Programme and the International Telecommunication Union.

(FT, 10.06.01)

Seeking to Blunt Criticism

Hoping to take the sting out of the planned demonstrations in Europe as well as ease some of the official criticism (for not signing the Kyoto Protocol) in that part of the world, the US President, George Bush, is taking steps to boost research and development on the subject of global warming.

This Climate Change Research Initiative will fund high-priority areas in climate change science over the next five years and strengthen research co-ordination between institutes in the

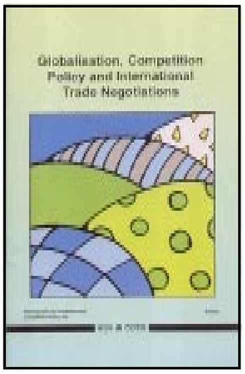


The Economic Times

US, Japan, Europe and other countries to understand better the causes and impacts of climate change.

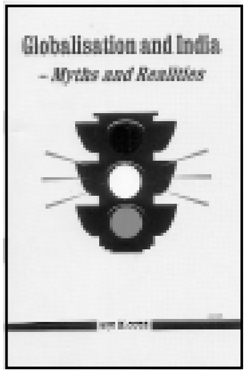
The Bush administration has also been making the point that Europe too has not gone the distance with the Kyoto Protocol. The argument is being made that Europe is being guided more by emotion than science and several countries in the continent are yet to ratify the 1997 accord.

(TH, 12.06.01 & 13.06.01)



Globalisation, Competition Policy and International Trade Negotiations

This paper maps out the issues concerning multilateral competition policy from a southern perspective. It concludes that there is a need for a realistic assessment of the extent to which developing countries would be able to control MNCs under the disciplines of competition law. *(32pp #2003, Rs.20/$5).*



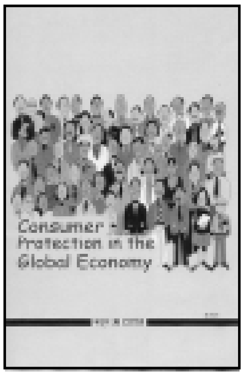
Globalisation and India
– Myths and Realities

This monograph is an attempt to examine the myths and realities so as to address some common fallacies about globalisation and raise peoples' awareness on the potential benefits globalisation has to offer. *(40pp #0105, Rs.30/$5)*

State of the Indian Consumer

This report examines the implementation of the UN Guidelines for Consumer Protection, 1985, in India. These Guidelines outline eight areas for developing policies for consumer protection, which have been translated into eight consumer rights for the discussion in the study.

The report is meant to highlight the present status with respect to the eight consumer rights in the Indian context. The main objective of this stock-taking exercise is to help draft a National Consumer Policy and suggest measures for its proper implementation. The report is also expected to help other countries, particularly the developing ones, in protecting and promoting consumer rights. *(252 pp #0103, Rs. 200/$25)*



Consumer Protection in the Global Economy

This monograph outlines the goals of a consumer protection policy and also speaks about the interaction between consumer protection laws and competition laws. It also highlights the new dimensions about delivering consumer redress in a globalising world economy, which raises jurisdictional issues and the sheer size of the market. *(38pp #0101, Rs.20/$5).*

Briefing Papers

Contours of a National Competition Policy: A Development Perspective

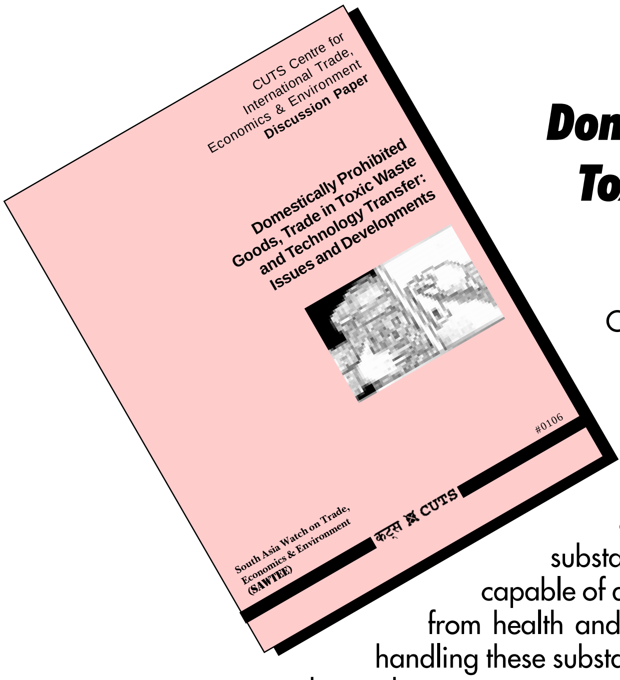
No. 2/2001

This paper outlines the contours of a national competition policy. Countries at different levels of development and with different economic structures have different needs in terms of their competition policy.

Human Rights and International Trade: Right Cause with Wrong Intentions

No.3/2001

This briefing paper focuses on the demand to include human rights clauses in the world trading system and analyse its desirability, practicality and effectiveness. It explains how prevailing human rights situation can be best accomplished.



Domestically Prohibited Goods, Trade in Toxic Waste and Technology Transfer: Issues and Developments

One of the most unaffiliated environmental issues discussed in the international political agenda since the 1980's is the growth of uncontrolled trans-boundary movements of domestically prohibited goods (DPGs), hazardous waste and dirty technologies. This study by CUTS Centre for International Trade, Economics and Environment and SAWTEE attempts to highlight concerns about the industrialised countries exporting such substances and technologies to the developing countries that are not capable of disposing off these substances safely and protecting their people from health and environmental hazards. In the majority of cases the workers handling these substances or the end-users are not aware of the potential hazards of these substances.

Though there have been many debates on these issues since 1980, they have not culminated into any positive results. As far as trade of toxic waste is concerned, this debate culminated in the establishment of the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal, in 1989. Nevertheless, vested interests have been making their best efforts to dilute provisions of the Convention since then. This Convention has essentially failed to control trade in hazardous wastes from rich to the developing countries. To add to the irony, the Convention also doesn't foster transfer of environmentally sound technologies in a big way.

This study attempts to analyse the rubric of DPGs, toxic waste and transfer of dirty technology and presents incidences of irreverent practices.

This study looks at the "push and pull factors" drawn from international experiences and concludes that while developing countries are also responsible for the situation, "the push factors are more significant."

The study also throws light on the shifting of dirty technologies and industries from the rich to the poor countries, where the working conditions are extremely poor and generally there is no knowledge about the ill effects of pollution and safety measures. In developed countries, almost all the dirty industries such as leather, paper, pharmaceuticals, ship-breaking, colours and dyes manufacturing have been forced to close or to move to developing countries.

It is hypothetical to note that the companies belonging to the so-called environmentally conscious, rich countries are themselves practising minimal environmental standards in poor countries. Developed countries should ensure that their companies maintain the same environmental standards in units located in developing countries as they do at home.

Some of the major recommendations of the report are:

- the waste generators should be held responsible for its safe disposal
- rich countries should support developing countries to create functional environmental programmes
- there should be sharing of information on DPGs among developing & developed countries
- transfer of environmentally sound technologies should be encouraged and ensured.

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; HT: Hindustan Times

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