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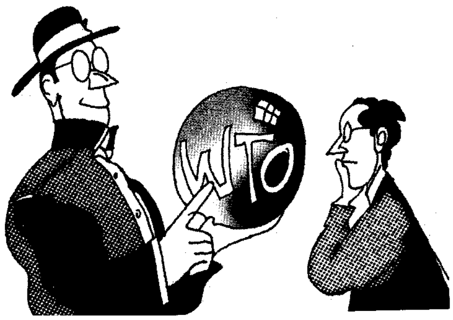
Free Trade Pundits Warn of Unbridled Liberalisation

"Developing countries had a love affair with free trade, but now it had become a chronicle of unreciprocated love", Rubens Ricupero, Secretary General, United Nations Conference on Trade & Development (UNCTAD).

Ricupero was speaking at a recent seminar (end-July 1999) at the Columbia University, New York on the issue of a new trade round to be launched at the Seattle Ministerial Conference of the World Trade Organisation (WTO) end November. Surprisingly, he was not the only one in expressing such a concern. Some of the free trade pundits, who spoke at this very high-level event, also joined in the chorus. Most noted their unhappiness with the aggressive manner in which rich countries are pushing for a new trade round.

The pundits included Arthur Dunkel, the last Director General of the General Agreement on Tariffs and Trade (GATT), who expressed serious apprehensions about the push for further liberalisation without a proper assessment of the existing commitments. Surprisingly, he was joined in this sentiment even by Donald Johnston, the incumbent Secretary General of the Organisation of Economic Cooperation & Development (OECD), who felt that rich countries trade policies are being driven by corporate interests, which is not necessarily their national interest. Noted trade theorist and organiser of the seminar, Jagdish Bhagwati, warned that it would be better not to have a new round, if it would mean bartering to vested interests. His refrain was about the issues of linkages of trade with environment and social standards, which are being proposed by the rich for being embedded into the WTO acquis.



Lack of Appetite

Clearly, the meeting reflected the lack of an appetite for any further liberalisation or the proposed new issues: investment regime, competition policy, and environment and labour clauses. Many of the experts, and there were many, felt that burdening the WTO with non-trade issues would break the integrity of the trading system

"If the WTO were to add on issues that large businesses want, there would be reactions from social organisations that issues such as child labour be brought into the WTO, on the grounds that you have created rules on behalf of business, why not for our concerns too", said Bhagwati. "If the price of having a new round is to throw all kinds of irrelevant non-trade issues into it, it would be at the cost of developing countries, since it is the rich which are driving the new issues, and the South has no power to put in its issues. Besides, there is a [inherent] bias in the structure of the WTO, thereby developing countries views are not being taken into account."

Other Issues

The seminar had several other issues on its agenda, which included tariffs, dispute settlement, with gurus on each topic postulating their erudite and well-argued views. Notably, Joel Klein, US assistant attorney general in charge of its anti-trust policy and Frederic Jenny, chairman of the WTO working group on trade and competition policy, spoke on the question of a multilateral competition policy. Trade law experts, John Jackson and Robert Hudec crossed swords on the issue of dispute settlement, while WTO's chief economist, Patrick Low and Maryland University economics professor, Arvind Panagariya, debated the need for tariff reduction and rationalisation.

Diplomats like Roy MacLaren, former Trade Minister of Canada and currently its Ambassador to St James's court, and two Geneva-based Ambassadors: S. Narayanan of India and See Chak Mun of Singapore added to the informed debate in a very rich manner. Two social activists included Pradeep Mehta of CUTS, India and Martin Khor of the Third World Network, Malaysia. Unfortunately, we could not debate with Ralph Nader, the firebrand US consumer leader, who is fighting for linkages.

Their goal is to stop any further liberalisation and seek insertion of labour and environmental clauses into the WTO texts. We in the South are afraid that such linkages could lead to protectionism, as we are already facing many non-tariff barriers.

Contd..

INSIDE

कट्स CUTS
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This is one area where the global civil society is divided, though it is together on opposing further new issues to be loaded onto the WTO agenda. The social movement had coalesced last year as a powerful global force when opposing the OECD's draft multilateral agreement on investment (MAI), and achieved success in getting the same aborted in a remarkable manner.

Not only did this power reverberate in the July seminar, but was seen as a spectre in attempting any negotiations on an investment regime at the WTO. The OECD supremo, Donald Johnston, when speaking in the session on the MAI, admitted candidly that the single most important reason for its demise was the huge public outcry orchestrated by the civil society worldwide. Johnston warned that the issue could be 'ambushed' again by NGOs if put on the Seattle menu. According to him, even business is no longer interested in pursuing it as they can 'manage' their FDI problems directly with host governments.

Narayanan questioned the need for an MAI, as even without it investment is flowing to where there are opportunities. He lamented that technology transfer doesn't take place as desired, while Panagariya noted that the counter issue of mobility of labour is not getting the same attention. "I am surprised that so many intellectuals were against an investment agreement", noted the session's chair, Noboru Hatakeyama, the chief of Japan External Trade Organisation.

"The liberalisation of trade and investment must be on a sustainable basis, and this depends on the countries' capacity to absorb and reap the benefits of liberalisation", noted Johnston. "Developing countries are being pushed to open up their economies before they can adjust. [Therefore] countries must rise above vested interests in trade negotiations." The OECD chief added that the integration of developing countries into the trading system should be the priority, and therefore the rich should be worried about the effects of their policies on the poor countries. "Too many sectors of society are being left behind", he concluded. "Public policy (macro-economic, capacity building, good governance, skills and education) has a role to play to offset this. We don't want a world divided by ideology and poverty".

At another level, the USA has put forward its agenda at Geneva which seeks an early harvest type of a 3-year round, with transparency in government procurement, information technology products, e-commerce and tariffs as its agenda. It is lukewarm towards the contentious issues like investment and competition policy, which the European Union is pushing for very strongly.

The overall situation is still quite fluid, and so one will have to wait and see. In the past too positions have changed full circles, depending upon what will be traded against what. Considering the built-in agenda of agriculture and services, there will indeed be some amount of horse trading once again.

Stimulating and Enriching

As Deputy Economic Advisor in the Ministry of Industry, Government of India, I analyse *inter alia* WTO related issues from the industry viewpoint. The Office of the Economic Advisor in the Ministry of Industry is the nodal point for the study and analysis of WTO related matters imnpacting Indian industry.

I have come across a number of your discussion papers on various issues and have found them stimulating and enriching. I would also like to attend some of the relevant seminars held by you. Kindly keep me on your mailing list.

Anand Singh Bhal,
New Delhi

Very Impressed

I was recently forwarded a copy of your newsletter Economiquity by a colleague in New York, USA, and I was very impressed by your work. I would like to subscribe the newsletter.

Hugo Restall,
Deputy Editor, Editorial Page,
The Asian Wall Street Journal,
Hong Kong

Sharing of Knowledge

Recently, I have had the opportunity to address the students of FMB Programme at S. P. Jain Institute of Management & Research, Mumbai on GATT & WTO.

Though not an expert on the subject, I could share with the students the knowledge I acquired in various training programmes organised by CUTS in the past.

Surendra Kanstiya,
Company Secretary, Mumbai

Received with Great Interest

This letter is regarding your Discussion Paper, Ratchetting Market Access. I have received your paper with great interest and have forwarded it to other interested staff. Thank you for keeping us informed.

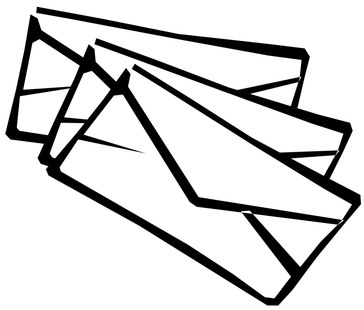
John Page,
Director of Economic Policy,
Poverty Eradication & Economic
Management, The World Bank,
Washington DC, USA

Promote South-South Relationships

I want to congratulate you with your vision of organising conferences on the important topic of international trade and investment. It is absolutely important that we empower civil society to challenge the trade liberalisation policies and to monitor the activities of our governments on these issues.

I am also encouraged by your objective to promote South-South relationships especially among civil society organisations.

Rev. Malcolm Damon,
South African Council of Churches,
Cape Town, South Africa



Analytical Yet Pragmatic

I have glanced through the contents of your discussion paper, Ratchetting Market Access and found that all the chapters contained therein have followed analytical and yet pragmatic approach in focussing on the constraints being suffered by developing and least developed countries.

Even compliance with the commitments already made by them under the Uruguay Round of negotiations is proving extremely time consuming and difficult. The built-in agenda is already heavily loaded in favour of developed countries. On the top of it, if a new millennium round of negotiations has to be introduced, it will totally cripple their existing economic set up.

B. Raj Bhandari,
Chief Economist,
Global Traders Conference,
Geneva, Switzerland

CUTS Centre for
International Trade,
Economics & Environment
Research Report

ERADICATING CHILD-LABOUR WHILE SAVING THE CHILD

#9905

कट्स CUTS

Child labour has been a part of history all along. The industrial revolution would not have succeeded without children toiling in the western countries. Over time the problem reduced, but still exists in both rich and poor countries. There is no denying the fact that it is a serious social malaise, and needs a *cure*. Development is certainly the best cure, but it has its own pace.

Trade sanctions by developed countries of banning the import of goods from developing countries that may have used child labour as input is not going to serve the purpose. This is the crux of the argument put forward by the research. The study argues that this trade restricting measure *does not necessarily lead to the eradication of child labour*. In fact, it has every potential of *eliminating the child itself*. It has also argued that the similar timings of the rise of international interest in child labour and the rise of free trade is not incidental. There are important linkages between the two.

The striking feature that comes out from the survey of the existing literature on child labour is the variation in reported estimates of the number of children who are working in the world. Perhaps, this is due to the fact that there is no consensus on the definition of who is a 'child' and what is 'labour'. Without accurate information on different aspects of child labour, it is difficult to design unbiased solutions to the problem.

Most developing countries are following the strategy of export-led growth. As child labour is relatively cheaper than adult labour, exporters have a strong incentive to use it to the maximum possible extent, in order to outprice the foreign competitor. This is one of the factors that determine the demand for child labour. Survival and supporting the family are the primary causes behind the supply of child labour in the market.

As the field survey in the carpet industry of Rajasthan, India has shown, poverty is the most important determinant for the existence of child labour. Furthermore, family expenditure on a child more or less matches what the child earns at work. Hence, in view of the abject poverty that drives the children to the workplace, there is no alternative, except starvation. Naturally, if the supply could be curtailed by reducing poverty, there will be fewer children employed in any sector.

The field survey also revealed that the children are predominantly illiterate. In this context, the study made a case for the provision of free and attractive schooling for the children, especially in the child labour prone areas.

Furthermore, majority of the children liked their job. This implies, the existence of child labour does not necessarily mean the exploitation of the child as is generally presumed.

Even if there is a proven abuse of children doing work, it was suggested that while advocating a ban on child labour, there has to be a scheme for providing compensation to the individual children who lose their jobs. Thus, there is the need for a "social safeguard clause" as a prerequisite for the subsequent survival of these exposed children.

It is argued that while pursuing an export-led growth strategy, the government should earmark some of the funds explicitly to restrict the supply of child labour in the market. Either building a school in the region of impact or giving direct support to the poor families may do this. Multilateral development funding agencies also have an important role to play in this respect. It may also be appropriate to build a centre for vocational training, where the children would be paid to attend.

As a rough estimate, we discovered that to educate the existing and potential child labour population in India, it would cost anywhere between US$12bn to US$18bn per annum. That amount the Government kitty doesn't have. Therefore, the bottomline is how to mobilise these huge resources to ensure that children don't work, but study and play. Sanctions can only backfire!

FEEDBACK

Thank you for the fascinating report on child labour in India. What an extraordinarily complicated issue! Your research has revealed some very useful information about the relationship between labour and education, and I hope it makes an impact on the upcoming WTO ministerial review.

Congratulations on producing such a thought-provoking document, and best wishes for the continued success of your efforts.

Susan Gibbs, Programme Officer,
The Summit Foundation,
Washington DC, USA

I took a look at the child labour report produced by CUTS, and have a couple of thoughts.

There is a general prejudice against consumer unions who allegedly are only interested in maintaining consumption, no matter the long term effects, or rising inequities.

When consumer unions write on child labour, they must spend ample space on the question: who benefits? I know the children get paid, but I also know a few people (in the North and the South) get horrendously rich. If you do not pay more attention to this dimension of the debate on child labour, you will get predictable response from trade unions.

Sander van Bennekom,
Development Consultant,
The Hague, The Netherlands

This report will contribute to our understanding of child labour issues and the ongoing debate about the attempt to link trade measures with child labour issues.

Kanthi Tripathi, Joint Secretary,
Ministry of External Affairs,
Government of India, New Delhi

Many thanks for sending the excellent report of CUTS with the analysis and proposals for the eradication of child labour while saving the child. It comes at the right moment when taking into account the adoption of the ILO (International Labour Organisation) resolution as well as taking into account various campaigns on workers' rights on toys, carpets, footballs, clothing and sportswear.

This report has rightly stressed the need for social safeguard clause and the government earmarked funds to restrict the supply of children to the market. In this regard, roles are to be played by governments, companies, trade unions and NGOs.

Peter Pennartz, Director,
IRENE, The Netherlands

We found your report on child labour very interesting and informative. New Zealand agrees that poverty eradication can contribute to the elimination of child labour, and that poverty must be addressed as part of the process of ceasing the exploitation of children. We also believe that poverty should not be used as an excuse to justify child labour.

New Zealand is committed to working in partnership with other countries, NGOs and international agencies to eliminate child labour.

Deborah Geels,
New Zealand Permanent Mission,
Geneva, Switzerland

Agriculture and Non-trade Concerns: Multifunctionality or Pure Protectionism!

Agriculture was introduced in the WTO system to reduce its politicisation, particularly in developed countries. Article 20 of the Agreement on Agriculture mandates that countries initiate new negotiations towards further reform not later than January 01, 2000. This involves studying the (a) experience to date of the implementation of the reduction commitments, (b) effects of the reduction commitments on trading in agricultural products globally.

Diverse Facets

As we approach the first review of the Agreement on Agriculture one finds that agriculture still remains to be a bastion of protectionism. In fact no subject has created as much bad blood in the run up to the Seattle Ministerial Conference. Political parties, such as those in France or Norway could win or lose elections on the basis of how they defend the 'sacred' livelihoods of their farmers.

Realising the domestic political implications of multilateral negotiations in agriculture, governments of the European Union (EU) countries have been forced to be innovative in coining terminologies to protect the interest of the powerful farm lobby. The latest effort in this regard has been the invention of the term, 'multifunctionality'.

As one started inching towards the inbuilt review of the Agreement on Agriculture, negotiators from the EU, South Korea, Japan and Norway have suddenly realised that agriculture played a multifunctional role! Agriculture is also about saving the environment they say. The natural corollary of this argument being that farmers who live on land are therefore saviours of environment and hence need to be sustained. And what is the best way of sustaining the interests of farmers in agriculture? Of course by continuing to subsidise them.

Welcome to another piece of sophistry. The EU has put forward a position that environment is itself an 'externality' for the population in general, but is also dependent on other externalities. And guess who are these? Of course the 'poor' farmers of the region, enjoying bloated subsidies.

Defending its stand, Norway has argued that non-trade concerns are closely related to the concepts of externalities and market failures; hence subsidies hinged to production may be needed to protect rural farmers and bio-diversity since food and environment are 'public', not private goods.

The Aim

What is the ultimate aim of these countries? They want 'non-trade' multifunctionality concerns to be included under the Annexure 2 of the Agreement on Agriculture, which lists the so-called "green box" subsidies. Important support schemes in the "green box" include, pest and disease control measures, training facilities and courses, extension and advisory services, inspection services, including health and safety, marketing and promotion advice supports that do no impact price and public stockholding for food security purposes.

According to EU and its allies, Annexure 2 should be expanded to include government support to environmentally-sound agricultural production, preservation of agrarian landscapes and other environment related concerns that would supposedly not distort trade.

Counter Arguments

The US and the Cairns Group (alliance of 15 developed and developing agro-exporting countries) argue that all industries, not agriculture alone, play a multifunctional role in society and that invocation of 'non-trade' concerns by the EU is a ploy to justify protectionism.

Interestingly, developing countries also seem to have picked up certain amount of skills in the area of linguistic sophistry. Witness the "market-plus" approach that has been put forward by India. According to India, a 'market-plus' approach would focus around non-trade concerns such as maintenance of livelihood of agrarian peasantry and production of sufficient foods to meet domestic needs. To accomplish this, one needs to exempt domestic support measures that go towards food self-reliance, according to India.

US finds the present structure of "green box" to be sufficient for addressing the non-trade concerns. The developing countries do not agree to this viewpoint. Some are of the opinion that the "green box" as it stands provides "food security" to the North while ignoring the non-trade concerns of the South, who in fact lack the financial resources to implement support schemes mentioned under the "green box" measures.

For many poor agrarian countries in which more than half the labour force is employed in agriculture, non-trade concerns in agriculture are linked to issues relating to how their agriculture can sustain high employment levels given the fluctuation in international food prices that feed into returns. For countries that are net food importers the non-trade concerns boil down to their capacity to buy food-grains in an increasing price regime.

Finally…

Importantly, the second draft Ministerial Declaration (dated October 19, 1999) under the broad heading, "Implementation of Existing Agreements and Decisions mentions that "developing countries with predominantly rural agrarian economies shall have sufficient flexibility in the green box to adequately address their non-trade concerns such as food security and rural employment." But once again the benefits accruing to this clause (if accepted) would depend on how a "predominantly rural agrarian economy" is defined.

Will multilaterally negotiated solutions to such issues at least partially satiate the needs of concerned constituencies, is the question on which we need to ponder.

German Confidence Lifts Euro

Germany's business climate index continued to rise, underlining the improving outlook for the European economy. This paralleled a similar rise recently recorded in France, suggesting a definite turn for the better in the economic climate of the two nations that account for more than half the Euro-zone's output. However, the annual consumer price inflation rose in Euro-zone to 1.1 percent in July from 0.9 percent in June.

Economists saw the rise as no cause for alarm. It might, nevertheless, strengthen what the European Central Bank (ECB) called its "creeping bias" towards a tighter monetary policy stance. It warned that Euro-zone inflation is picking up due to rising energy prices. The ECB was not expected to raise its benchmark interest rate this year. *(FT, 20.08.99)*

Indonesia to Ape West

Indonesia will merge four of its sickest state banks to replace corruption and inefficiency with western-style management. Bank Mandiri will receive Rp137,800bn ($20bn) in government bonds for the takeover. The banks sank into negative equity due to spiralling interest rates and collapsing loan portfolios.

Most of these were subsidised loans to relatives of former President Suharto. Rp74,000bn in non-performing loans were transferred to a government asset management bank unit, leaving Rp51,100bn in loans.

Robby Djohan, President and CEO of Bank Mandiri said the government injection pays for provisions for bad loans and merger costs, such as severance pay to 12,000 of the 26,000 employees and fees to consultants. The new bank will have only 530 offices as against the existing 741 and hold 30 percent of the countries deposits. The decision to merge and recapitalise rather than shut the banks has been widely questioned. *(FT, 05.07.99)*

Monetary Policy Tightened

Zimbabwe tightened its monetary policy before the International Monetary Fund's executive board met to consider a $210mn standby loan to Harare. The loan appears to be a foregone conclusion with the IMF's Harare representative already having announced reaching an agreement.

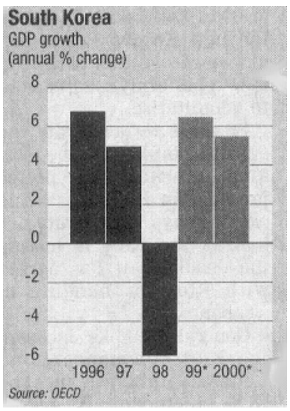
Real interest rates are substantially negative - the rate of inflation reached 55 percent in June, while the prime lending rate is 45 percent and the post tax yield on Treasury bills is 36 percent.

The bank rate will be five percentage points above the effective Treasury bill yield. Leonard Tsumba, Governor, Reserve Bank of Zimbabwe, also raised the statutory reserve ratio of commercial and merchant banks from 25 to 30 percent. The effective increase in the reserve is from 20 to 30 percent as the previous regulation allowing "averaging of reserves" was abandoned.

Taken together, the two measures will mean higher interest rates, reduction in money supply growth and, eventually, some slowdown in inflation. *(FT, 27.07.99)*

OECD Warns Seoul

South Korea risks "an extended period of sub par growth" if it fails to complete its structural reform programme, warned the Organisation for Economic Co-operation and Development (OECD). Its economy would return to its pre-economic crisis growth rate only if it made further progress in establishing a healthy market-based financial system and restructuring its corporate sector. OECD expected a sharp recovery in Korea's economy this year with real GDP rising 6.5 percent, after contracting 5.8 percent last year.



4.5 percentage points of growth could come from a slowdown in the decline in inventories. Higher growth would push up imports, slashing the current account balance of payments surplus to 5.6 percent of gross domestic product (GDP) from 12.7 percent in 1998.

Moreover, gross central government debt almost doubled to 19 percent of GDP in the last two years. The ratio would jump to 39 from 14 percent if debt guaranteed by government were included.

(FT, 23.07.99)

Political Cost of Austerity Package

Columbia's announcement of seeking an IMF credit of $3bn, to see off currency speculation and boost investor confidence, had the desired effect. The Peso gained while Bogotá's stock market rose. But, for Andrés Pastrana's government to convince IMF to agree to the loan, it needed to ask Congress into accepting an 'austere' fiscal package.

The task was not easy. Only last year, Congress showed its disdain for fiscal tightening when it sliced a third of estimated revenues from tax reforms.

As part of the package, next year's budget would be 'draconian', the Finance Minister said, "We are calling it the Truth Budget because it will faithfully reflect the economic situation we are in". Indeed, Columbia faced the first recession in memory.

To rein in a growing fiscal deficit, the government proposed to complement the tight budget with proposals included in the accompanying box. Aware of its waning grip, it was trying to broker a deal to avoid a similar fate for its fiscal package. *(FT, 20.07.99)*

Japanese Economy on the Skid

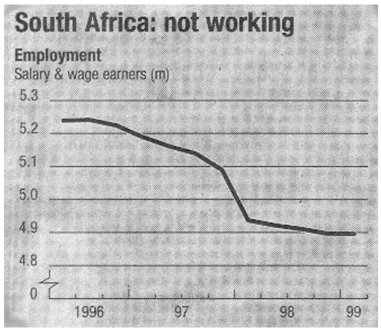
The Japanese government admitted the economy was likely to have contracted quarter-on-quarter during the three months to June. A contraction would follow an unexpectedly fast growth in the quarter to March, when GDP expanded at a rate of 1.9 percent on the previous quarter.

The growing realisation of the economy still stuttering and a sharp fall in equities forced Kiichi Miyazawa, Finance Minister, to make a significant shift in the policy. He said he would consider a second extra budget. He would have no choice but to issue additional Japanese Government Bonds.

Miyazawa's concession provided some support for equities. The benchmark Nikkei 225 index rallied after his comment. The market had been alarmed by the sudden rise in the yen. He said the government would not allow premature and rapid strengthening of the yen. The sudden rise in the currency forced some of Japan's top industrialists and bankers to call for measures to stop its rise. "Policymakers are caught in a tough spot," warned Andrew Shipley, Economist at Schroders in Tokyo. *(FT, 24.07.99)*

Encountering Hard Reality

Almost half a million South Africans, teachers, policemen, nurses and administrators, struck after the government's failure to reach a wage agreement with the country's 12 civil service unions. Steel workers and hotel employees stopped work. About 54,000 clothing and textile workers took to the streets in protest earlier this month over job losses. These were in a long line of disputes in a turbulent month for the labour market. The level of activity, however, did not perturb local labour analysts. July is the traditional strike season. However, this year is different.



First, there is the collapse of the gold price, which has raised the spectre of job losses. Second, globalisation has lead to stronger international competition. Third, gradual reduction in trade barriers is forcing companies to restructure and downsize. Fourth, the policy direction the president is likely to follow. Unemployment rate is estimated at 23-29 percent. The economy has no capacity to absorb the new job seekers. A number of organisations representing the jobless are trying to establish an effective lobby. Some feel there is a highly militant trade union sector. Some analysts predict a decline in union power. *(FT, 29.07.99)*

Asia Leads World

The outlook for the world economy is improving and Asia is leading the way as the region's recovery from the crises of 1997 and 1998 accelerates. However, despite optimism on the global economy, the US economy would slow through 2000-01 and Japan was not yet on the path to sustained economic growth, the Economist Intelligence Unit (EIU) said.

According to its Chief Economist, Robin Bew, "The pace of recovery is stronger than expected, with global growth forecast to average 2.9 percent in 1999, accelerating to 3.3 percent in 2000."

The EIU forecasts the Asia-Pacific economy will grow by 2.3 percent in 1999, accelerating to 2.5 percent in 2000 and 3.5 percent in 2001. Rapid recovery in Asia could even prolong some of the deep-seated problems in the region's economy. *(BL, 09.08.99)*

Fear over US Interest Hike

There was an eerie nervousness in the western markets as they braced for an increase in the American interest rates. Investors, analysts and traders on both sides of the Atlantic felt convinced of a modest increase in the interest rates. The authorities may seek to contain inflation by raising short-term interest rates by a quarter percent. Simultaneously, the markets elsewhere may follow Euro-American investors' response to the Federal Reserves strategy, amid a perception that American stocks are overvalued.

It is argued a traumatic recession is inevitable as the US economic expansion and rise in the stock markets have already lasted eight years. Hence, a corrective action is in the offing.

The EU has undergone a phase of great fiscal and economic transformation with the launch of the euro. However, European unemployment remains stubbornly at 11 percent. Production costs are becoming uncompetitive. The taxation regime is uneven and high. The rise of 'black economy' is also causing serious concern. *(TH, 24.08.99)*

Consumer Confidence Slips

US consumer confidence dipped to 135.6 in July, from a revised 139 in June. Since October 1998 consumers' outlook on future economic conditions took a turn for the worse. But, the index remained high by historical standards.

"Consumers appear to have taken a brief vacation to reflect on the healthy economy their spending has created," said Lynn Franco, Associate Director, Conference Board's Consumer Research Centre. It might reflect concerns about job prospects, tightening of credit and the interest rate rise.

Confidence about current economic conditions actually rose in July to 178.7 from a revised 175 in June. But, the Board's expectation index fell nearly eight points to 107 in July from a revised 114.9 in June.

The less optimistic projections were manifested in a drop to 16.4 percent in the portion of survey respondents expecting a pick-up in business conditions in July from 18.1 percent in June, with about three-quarters expecting business conditions to remain the same. *(FT, 28.07.99)*

Reining in Price Cutting

China set out aggressive new penalties for domestic companies dumping goods in the local market. This reflected the measure of Beijing's desperation at the price wars that are aggravating deflation.

Retail prices in China have been falling for nearly two years, as chronic oversupply has resulted in wave after wave of price cuts by manufacturers and retailers. The government set out detailed rules designed to stop businesses from "cut throat dumping", in an endeavour to shore up prices.

The rules stipulate selling below cost will be penalised. Enterprises would be required to keep detailed accounts of all costs and expenses and submit them when required by the authorities, official Chinese Daily reported. Price wars have broken out in sectors ranging from colour televisions to non-ferrous metals and from dairy products to airline tickets. Leaders have identified deflation a chief problem facing the economy. *(FT, 06.08.99)*

"Free Peoples in Free Markets"

The US enters the new millennium with an economic system that has produced the greatest prosperity the world has seen. "It is safe to say that we are witnessing this decade, in the United States, history's most compelling demonstration of the productive capacity of free peoples operating in free markets", said Alan Greenspan, the Chairman of the Federal Reserve.

The collapse of the Berlin Wall revealed not only the political success of civilised democracy, but also its economic achievement.

The triumph of the free market system in the US was based on a firm foundation of trust, respect for the rule of law and individual fair dealing. Though he accepted some individuals succeed in the US system through "cutting corners and manipulating associates", honesty and integrity were not incompatible with material success.

Recent radical changes in technology had fundamentally improved US prospects, significantly reduced companies' dependence on large piles of inventories to meet unexpected shifts in demands, eliminate costly distribution networks and raised productivity. *(FT, 09.09.99)*

Crisis and Asian Transnationals

The capacities and incentives for Asian transnational corporations (TNCs) to invest abroad are reduced by the financial crisis in Asia, and this trend was further aggravated by policy measures adopted by some Governments. This was disclosed in a report prepared by the United Nations Conference on Trade and Development (UNCTAD).

During 1998, there was a fall in foreign direct investment (FDI) by companies of developing Asia and the Pacific by a quarter to $36bn from the previous year. Six out of ten outwardly investing countries encountered a sharp decline in their FDI outflows in 1998. The market capitalisation of assets owned by top 500 overseas Chinese firms was reduced by nearly half in 1998. However, FDI outflows from the Republic of Korea increased by seven percent in 1998 to a record level of $4.8bn.

UNCTAD anticipated that FDI flows from developing Asia would further decrease in 1999. The revitalisation of the outward investment drive of transnational corporations (TNCs) from developing Asia would take some time. Asian TNCs, with their focus on restructuring and expanding overseas business in the near future, might also diversify away from Asia, said the UNCTAD. *(BL, 03.08.99)*

FDI in OECD Countries

Foreign direct investment (FDI) by firms into and from countries belonging to the Organisation for Economic Cooperation and Development (OECD) set a new record in 1998. The inward investment touched $465bn and outflows amounted to an unprecedented $566bn.

As percentage of gross domestic product (GDP), OECD FDI flows have grown continuously since 1992 and are now twice as high as the previous peak in 1989. OECD outflows and inflows are dominated by firms from the US and the UK, accounting for 45 percent of OECD flows in 1990's. In Asia, inflows into Korea grew dramatically as European and American firms were attracted by opportunities for low priced acquisitions as a result of the crisis and the ensuing deregulation.

Outflows from OECD countries also reached record levels: tripled from Belgium, Luxembourg and Finland, and roughly doubled from Germany and the UK, in spite of the record levels reached in 1997.

As with inflows, the US and UK firms are the most active foreign investors. The OECD report said cross-border mergers and acquisitions (M&As) are estimated to account for more than 60 percent of FDI in advanced countries, about 80 percent of FDI in the US and about 85 percent of the FDI in Australia.

Cross-border M&As in Western Europe surged to a new peak in 1998 said the report. Companies from both within and outside the region responded to continuing integration. The UK was again by far the most powerful magnet in Europe for global businesses. It attracted a record $86bn of foreign acquisitions in 1998, up from $55bn in 1997. *(BL, 13.07.99)*

Brazil Eases Capital Curbs

Brazil has attempted to attract foreign investors back to the country and halt a decline in the country's currency by lowering its restrictions on short-term capital inflows. Now, the Real is at its lowest level for five months. As a measure the central bank has increased sales of dollar linked domestic debt and eased financing terms for exporters.

However, the fear of inflationary pressures and limit in economic growth next year, persists among the economists. The initial response in the currency market was not positive to the new measures. From R$1.91 against the dollar, the Real weakened to R$1.923 and currency depreciated by six percent.

Arminio Fraga, President of the Central Bank said, foreign investors would be exempted from paying 0.5 percent financial transactions tax on fixed-income funds and foreign exchange deals. The bank also extends the period for special credits for exporters from 180 to 360 days.

Short-term capital flows have become a highly controversial topic in Brazil. The country survived in the first wave of the financial crisis in late 1997, and to rebuild reserves the Central Bank lifted many restrictions on so-called "hot money" in early 1998. *(FT, 20.08.99)*

Turkish Foreign Investment Rules

Husamettin Ozkhan, a State Minister and right-hand man to Bulent Ecevit, the Prime Minister of Turkey, met leaders of the two main opposition parties to secure backing for a constitutional amendment allowing international arbitration in disputes with foreign investors. The government was struggling to push through this crucial legislation sought by the International Monetary Fund to increase foreign investment in Turkey.

It is important to push legislation through parliament for attracting funds to Turkey's stricken energy sector, which needs $5bn in private capital every year to keep up with demand. The current stipulations that the Turkey's Council of State, the highest administrative court, should have the final say in disputes with the outside investors, are putting off the foreign leaders.

Such stipulations have their roots in historical fears of foreign economic domination from the time of the Sultans. The Sultans ceded control of chunks of the economy to western powers in lieu of repaying foreign debts. *(FT, 04.08.99)*

UNCTAD Educating Policy Makers

The United Nations Conference on Trade and Development (UNCTAD) published the first batch of a series of Issue Papers on the subject of international investment agreements. The first six covers the topics: foreign direct investment and development, scope and definition, admission and establishment, most favoured nation treatment, investment-related trade measures and transfer pricing. The papers were released at a briefing for Member States in Geneva, Switzerland.

Rubens Ricupero, UNCTAD Ssecretary General said, "These papers reflect the state-of-play in this important area, and will undoubtedly assist the investment rule-maker in developing countries and transition economies to conclude satisfactory international agreements." The underlying thrust of UNCTAD's work in the area is to maximize the development impact of FDI and of international investment agreements.

The central purpose of this project of UNCTAD's Division on Investment, Technology and Enterprise Development (DITE) is to make the issues more accessible to policymakers and other stake holders in the private and public sectors concerned with the flow of international investment to developing countries. *(UNCTAD, TAD/INF/2793)*

The Threat: NAFTA Illegal

For the first time, the United States is being sued by a private corporation for cash damages under the "investor-to-state" provisions of Chapter 11 of the North American Free Trade Agreement (NAFTA). In 1995, Canada-based Loewen Group, a major funeral conglomerate, defended allegations of fraudulent and malicious business practices, in a Mississippi lawsuit.

After the trail, the jury found Loewen liable. Ultimately Loewen settled the case for $150mn. Now, it is claiming that the Mississippi State court award offered to the plaintiff constituted a violation of the investor rights and protections granted by NAFTA, and is seeking hundreds of millions of US taxpayer moneys in compensation.

The US government did not release any information relating to this case. Under the NAFTA, a company is required to notify the government that it is planning to sue 90 days before it actually initiates the case in a dispute settlement venue. This allows a "cool down" period for parties to consult and possibly settle the claim.

The government knew about the suit as early as July 30, 1998, because Loewen registered its case on October 30, 1998. As the US government never informed the public, they could very well have settled the case with the company without anyone even discovering the claim existed.

Here arises the disturbing question on settlement of additional cases outside the public eye. Loewen's attempt to escape the Mississippi jury's verdict threatens the very core of nation's civil justice system. Success of NAFTA's challenge to a state civil jury would create a legal precedent that other corporations will try to escape liability for their wrongful acts.

Loewen's success in attacking the punitive damages award as illegal under NAFTA could mean the end of punitive damages against corporations covered by the trade deal. Success of this challenge would mean US taxpayers (not corporate defendants) could wipe out the concept of fairness of a liability system. *(Public Citizen, Global Trade Watch Briefing Paper)*

Measures to Draw Foreign Funds

Malaysia cut a tax on short-term foreign profits to draw back overseas investors. These investors fled a year ago, when capital controls were imposed. The central bank announced a flat ten percent tax on foreign capital gains. The announcement unleashed a flood of buy orders at the Kuala Lumpur Stock Exchange.

Earlier, the government scrapped a one-year ban on the repatriation of the foreign portfolio investments, which had been strongly criticized by fund managers as a major deterrent to foreign investment. "A lot of people were expecting this. It is a market-friendly announcement and it will be viewed positively by rating agencies," said Francis Tan, Head of Research at TA securities. *(ET, 22.09.99)*

FDI Scenario in Africa

Slowing down of privatisation programme accounted for a decrease in flows of foreign direct investment (FDI) to South Africa. As a result, FDI flows to Africa in 1998 declined by almost 12 percent to $8.3bn, compared with $ 9.4bn in 1997.

However, the underlying trend for the continent remains good. Excluding South Africa, inflows rose to $7.9bn from $7.7bn, more than double the $3.5bn recorded in 1993. In Egypt, the second largest recipient in Africa, a significant increase in FDI inflows last year was recorded in manufacturing (accounted for half of the total flows); in Ethiopia and Mozambique, a large share of FDI flows went into manufacturing and services industries. Nigeria, whose oil industry is the main draw for foreign investors, received $1.5bn in 1998, the same as in the previous year.

Foreign investment is an important contributor to capital formation in many African countries. As percentage of domestic investment, the ratio for Africa as a whole accounts for 8.2 percent as against the world average of 7.7 percent. *(UNCTAD, TAD/INF/2818)*

Table: FDI Flows into Africa, 1990-1998 (Billions of dollars)

Inflows	1990	1991	1992	1993	1994	1995	1996	1997	1998
Including South Africa	2.2	2.8	2.9	3.5	5.6	5.1	6.7	9.4	8.3
Excluding South Africa	2.3	2.6	2.9	3.5	5.3	4.1	5.9	7.7	7.9
Developing countries total	35.4	42.7	54.7	78.8	101.2	106.3	135.3	172.5	165.9

Source: UNCTAD, FDI/TNC database

Against Money Laundering

An agreement is expected from law enforcement experts on new measures to penalise countries not cooperating to fight money laundering. The Financial Action Task Force (FATF) which groups 26 large countries is expected to draw a list of 20 criteria to define non-cooperative countries.

One option is "name and shame" approach: publishing a black list of non-complaint countries. Alternatively, the FATF organisation could publish a "white list" of countries that do comply with money laundering standards. It has also criticised two of its members, Austria and Turkey, for failing to live up to the standards that it has set on money laundering.

Similarly, efforts of the Financial Stability Forum are parallel to the FATF work. The Forum, a broader group of finance ministries, central banks and regulators, tackle the role of offshore havens in the international financial system. *(FT, 20.09.99)*

IMF to Return to Basics

An expert group has urged international leaders to shun the massive rescue deals of recent years, and said countries should discourage the sort of "hot money" that brought East and South East Asia's economies to their knees.

The bankers and economists, in a report for New York's Council for Foreign Affairs, said some country borrowers should get International Monetary Fund (IMF) cash at lower interest rates than others, and the IMF should rank countries according to their ability to meet international standards. The report aimed to create incentives to borrowers to strengthen crisis prevention, and to ensure the private sector shared the cost of resolving crises when they do occur.

The task force, which included financier George Soros, former Federal Reserve Governor Paul Volcker and former US Treasury official David Lipton, said the IMF should release its detailed staff surveys of member countries' economies, following up on a pilot project started earlier this year.

"We would like to see these published as a mandatory element of IMF membership" said Goldstein, a former IMF official who chaired the task force which prepared the report. *(TH, 20.09.99)*

Reforms in Mexico

Mexico received high marks in a report on its record of regulatory reforms. The OECD (Paris-based Organisation for Economic Cooperation and Development) report said Mexico's competition laws and its Federal Competition Commission (CFC) were "among the best in the OECD". This is a big turnaround since the days when industry was shielded from foreigners and operated everything from hotels to banks and steel plants.

Despite the praise, officials say the government is still divided over how far to take its anti-monopolistic zeal, and Mexico's legal system is providing a significant burden. Fernando Sanchez Ugarte, CFC's President, said, the CFC was bogged down in up to 70 court cases, most of them launched by large companies such as Teinex, the former telecommunications monopoly. It has eight injunctions against CFC rulings after it was declared a "dominant carrier" and subject to special regulation.

Currently, the CFC is linked to the Trade Ministry, and is subject to government's budgetary control. Governmental officials said there were no immediate plans to promote greater autonomy. They also acknowledged serious frictions between the CFC and Ministers still tied to the tradition of creating national champions. *(FT, 13,08,99)*

Carmakers Seek Shelters

A storm broke out in UK over the car industry and it ran for shelter. There was a decision by the Office of Fair Trading earlier this year that the new car market had been distorted by carmakers' practices. Car prices in UK are 40 percent higher than elsewhere in Europe.

Following the complaints, the Competition Commission has started a nine-month inquiry into the allegations of price-fixing and manipulation of the car market. Phil Evans, Senior Policy Officer at the Consumers' Association, said, "the market should decide the price, not the manufacturer."

Another key problem: dealers have very little room to manoeuvre when deciding prices, according to the critics of the carmakers. *(FT, 21.07.99)*

French Banks Wage Propaganda

A barrage of "conflicting information", is what Societe Generale (SG) and Paribas are facing. They try to decide whether to approve a merger of the two banks or opt for a rival project by Banque Nationale de Paris (BNP) to merge all three.

"There is a propaganda war that BNP seems to be winning", said Bryan Crosley, an analyst who wrote a report lighting the risks of BNP's proposed three-way merger. This would create the world's largest bank in terms of assets. BNP has published a list of 16 institutional investors that have pledged to bring their SG and Paribas shares to its offer. This support remains non-significant due to absence of the details covering the size of the stakes.

Meiji and Commercial General Union, the Japanese and UK insurance companies, and Pernord Ricard, the French drinks group, have ruled out submitting their SG shares to BNP's offer. Conversely, two investors in Paribas – Axa, the French insurer, and Cipaf, a Luxembourg-based holding company have also pledged unequivocal support for BNP. *(FT, 29.07.99)*

Chemicals World Consolidates

Acquisition of Union Carbide by Dow Chemical is the latest and most dramatic sign of rapid consolidation in the chemicals industry. The driving forces are low prices in the cyclical downturn and globalisation. An analyst recently described the fact that the company was up for sale was kept secret.

The announcement of Dow Chemical's $9.3bn deal, was undoubtedly a shock. The merger would create a new industry titan that could prompt others to rethink strategy. The combined company will have 60 percent of its business in performance chemicals and 40 percent in basic chemicals.

The deal is also likely to be seen as both a reflection of and a catalyst for further consolidation within the chemical industry. "Together the companies would have better access to key markets," said William Stavropolous, President and Chief Executive Officer of Dow. *(FT, 05.08.99)*

Telecom Operators Face Fines

Disruption to the Brazil's long-distance telephone system has resulted in country's privatised regional phone companies blaming each other. Anatel, the governmental telecommunications regulator, has said it may impose fines of R$40mn (US$ 22.6mn) on three regional companies and long-distance carrier that now handle the bulk of the country's telecommunications.

Collapse in connections with Rio and Belo Horizonte, important business centres, were caused by faults at exchanges operated by Embratel, the former monopoly operator now controlled by MCI WorldCom.

Embratel denied responsibility for the chaos. Celeste Cintra, an Embratel public relations official, said long-distance connections were improving steadily and that regional companies' price discounts designed to win market share away from Embratel has led to severe congestion. *(FT, 07.07.99)*

'Unlawful' Conduct of Microsoft

Microsoft is engaged in a "broad anti-competitive campaign" to protect its monopoly in operating software, accused the US anti-trust officials. Case against the world's largest software company had demonstrated "a broad pattern of unlawful conduct" said the Justice Department. In legal submissions, the government said "personal computers are locked into a Microsoft world, where a single company controls the configuration of desktop computing."

In their legal filings, antitrust officials said Microsoft had illegally used its market power to 'squelch' the threat from so-called middle ware (Microsoft's competitors). The government had failed to prove any of its allegations of illegal conduct, argued Microsoft. It also denied that the company exerts monopoly power over the computer industry. *(FT, 11.08.99)*

The Charges Against Microsoft

1. Netscape Communications

Accusation: Microsoft offered to carve-up the internet browser market. When Netscape declied, Microsoft sought to 'cut off its air supply'and artificially merged its browser into Windows

Defence: Netscape fabricated the carve-up offer and has been free to distribute millions of copies of softwere

2. America Online

Accusation: Microsoft sacrificed its own online service to stop AOL choosing Netscape's software. This handed AOL a priceless position on computer screens in an abuse of its monopoly.

Defence: Microsoft beat Netscape because its software was better. AOL's recent purchase of Netscape makes the combined group a giant threat to Microsoft.

3. Intel

Accusation: Microsoft bullied Intel into dropping its own software development.

Defence: The charge came from a disgruntled Intel mid-manager with a vendetta against Microsoft. Intel's software was poorly developed.

4. Sun Microsystems

Accusaiton: Microsoft tried to co-opt rival Java technology and replace it with in incompatible version.

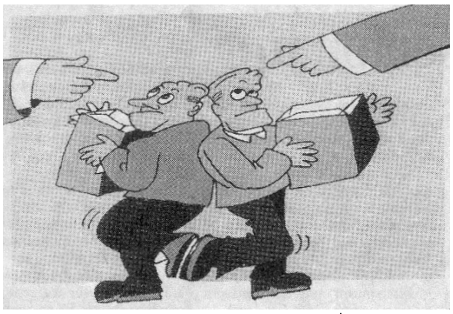
Defence: Sun was out to kill Windows. Microsoft improved Sun's technology.

5. IBM

Accusation: Microsoft raised the price of Windows to IBM because it supported and developed rival products.

Defence: IBM was unfairly criticising Windows and fared badly in complex negotiations over price.

To Fight Global Cartels



The Economic Times

The Organisation for Economic Cooperation and Development (OECD) is all set to ensure international cooperation in the competition policy domain. The interest of several large monopolies, operating in global markets and holding sway in developing countries, may be damaged by the stance taken by the OECD.

OECD member countries have received recommendations from members of the "Joint Group on Trade and Competition" to take concerted action against price fixing and other anti-competitive agreements among competitors, which amount to "hard core cartels".

Hard core cartels has been defined as an anti-competitive agreement, anti-competitive concerted practice or arrangements by competitors to fix prices, make collusive tenders, establish output restrictions or quotas, or share or divide markets by allocating customers, suppliers territories or lines of commerce. OECD states that international cooperation is essential to take action against secretly operating cartels distorting world trade.

The 29 member countries of the OECD have been advised to ensure that their competition laws effectively halt and deter hard core cartels. Enforcement procedures should ensure that such cartels could be detected. The evidence may exist in a number of different countries, and thus the OECD calls for active exchange of information. *(ET, 17.07.99)*

Chaebols in 'Insider' Deal

The Chairman of South Korea's Fair Trade Commission (FTC) had found country's top five conglomerates involved in Won eight trillion illegal insider trading.

Chairman Jeon Yun-churl said the FTC imposed a combined Won91.3bn fine on top five conglomerates, or chaebol, for their insider trading in 1998. He also said the FTC was investigating 48 small and medium-sized independent companies on suspicion that they were secretly linked to conglomerates in violation of fair trade regulations.

"We believe chaebol illegally run small companies to keep their hands in business areas exclusively earmarked for small and medium-sized firms", Jeon said, "We plan to strengthen investigations into this area in the future." *(BS, 28.08.99)*

Ice Cream Suppliers Agree Link Up

Two of the top five US ice cream suppliers formed a joint venture aiming at improved distribution and innovation of products. This should allow them to cash in on a trend towards consumer indulgence.

Nestle, the Swiss food giant announced a 50-50 joint venture with Pillsbury, the subsidiary of Diageo of the UK. The joint company will have annual sales of $600mn, making it the third largest US ice cream group. It is aiming for double-digit sales growth in a highly fragmented market.

Nomi Ghez, Food Analyst at Goldman Sachs said, Nestle and Pillsbury's alliance was a sensible combination of two complementary operations.

Joe Weller, Chairman and Chief Executive of Nestle USA said, "We felt this structure added the most value to our shareholders at the present time." He added that the pair would look at opportunities to expand the joint venture into markets outside the US. *(FT, 20.08.99)*

Vitamins Cartel Lawsuit

US lawyers are seeking more than $1bn to settle a class-action lawsuit against three European companies, Roche of Switzerland, BASF of Germany and Rhone-Poulenc of France. The companies led a global conspiracy to fix the worldwide vitamins market. Executives controlling the cartel are thought to have ignored legal advice that their conspiracy was illegal.

Three companies have admitted their involvement in the cartel, which controlled the price and sales of bulk vitamins for nine years. Roche last month agreed to pay $500mn, the largest criminal fine in the US, to anti-trust officials at the Justice Department, while a former executive agreed to be jailed for four months in the US.

BASF accepted a $225mn fine, while Rhone-Poulenc escaped punishment and supplied much of the evidence, which finally cracked the cartel.

According to government officials, the cartel controlled the price and production of the most popular vitamins around the world, including vitamins A, C and E. *(BS, 29.07.99)*

Regulators Blamed for Delay

Two leading US electricity companies have criticised government regulators for delaying their long delayed merger. American Electric Power (AEP) and Central and South West (CSW) first announced the deal in December 1997, promising $2bn in savings over ten years, and an impressive geographic reach.

Dick Brooks, Chief Executive Officer of CSW called it 'pathetic' that the merger had been so delayed, citing the uncertainty for the companies' workers, more than 1,000 of which are expected to lose their jobs, and management's difficulty in making long-term plans.

Barry Abramson, Senior Utilities Analyst said, the number of announced mergers had actually increased during AEP and CSW's long wait, and that their approval time had shortened. *(FT, 13.09.99)*

Mergers and German Law Firms

A revolution in the German legal market: Punder Volhard Weber and Axster, one of Germany's three biggest law firms, voted to join the transatlantic link-up between Clifford Chance and Rogers and Wells.

That three-way merger, creating a 2,700-lawyer, $1bn earning giant, will coincide with the merger of Freshfields with Deringer Tessin Herrmann and Sedemund. For the big UK firms, with their global ambitions, Germany is too important a market, not to be ignored.

The big German firms, for their part, are under growing pressure from clients to match the globalisation in capital markets and industries with a worldwide legal service. The German legal market has in the past traditionally been shielded from competitive forces. For example, a decade ago law firms were banned from merging with firms in other cities. The end of that ban provoked a round of domestic mergers in the early 1990's. Now, the firms are poised to repeat that process on the international stage. *(FT, 06.09.99)*

'Land's End' to Contest

Land's End, the US mail order group, appeals the European Union after getting banned by Germany from advertising its unconditioned guarantee. The German Federal Supreme Court ruled that Land's End could not mention its policy of refunding purchases at any time, for any reason, in advertisements or in its mail order catalogues.

The guarantee was considered a violation of the German Free Gift Act, 1932 and constitutes an anti-competitive practice. Land's End had received a second injunction letter from the Unfair Competition Association (UCA, a lobby group of 1,600 German retailers).

The UCA attempts to stop the company from honouring the guarantee. German retailers are checking such promotions to defend the inefficient sector of the market. *(FT, 06.09.99)*

Bid to Break Monopoly

The Canadian government is coming up with conditions to be imposed on an almost inevitable monopoly in country's airline industry. Canadian Airlines is going to break, probably in the short term, the bitter fact faced by Canadian government. The transport department is studying all the options and preparing for the ultimate happening.

The federal government is struggling to control the rope pulling. The teams are Canada's troubled second largest carrier, Canadian Airlines Corp, top airline Air Canada and buyout specialist Onex Corp. Competition rules were waived in Ottawa for 90 days for proposed deal to save the near-bankrupt Canadian, or merge it with the financially-healthy Air Canada.

A week later, Toronto-based conglomerate and buyout company Onex announced a C$1.8bn bid to buy Air Canada and Canadian Airlines and merge them into a single entity. Onex had the backing of American Airlines parent AMR Corp, a partner of and shareholder in Canadian.

David Collenette, Canadian Transport Minister, has said his interest in the merger battle is focused on troubled Canadian workers and the country's consumers who, under a monopoly, could face stiffer prices and see service dropped from remote routes. *(BL, 07.09.99)*

Monti Faces Ambitious Agenda

European Union's Competition Commissioner, Mario Monti said he would favour a zero-tolerance policy on government subsidies, describing state aid as "an evil". Such a move would require fundamental changes to the EU's founding treaty.

He expressed his "instinctive sympathy" towards the idea of national public registers of state aid as a way of exposing EU's high subsidy levels and eventually reducing the total. He confirmed that the Commission would examine the proposed merger of supermarket chains Promodes and Carrefour.

He focussed on the impact of the deal on the procurement market. Whether the buying power of the enlarged company affect the competitive position of their suppliers, should be the issue to be scrutinised in this and similar cases. *(FT, 16.09.99)*

What's the Farmers' Future?

A multi billion dollar anti-trust action are to be launched in up to 30 countries against the world's biggest life science companies and grain processors. The claim will be exploitation of bioengineering techniques by companies to gain a stranglehold on agricultural markets.

The move represents the first global challenge to controversial techniques for exploiting genetically modified (GM) crops commercially. Companies take out patents on GM seeds and then lease, rather than sell, them to farmers to be used for one season only. In US, farmers have to give a legal binding saying that they will not save and replant the seeds.

Companies have also developed 'terminator' seeds, which will self-destruct so can not be replanted. Some companies are working on seeds that need a chemical trigger to grow. In a country like Brazil, farmers have little or no choice over what to grow, with which chemicals, whom to sell to and at what price. Instead of improving lives, GM food and crops are strengthening the very market forces that leave the poor poorer and make the rich richer. *(FT, 13.09.99)*

Heavy Fines for Price Fixing

Companies caught fixing prices in defiance of the new competition act of the UK will face fines up to 30 percent of their turnover. According to Stephen Byers, Chief Trade and Industry Minister, " We believe that the competition is the key to economic growth and prosperity and that it is necessary to ensure a fair deal for the consumer. Too many consumers believe that they are being ripped off".

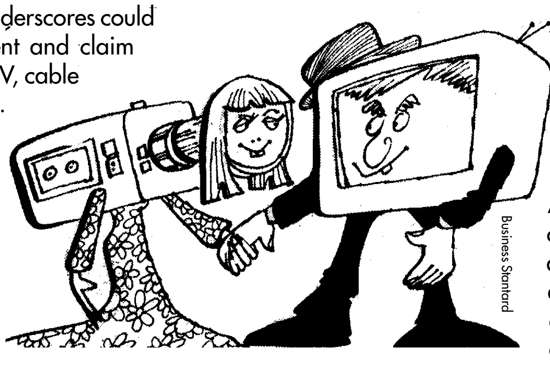
Byers has decided to limit the definition to UK turnover because cartels operating across European boundaries would normally be dealt with by the European Commission. But Byers' proposal is tougher than the EU regime.

In addition to fining companies after an investigation, the act allows the Office of Fair Trading to demand information and documents and enter premises using reasonable force after getting a search warrant. *(FT, 09.08.99)*

Time to Come Together

$37bn merger of old-guard broadcaster CBS and relative newcomer Viacom underscores could enable them to own their content and claim space in all areas of broadcast: TV, cable TV, movie making and the Internet.

Media giants like Viacom, Walt Disney, News Corp. and Time-Warner want to own more of the shows on their networks. Media companies are expanding into many different areas in order to boost the number of viewers they offer to advertisers (their top source of revenue). The merger puts NBC, owned by General Electric, on a hot seat to merge because it is the only major broadcast network unaffiliated with a major programme supplier.



A media company could not build a network of the size or reach of the NBC without spending years and billions of dollars. David Smith, President, Entertainment, of industry research firm Frank N. Magid Associates said, "If you want that kind of brand recognition or audience awareness, you can only get it through a merger. It's unlikely a new network could ever build the kind of mass like an NBC." *(BS, 09.09.99)*

'Not' Moore vs. Supachai

Members of the World Trade Organisation (WTO) recently ended months of discussions and wrangling to decide on the person who will be at the helm of affairs. Members agreed that there would be two new Director Generals of the world trade body and each will be working for three years. The new DGs are Mike Moore former Prime Minister of New Zealand and Supachai Panitchpakdi, Deputy Prime Minister and Minister of Commerce of Thailand.

While there were sharp differences between member nations as to who should take up the mantle, they were revolved not so much around the individual, as it was more of a North-South issue. Most developed country along with some developing countries supported Moore while majority of developing nations rallied behind Supachai.

Much of the developed world was worried of the fact that if a person from the developing world became DG free trade may be put on the back burner. They were also uncomfortable with the possibility of global trade policy becoming favourable for developing nations. Developing countries, on the other hand, are now seriously studying the implications of the WTO framework on their trade and economic development and from past experience of having DGs from the North wanted their man in place. *(FT 21.07.99 & BL 02.07.99)*

Lamy on Trade

The newly appointed Trade Commissioner of the European Union, Pascal Lamy, said recently that he believes globalisation is a win-win process. He said that Europe has profited from the process of globalisation and will continue to do so provided that it preserves its long term competitiveness, its capacity for innovation and its social-market economy. However, he added that if globalisation has to be effective and fair, it must be controlled, steered and managed, according to the collective interests of European citizens.

On regional groupings, he said that Europe rightly encourages the formation of regional groupings as such groupings widen markets, and strengthen competition between producers in neighbouring countries of comparable competitiveness. However, in his opinion, regionalism and multilateralism should be compatible.

Speaking about developing countries he said that we can and should help them, particularly by ensuring for them, according to their own level of income and with a priority for the most poor, effective preferential access to our market, to compensate for the handicap in their own competitiveness. *(Erik Wesselelius by e-mail, 17.09.99)*

E-trade Means Huge Savings

An electronic system for transmitting trade documents aims to do away with paper documents like bills of lading, customs forms' letters of credit and insurance certificates. This will translate to huge savings for the international trading community. Bolero, which is a joint venture between the international banking and logistics communities, has claimed to come up with such a system.

According to the United Nations, $420bn that is about seven percent of the $6,000bn value of world trade is eaten up by the cost of administering paper-based systems.

Electronic trading systems presently in use are generally restricted to a particular company, industry or trade community. The new system aims to become the globally accepted standard in this area. One of the important innovations of Bolero is that it has managed to ensure that electronic documents transmitted by it will be contractually binding.

The joint venture is owned by the TT Club, a mutual insurance company owned by the transport industry and Swift, which processes financial transfers for banks around the world. *(FT, 23.08.99)*

LDCs Table Proposals

The world's least developed countries, a group of 48 nations with 600mn people but which account for only 0.4 percent of world exports, have banded together to submit, for the first time, a comprehensive set of proposals aimed at furthering their integration into the multilateral trading system. Bangladesh submitted the proposals to the WTO General Council on behalf of the grouping.

Central to the package of 67 proposals put forward by the least developed countries (LDCs) was recognition of the need to strengthen both their competitive position in world trade and their own capacity to supply goods and services that can find an export market. This is regarded as a prerequisite to permit the LDCs' meaningful and beneficial integration.

The package of proposals emerged from a workshop organised by the United Nations Conference on Trade and Development (UNCTAD) for senior LDC trade officials in Sun City, South Africa.

All trade areas – agriculture, industrial goods and services – are included in the LDC proposals, together with recommendations on a simplified 'fast-track' procedure for accession to the WTO. At present, 29 of the 48 countries are already members and nine are observers.

Among other things the Sun City document calls for help for LDCs to develop their physical and institutional infrastructure, and their human resources. It also asks for improved, and unencumbered, market access, and for their governments to be able to retain the use of appropriate policy instruments to strengthen the competitiveness of export trade sectors considered as having strategic importance. *(UNCTAD, TAD/INF/2813)*

Trade Policy and the Consumer

Consumers International (CI) representing 247 consumer organisations in 111 countries, has launched a worldwide campaign to ensure that the rights of the consumer are supported by the multilateral trading system. CI says that it cannot support a Millenium Round of trade negotiations until crucial changes are made in how (and for whom) the WTO and the trade liberalisation agenda operates. The trade ministers meeting at Seattle will decide on the proposed Millenium Round.

"Consumer Rights and the Multilateral Trading System: What needs to be done before a Millenium Round" is a new document released by CI which says that preliminary evidence shows that consumer rights are being undermined by the system as it exists now.

The CI document points out that when multinationals have problems exporting to a country because of its consumer protection legislation, they use the threat of action through the WTO to intimidate governments to bypass or change the laws. CI's campaign also focuses on the need to include consumer policy in trade policy at both the national and international levels. *(Consumers International)*

G-77 WTO Agenda

Members of the Group of 77 (G-77, comprised of 132 developing countries) and China met from 13-16 September in Marrakesh, Morocco for the IXth Ministerial Conference of the G-77. Regarding the WTO, G-77 Ministers adopted a Message of the G-77 Ministers to the third WTO Ministerial Conference.

The Message confirmed the G-77's commitment to liberal and open trade policies, which integrate the development dimension, and called for the WTO Ministerial to focus on delivering equitable benefits to developing countries.

The G-77 Declaration expressed serious concern over imbalances in the world trading system and non-realisation of benefits thus far to developing countries in the areas of interest to them.

"[The] benefits of the existing multilateral trading system continue to elude developing countries. Progress towards full liberalisation in sectors of particular interest to them is lagging behind, and significant imbalances between rights and obligations exists in multilateral trade agreement as well as in conditions of market access," the statement said.

The statement did not take a formal position on the introduction of new issues for negotiations, but said generally that the G-77 "will collectively pursue a positive agenda for future multilateral trade negotiations". *(ICTSD Bridges, Vol. 3, Number 38, 1999)*

Cairns Group to Focus

The 15-member Cairns Group of farm exporting nations decided at a two day meeting held recently at Buenos Aires to make agriculture the crux of WTO talks in November this year. The Agriculture Minister of Brazil said that the negotiations at Seattle are going to be agricultural negotiations, or it will be very difficult to have any negotiations at all.

The US, which was a special guest at the meeting, opined that agricultural issues will dominate the next round. Cairns Group members are responsible for about 20 percent of world farm exports. The Groups agenda, which was reaffirmed at the Buenos Aires meeting is to lower export and domestic subsidies and ease market access for commodities.

Meanwhile, the US Agricultural Trade Ambassador, Peter Scher said at a meeting of agricultural lobbyists in Washington that European Union's $60bn Common Agricultural Policy (CAP) was blocking global efforts to further reduce barriers in the trading of farm products. *(BL, 31.08.99)*

Concerns over Protectionism

The Trade Policy Review (TPR) Committee of the WTO has voiced its concern that if the US economy slows down substantially and unemployment begins to rise it could become more difficult for the US government to resist domestic pressures advocating protectionism. The TPR voiced these concerns during the three-day review of the US trade policy.

The WTO has said that the US is now in its second and longest spell of sustained economic expansion with real GDP growth at an average 2.8 percent during 1992-96 and accelerating to 3.9 percent in 1997 and 1998. However, the widening of the current account deficit has led to allegations in the US that some foreign producers are carrying out unfair trading practices thus harming US producers.

This in turn has led to protectionist pressures from certain sectors, which are trying to persuade the US government to implement unilateral measures. However till date the US administration has resisted such pressures. *(BL, 14.07.99 & FT, 20.08.99)*

APEC Plans to …

Leaders of the Asia-Pacific Economic Cooperation (APEC) have come up with a framework for the next round of global trade talks suggesting that it continue for three years and end in a single package of agreements instead of sector-by-sector deals. The APEC economies, constituted of 21 countries, will be a powerful voice at the WTO as they are responsible of almost half of world trade and constitute $16tn in gross domestic product.

The APEC meeting, represented by Foreign Ministers and Trade Ministers of member nations, came up with a proposal in their statement, which calls for a ban on agricultural subsidies and a commitment to strengthen markets throughout the region. The APEC statement also encouraged acceleration in the accession into the WTO of non-WTO members.

However the US failed to convince other APEC members that the proposed new trade round should call for an "early harvest" of sectoral liberalisation agreements rather than one package deal which is the demand of the EU and Japan. *(BL, 11.09.99)*

Pledge on Poor

The new WTO Director General Mike Moore took office with a pledge to make the expansion of trading opportunities for the world's top proirity during his three year term. He urged the WTO's rich members to grant unrestricted access to the goods and services of least developed countries (LDCs) and provide the help they needed to take a full part in trade deliberations.

"It would not cost the rich nations much to wipe away barriers for the poorest countries," he said, "Trade in itself will not solve all the world's problems, yet without trade the world's problems will be much more worse". Moore's call has strong support from the European Union, which has urged industrialised nations and the more advanced emerging economies to commit themselves to duty-free access for almost all LDC goods.

According to him, it was vital that WTO Members agree at Seattle to find solutions to the problems of poorest nations. "We need these solutions now, not in seven or eight years," he said. He added that this meant expanding the agenda of the forthcoming trade liberalisation talks beyond the already mandated areas of agriculture and services.

However, the idea has failed to gain much resonance among non-EU countries. The US in particular has been lukewarm, preferring its existing preferential arrangements for poor countries. *(FT, 02.09.99)*

G-15 Summit Discusses Seattle Agenda

Member nations of G-15 countries met at Bangalore, India, in August to thrash out a common Southern position for the ensuing trade talks to be held at Seattle at the end of November, this year. Indian Commerce Minister, Ramkrishna Hegde set the tone of the talks by calling on developing nations to reject any new proposals that the rich nations may raise or impose at the Ministerial meet. The G-15 group of nations has a combined gross domestic product of $2tn and a trade turnover of $600bn.

Member nations participating at the Summit felt that developed nations should first honour their part of the commitments to equitable trade before trying to squeeze out more bargains from the third world. They also felt that the Seattle Ministerial meet should not discuss anything other than what was on its agenda, i.e. talks on agriculture, TRIMS, TRIPS, and dispute settlement.

Hegde, in his opening remarks, said that members should lobby for removing unfair trade barriers to its goods and services, such as in textile and agriculture. Cautioning the third world of accepting the "one size fits all approach," he argued that developing countries should examine the relevance of new proposals vis-à-vis trade and their possible impact on developing country interests.

It was made very clear that developing countries should not make further concessions to the developed against their realisation of commitments that were not kept. The WTO was already overloaded with a host of issues and still the advanced nations were planning to push in new issues like government procurement, trade and investment, trade and competition policy, trade facilitation and negotiations on industrial tariffs. The G-15 was of the opinion that trade and investment was a complex matter and that a competition policy would be premature.

The Built-in Agenda

Those present were of the opinion that issues like social clauses or governance were only pretexts for introducing trade blocks and these issues need to be rejected.

On TRIPs (Agreement on Trade Related Aspects of Intellectual property Rights), India was of the opinion that G-15 nations should press for operationalisation of Articles 7 and 8. This would allow countries to claim sovereign rights over their biological resources and facilitate easy transfer of technology.

The meeting called on the WTO to respect traditional knowledge of indigenous people and for an equitable sharing of benefits accruing to them. It also voiced the opinion that the work programme in the Committee on Trade and Environment should continue.

The Agreement on Agriculture is inequitable and it denied market access to developing nations. The G-15 nations should strive for removal of this distortion as fresh negotiations on the issue were due to start by January 2000. On agricultural export subsidies the meeting called for an end to agricultural export subsidies being given by advanced nations which blocks trade.

In the area of textiles while developing nations had expected an increase in trade their export growth had remained stagnant at pre-agreement levels. Developed nations on the other hand had adhered to the Multi-Fibre Agreement and benefited out of it. In case of services, developing nations were denied the benefits of movement of skilled professionals.

The Chairman's Summary of the meeting stated that special provisions in the anti-Dumping Agreement, the Dispute Settlement Understanding and the SPS (Sanitary and Phyto-sanitary Measures) and TBT (Technical Barriers to Trade) Agreements, which were meant to benefit developing countries were ignored by developed countries. There had been repeated and unreasonable imposition of anti-dumping and countervailing duties on the part of developed nations.

Difficulties of Implementation

The delegates were worried about difficulties faced during effective implementation of their commitments. This was primarily due to resource and institutional constraints and the lack of adequate technical assistance.

They observed that the benefits from tariff reductions and other commitments undertaken in the last round of trade talks had not benefited their countries to the extent envisaged. This was due to tariff peaks, tariff escalations and non-tariff barriers on items of particular interest to developing nations. They also stressed on the need for looking at electronic commerce from the perspective of developing countries.

Egypt said that differing views should not cloud common positions and goals. The chairman, It recommended that the member nations coordinate their positions so that a uniform approach can emerge on issues of common concern which should then be pursued at specific WTO negotiations. Incidentally Egypt will be hosting two more G-15 meetings this year. These are on fiscal crisis and architecture in October and on globalisation and its social impact in November.

The Bangalore Summit agreed that developing nations should be allowed flexibility to give priority to domestic investment policies and that urgent steps should be taken to integrate the least developed countries into the WTO system. Also the chairman's summary of proceedings called for confidentiality at all stages of the dispute settlement process as these matters were between governments.

A Minimalist Approach

Despite all this, the general feeling of expectations seemed to be much lower at the Bangalore Summit in contrast to the discussions between the developing countries prior to the Singapore Ministerial Conference of the WTO. Having acknowledged that the interests of the 17 member nations were different the Summit went for a minimalist approach for the ensuing Seattle Ministerial. The presence of only eight out of 17 member nations of the G-15 is also important to note in this context.

Southern Agenda for the Next Millennium Role of the Civil Society

The recent past of international economic policy making reflects that civil society cannot be neglected when it comes to taking international decisions having impact at the national level. This phenomenon has given rise to important developments in the area of partnership vis-à-vis governments and civil society, especially in the context of trade talks taking place on the platform of the World Trade Organisation (WTO).

The nature of this partnership is bound to impact the decision making process at the Seattle Ministerial Conference of the WTO slated to take place in from 29 November to 03 December, 1999. The apprehension being expressed is that developing countries would not be in a position to enjoy the benefits of multilateral trade liberalisation given the protectionist positions put forward by governments and some civil society organisations jointly, from the developed world in the areas of agriculture, environmental standards and labour standards. This means that if developing countries want to enjoy 'in-built' benefits they need to give some thing more in return.

Given this situation, the CUTS Centre for International Trade, Economics & Environment organised an international civil society Conference: "Southern Agenda for the Next Millennium–Role of the Civil Society" . This Conference organised on August 18-19, 1999 at Bangalore, India straddled the G-15 Ministers Conference held at Bangalore by a day, and brought together over 50 delegates from civil society and research organisations of the G-15 and other developing countries. The G-15 Ministers had assembled to discuss their possible position on different issues at the forthcoming Seattle Ministerial Conference of the WTO.

Former Foreign Secretary of India, Muchkund Dubey who chaired the opening session noted that the people had a right to protect their interests and called for flexibility in the negotiating processes to allow for the same.

The Conference called upon countries of the South to strategically coordinate with civil society organisations to identify their common interests and to collectively negotiate to advance them. Throwing light on the role of civil society in the context of multilateral trade talks, there was a unanimous opinion that civil society must ensure equity and social justice to be given high priority in the negotiating positions of countries. And that the rights and interests of consumers, rural and urban workers, small farmers and enterprises, and vulnerable social groups are protected.

"The civil society is now in the mainstream of international economic policy making, and is a powerful force in the developed world. Thus, if the southern governments ignore their own civil society, it would only deprive them of an opportunity of garnering the necessary political backing for their official agenda," said Pradeep S Mehta, Secretary General of CUTS.

Yash Tandon of the International South Group Network called for a complete relook of the existing iniquitous agreements. "The acceptance of divergent development strategies is crucial, because development cannot be viewed in simple terms of per capita income," said Tandon.

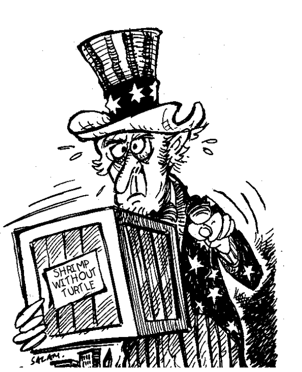
In a message to the Conference on the issue of linkages between trade and social as well as environmental issues, the noted trade theorist Jagdish Bhagwati elaborated, "It is time to raise our voices and call a spade a spade. The WTO is not for the developed countries' agendas, for them to put into it whatever they choose for their own self-serving or misdirected altruism, by pretending that whatever they do is somehow 'trade-related'. Enough is enough."

The Summary of the Conference has also noted that the experience with the Agreement on Agriculture has been in virtual contradiction to the expectations of southern signatories. It has, in effect, forced them to stop supporting their own farmers, while opening up their markets to the heavily subsidised producers from the north. This is of particular concern for countries threatened with food shortages, because food aid programmes are declining in significance.

R. P. Agarwal, Joint Secretary, Ministry of Commerce, Government of India in his dinner speech emphasised how developing countries were being denied their legitimate right of a special and differential treatment. To add salt to the injury he added that the developed countries were also backtracking on their own commitments by finding loopholes in instruments in the area of agriculture, textiles and clothing, antidumping, etc. He congratulated the civil society for coming together at this crucial juncture and for affirming their support to the stand of developing countries.

Implementation Status of the Shrimp-Turtle Ruling

On 26 July, the US presented the WTO Dispute Settlement Body with its first status report regarding the implementation of the November 1998 Appellate Body decision on the shrimp-turtle dispute. The Appellate Body condemned the US import embargo on shrimp and shrimp products from countries that do not require their shrimp trawling vessels to use turtle excluder devices.



In order to ensure compliance with the WTO ruling, the State Department has revised its guidelines for implementing Section 609 of Public Law 101-162, which required the government to certify that all shrimp imported into the country were caught with methods that protect endangered marine turtle from incidental drowning in shrimp trawling nets.

The main element of the new guidelines is an acceptance of shrimp imports from 'uncertified' countries on a shipment-by-shipment basis. For a shipment to be allowed in, the exporting government must certify that the catch was made by shrimpers employing turtle excluder devices. The new guidelines will also increase the transparency and predictability of the certification process. In addition, the US has "redoubled its efforts" to negotiate an agreement with the governments of the Indian Ocean region on the protection of sea turtles. *(ICTSD Bridges, July-August 1999)*

EU Claims Victory

The European Union (EU) claimed a tit-for-tat victory in its trade wars with the US saying the WTO has ruled that a $2bn tax incentive plan for exports by US companies was illegal. The EU called on the US to change its Foreign Sales Corporation Law in light of the ruling, which was released confidentially to both parties.

Under Foreign Sales Corporation Programmes, US companies can set up off-shore subsidiaries that are partially exempted from US taxes on profits from the sale of goods that have a high level of US content and are exported outside the US.

The EU said that the Programmes cost the US Treasury about $2bn a year, with Microsoft Corp. and Boeing Corp. two of the biggest beneficiaries. The EU also claimed that US companies channel $150bn of income and $10bn of profits through these Programmes annually. *(WSJ, 27.07.99 & FT, 18.09.99)*

Duties on US Chips

Taiwan proposed anti-dumping duties of six to 61 percent on computer chips from the US. This was a move that industry executives said was in retaliation for tariffs imposed by Washington on the island's own semiconductor makers. An Inter-Ministerial Committee recommended that duties be imposed on five companies. The Committee said the companies sold dynamic random access memory chips below prices they charge in the US, which cause injury to Taiwan's chip makers.

Duties would be imposed for four months while the government makes the final determination on the dumping charges. "We believe the actions Taiwan is taking now are really in retaliation to the efforts we made," said a spokeswoman for Micron, one of the accused companies. *(BS, 21.09.99)*

US Warns EU

US trade officials have warned the European Union (EU) that its ban on the use of four antibiotics may violate international trade rules. The ban, which went into effect on 01 July, was imposed to address concerns that use of antibiotics could build up resistance in human consumers.

EU lawmakers utilised the "precautionary principle" in justifying the ban, a principle used to allow taking preventive health safety measures when scientific evidence is inconclusive. The US has called on the EU to provide scientific justification for the ban, arguing that "in the case of the four banned products, either no objective risk assessment was carried out, or the results were ignored".

Sales of four antibiotics are worth $350mn a year to manufacturers that produce and market them. More important than the monetary value of the ban the US is concerned that the ban could signal a wave of trade restrictions related to antibiotics. *(ICTSD Bridges, Vol. 3, Number 36, 1999)*

Japan Challenges US Act

Japan files a complaint challenging the US Anti-Dumping Act, 1916. The Dispute Settlement Body of the WTO on Japan's request set up a panel to examine the US Act which Japan challenges as being inconsistent with Articles III, VI and XI of GATT, 1994 and the Anti-Dumping Agreement. Japan has pointed out that the US Act stipulates that import or sales of imported goods with the US markets in certain circumstances as unlawful, constituting a criminal offence and inviting civil liability.

Japan has further alleged that judicial decisions under the US Act are made without the procedural safeguards provided in Anti-Dumping Agreement. According to Japan, a court action has been brought against the US Act against affiliates of Japanese companies. The Japanese delegation argued that Article VI od GATT, 1994 and Article 18.1 of the Anti-Dumping Agreement, in particular, permit imposition of anti-dumping duties as the only possible remedies for dumping. *(ET, 28.07.99)*

Cry Foul over Lamb

The US announced that it will impose tariff and quota restraints on imports of New Zealand and Australian lamb for three years. The US Administration said the action is necessary to protect the US domestic lamb industry by blocking growth of lamb imports to the US. The US will levy a nine percent tariff on all imports in the first year, decreasing to six and three percent respectively in the second and third years.

Australia and New Zealand used terms such as appalling, hypocritical and irrational in criticising the US decision and warned they would take the case to the WTO. Australia and New Zealand Account for at least 95 percent of all US lamb imports.

The US decision comes before WTO Members are set to launch global trade talks on agriculture, a sector in which the US has partnered with Australia and New Zealand in calling for increased liberalisation. "This decision will damage the prospects of an early and successful WTO trade round. This is a protectionist decision which sends precisely the wrong signal in the lead up to the Seattle ministerial," Australian Prime Minister John Howard said. *(ICTSD Bridges, Vol. 3, Number 27, 1999)*

Brazil Takes Argentina to WTO

The Brazilian government would file a complaint with the World Trade Organisation (WTO) against an Argentine trade restriction curbing its textile exports. This was disclosed by Brazilian Foreign Minister, Luis Felipe Lampreia.

He was speaking at the end of a two-day emergency meeting of MERCOSUR officials that failed to end a trade dispute between Brazil and Argentina, the South American trade block's biggest players. Trade relations between the countries have soured since Brazilian devaluation in January, 1999.

To defend its industries against a flood of cheap imports, Argentina slapped restrictions on several Brazilian goods, including textiles, steel, home appliances and foodstuffs. *(BL, 09.08.99)*

DSU Review in Tatters

A 24 September meeting of the WTO Dispute Settlement Body on review of the Dispute Settlement Undertaking (DSU) ended in disarray after acrimonious debate on the transparency of the dispute settlement proceedings. The US and EU have been attempting to open disputes to wider public scrutiny through quicker document dissemination and allowing non-governmental actors to submit non-solicited amicus briefs to dispute panels.

However, the majority of WTO Members firmly oppose even discussing the issue, not wanting to make transparency a potential bargaining chip in the forthcoming negotiations.

Members also failed to agree on whether, when or how the review of the DSU would resume. At the meeting, delegates were expected to choose whether to stop the review, continued it for a specific period of time or continued indefinitely. In the end, none of the above was chosen. *(ICTSD Bridges, Vol. 3, Number 38, 1999)*

Beef Retaliation List Targets Pork

The WTO's Dispute Settlement Body is expected to authorise the US and Canada's list of retaliatory tariffs against EU goods in response to EU's failure to comply with a WTO ruling against its ban on hormone-treated beef. The US released its final list of goods against which 100 percent tariffs would be levied. The list targets $116.8mn worth of goods from France, Germany, Italy and Denmark.

The remaining EU member states account for about 16 percent of the goods on the US list, with the exception of Britain, whose support of the US in the dispute kept British goods off the list. Pork products were targeted heavily, accounting for $30mn of the total value of the retaliation.

Danish pork producers reacted angrily at the US decision to penalise pork products. "Denmark's pigmeat sector is the first direct victim of the dispute. Alone we must bear 15 percent of the total US punitive duties on the EU," Federation of Danish Pig Producers and Slaughterhouses Chair Bent Claudi said. French Agriculture Minister, Jean Glavany assured the US that the sanctions would not reverse the EU ban on hormone-treated beef, arguing that the EU has "formal, scientific proof that hormone-treated beef is dangerous". *(ICTSD Bridges, Vol. Number 29, 1999)*

Tokyo Ends Curbs

Japan's Ministry of Agriculture announced that all varieties of US and Canadian tomatoes may now be imported, ending a long-standing dispute over Tokyo's quarantine procedures. Imports had been limited to 25 varieties of US tomatoes and seven types of Canadian tomatoes which Japan had declared free of a virus known as tobacco blue mould.

The Ministry said it had confirmed that the mould had not contaminated other varieties of tomatoes, which would be allowed into the country upon completion of quarantine procedures. Japan's testing requirements for tomatoes have angered the US, which considered the procedures to be lengthy and expensive. "There has never ever been evidence that tomatoes were a host to this disease," said a western diplomat.

The US tomato industry has targeted Japan's $355bn food service sector in its marketing and sales drive. US exporters have focused particularly on the growing market for "home-meal replacements" such as take out and fast food. *(FT, 07.09.99)*

EU Battles with Banana

The European Union was expected to present a new proposal for a WTO-compatible banana import regime in September. But the plan has been further delayed.

The Commission's progress report noted that negotiations on a new quota arrangement had not led to a solution that would both guarantee the end of the WTO dispute and meet the EU's obligations to the developing country members of the Lome Convention.

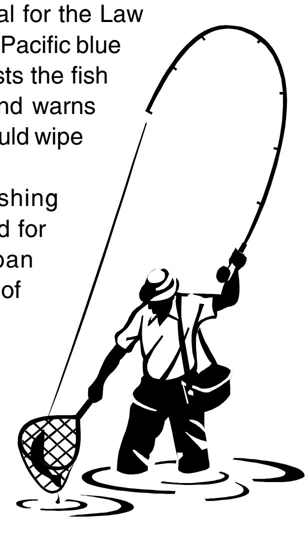
French, Spanish, Italian, Portugese and UK Ministers rejected a tariff-only solution, saying it did not offer sufficient market access guarantee to European or ACP (Africa, Caribbean and the Pacific) producers. If negotiations on new tariff quotas prove complete impasse, the EU is likely to shift the focus on renegotiating its bound tariff for non-ACP bananas. *(ICTSD Bridges, September, 1999)*

Fishy Trade Matters

Australia and New Zealand initiated arbitration proceedings against Japan at the International Tribunal for the Law of the Sea over Japan's alleged over-fishing of Pacific blue fin tuna. The allegation was that Japan harvests the fish over and above quotas agreed to in 1993, and warns that Japan's continued violation of the quota could wipe out the tuna in the South Pacific.

Japan's Fisheries Ministry said that fishing beyond the agreed quota has been conducted for scientific and experimental purposes. Japan consumes 95 percent of the annual harvest of Pacific blue fin tuna.

Australia said it is researching the possibility of including the fish in the United Nations Convention on International Trade on Endangered Species (CITES). Australia will most likely make its proposal during the CITES Conference of Parties in April 2000. *(ICTSD Bridges, Vol. 3, Number 32, 1999)*



Not Helping Growth

There has been a series of changes in the nature of capital inflow in the developing countries in the past three decades and the inflow does not necessarily means that there is growth in these countries.

According to the Trade and Development Report (TDR), 1999 of the United Nations Conference on Trade and Development (UNCTAD), there are serious shortcoming in the size, stability and sustainability of capital flows to developing countries. There has been a marked increase in instability of private capital flows to developing countries and an important part of this constitutes an unreliable source of development finance.

There was no increase in net capital inflow in the 1990s in terms of their share of recipient countries' gross national product (GNP). Moreover, the inflows are concentrated in emerging markets. The share of 20 countries among the emerging economies in net capital inflow to developing countries rose from 50 percent in 1970s and 1980s to over 90 percent in 1990s.

An increasing proportion of private capital inflows has been offset by capital outflows by residents, notably short-term outflows, or costly reserve accumulation to safeguard against instability of capital flows. Both phenomena are closely linked to capital account liberalisation in developing countries. *(ET, 21.09.99)*

Concerns of Developing Countries

The UNCTAD TDR, 1999 has identified three immediate concerns for the developing countries with regards to a new round of trade negotiations. First, the Uruguay Round and its implementation process have done little to improve market access for their exports of goods and services.

Second, World Trade Organisation (WTO) rules have been unbalanced in several important development related areas such as the protection of intellectual property rights and the use of industrial subsidies, while the special and differential treatment which the Uruguay Round accorded to developing countries has been inadequate.

Third, insufficient human and financial resources and weak institutional capacities have restricted the ability of many developing countries to exploit the opportunities open to them under the WTO system, particularly in respect of its dispute settlement mechanism as well as the ability to comply with their multilateral obligations. *(BS, 21.09.99)*

Globalisation with A Human Face

Global market, global technology, global ideas and global solidarity can enrich the lives of people everywhere, says the United Nation's Human Development Report, 1999. The challenge is to ensure that the benefits are shared equitably and that this increasing interdependence works for people, not just for profits.

IT League Table

	Internet use among total pop. (%)	Web sites ('000)	Personal computers (mn)	Spending on IT (as a prop. of GDP. %)
US	30.7	33,387	113.0	3.6
Japan	11.1	1,719	27.2	2.9
UK	18.0	1,692	15.2	2.4
Germany	10.0	1,375	17.6	2.4
France	5.2	571	11.0	2.3
Italy	4.0	371	6.6	1.5

Source: Italian Treasury *Figures Based on variety of international data*

The Report argues that globalisation is not new, but that the present era of globalisation, driven by competitive global markets, is outpacing the governance of markets and the repercussions of people. Characterised by shrinking space, shrinking time and disappearing borders, globalisation has swung open the door to opportunities.

The Report recommends an agenda for action:

- reforms of global governance to ensure greater equity;
- new regional approaches to collective action and negotiation; and
- national and local policies to capture opportunities in the global marketplace and translate them more equitably into human advance. *(UN HDR, 99)*

The Business of Development

Business leaders are beginning to recognise that their responsibilities and their interests lie not only in how their company's action affects their shareholders, but also on their impact on the societies in which they operate. De Beer's decision to back the campaign to eradicate polio by 2000 is a good example of putting these principles into practice and getting favourable publicity at the same time. The international diamond company has joined the campaign, donating $2.6mn to a vaccination programme in Angola.

AIDS is a scourge even greater than polio. Fighting AIDS is also a social imperative which makes good business sense, as Kofi Annan, United Nations Secretary General recently pointed out. The UN has urged companies to educate their workers about AIDS and become active partners in initiatives to stop the spread of a virus that has killed more than 14mn people, infected another 33mn. Glaxo-Welcome has invested $40mn in an international AIDS awareness programme.

Coping with the challenges presented by the world's poorest countries requires new kinds of partnerships. Not so long ago, the relationship between the private sector and development agencies has been one of suspicion at best and, often outright hostility. But this is changing. UN agencies have already started to build bridges with the private sector. *(FT, 22.07.99)*

Global Citizen Commitment

The Global Citizen Commitment (GCC) was launched to gather people's voices worldwide on their most important rights and responsibilities and how they can work with others to improve their communities.

The starting point is, "The need for this kind of mobilisation is made urgent by the contradictory aspects of modern society, which has made tremendous gains while at the same time piling up huge social and ecological deficits".

The Commitment proposed of all citizens and the governments, business firms, and civil society organisations they work within, which emerged in the citizens' voices and responses to date, include:

- that citizens must be assured of their basic needs, including their life, safety, security, and a minimum level of quality of life;
- that citizens must enjoy their freedoms in full, including freedom of expression, association, movement, belief, and others; and
- that citizens are entitled to an accountable government, particularly one that is strong enough to ensure the two other citizens' demands stated above. *(e-CIVICUS, No. 39, Oct. 5, 99)*

ADB Turns to …

The Asian Development Bank (ADB) plans to refocus its activities to concentrate on poverty reduction in the world's most populous region, according to a draft strategy circulated to members. The proposal would involve significant changes in the Bank's operations with a greater focus on rural development and such issues as the environment and social welfare.

The desire for a more clearly defined role for the ADB reflects the frustration of some of its staff at the way the institution was used to pump emergency funds into countries caught up in the Asian crisis.

The proposal also reflects the continuing pressure from development lobbyists who are sceptical about the role of development banks and their sometimes close relations with private parties.

Thus, the Bank's Poverty Reduction Strategy pays scant attention to large infrastructure projects or to the more recent focus on financial sector reforms. Instead it stressed that, with 900mn Asians still subsisting on an income of less than one dollar a day, poverty reduction must become the overriding objective. *(FT, 12.08.99)*

West Should Do More

The current civil and ethnic wars in Africa coupled with a neglect of economic development may for the first time prod western leaders "to do something" about this dire and tragic state of affairs. It is now revealed that the Angolan civil war has been financed from the proceeds of sale of rough diamonds.

The illegal trade is mainly funnelled through Antwerp and New York. The US President has promised to do something to curb this illegal diamonds trade to bring the three-decade old Angolan civil war to conclusion.

In Africa, the entire continent's future is at stake. For example, every year more than four million of Africa's children die before they reach five. Nearly one third of African children are malnourished and roughly one in eight children are badly disabled.

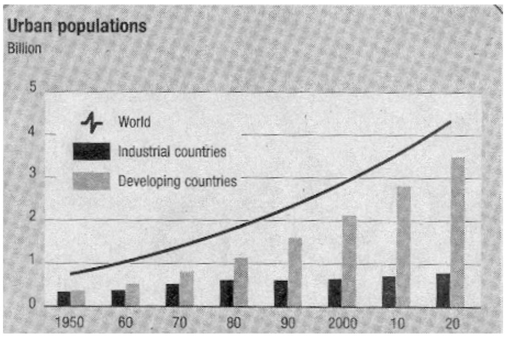
Africa also remains caught in the grip of foreign debt and independent observers note that of all the problems in the post-independence legacy, none is more burdensome and debilitating than external debt. *(TH, 12.08.99)*

Dangers of Decentralisation

The growing powers of cities and provinces at the expense of national governments will be one of the defining issues of the next century. This was according to the World Bank's Annual Development Report, 1999. The Report argued that rising demand for broader participation in politics and local autonomy is affecting the way countries develop.

The Bank this year chooses to give a broad overview of the development landscape. "This Report focuses more on the battlefield than the battles," the Bank said. The Report discussed at length the advantages and drawbacks of the growing responsibilities handed to city and local governments.

"When it works, decentralising power to the local level can result in more responsive and efficient local government," the Bank argued. But the Report warned that this 'localisation' could threaten macro-economic stability if profligate local governments needed to be bailed out by national authorities. *(FT, 16.09.99)*



Source: UNDIESA, World Urbanisation Prospects, 1998

Poor-Rich Gap Widens

The after-tax income gap between rich and poor Americans has widened sharply since 1977, reaching a record high in 1999. This was published in a study, "The Widening Income Gulf," conducted by the Washington-based think tank Centre on Budget and Policy Priorities.

The study concludes that the average annual after-tax income of the richest one percent of Americans has more than doubled since 1977 and is projected to exceed $515,000 in 1999, while the poorest 20 percent's after-tax income is expected to average just $8,800.

According to Issac Shapiro, who managed the study, the after-tax income share of the richest 2.7mn people in 1999 matched that of the bottom 38 percent of the population, embracing about 100mn people. *(FT, 06.09.99)*

Widening Economic Disparity

In the race to lay claim to knowledge, "the global gap between haves and have-nots is widening," warns the United Nations Human Development Report, 1999. Information and technology are major tools for development and can open a fast track to knowledge-based growth.

But many of those who need access cannot obtain it. Internet access separates the educated from the illiterate, men from women, rich from poor, young from old and urban from rural.

The well connected have an advantage over the unconnected poor, whose voices and concerns are being left out of global conversation, states the Report. The Report focuses on the positive and negative aspects of globalisation.

It recommends, among other things, stronger social policies and actions to buffer the effects of today's "bust and boom" economy. It urges policy makers to balance their concern for profit with concern for people disenfranchised by the turmoil in the global market place. *(BS, 13.07.99)*

Need for Emergency Food Aid

Nearly ten million people in Sub-Saharan Africa need emergency food assistance. This was disclosed in a Report released by the United Nations Food and Agriculture Organisation (FAO). In Somalia alone, one million people are facing serious food shortages, with over 400,000 at the risk of starvation.

The Report, "Food Supply Situation and Crop Prospects in Sub-Saharan Africa" says the food outlook in Somalia for 1999 and beyond is "extremely grim, due to cumulative effects of adverse weather, the long running civil war and uncontrolled crop pests and diseases".

Altogether the Report lists 16 countries in Africa as facing exceptional food emergencies. The causes are varied, including population displacement, civil strife, unfavourable weather, poor harvests and localised food deficits. *(BL, 11.08.99)*

Progress on "Dirty Dozen" Pact

The latest round of negotiations held in Geneva, Switzerland, on a global pact to curb use and emissions of a "dirty dozen" highly toxic and other chemicals has ended with tentative agreement to eliminate eight of them. The talk also made progress on tackling the remaining four, including DDT, which is used to eradicate malaria-bearing mosquitoes. The negotiators, from 115 countries, agreed on a public health exemption for DDT while aiming at a phase-out.

The "Dirty Dozen" are persistent organic pollutants (POPs), long-lasting compounds that travel great distances and accumulate in the food chain. According to Klaus Topfer, Executive Director of the United Nations Environment Programme (UNEP), the meeting made a breakthrough in eliminating "some of the worst pollutants of the 20th century".

The proposal must now go to governments for consultation before a new round of talks to be held in March, 2000 in Bonn, Germany. UNEP hopes to conclude a treaty late next year. *(FT, 14.09.99)*

Toxic Asbestos to Third World

Canada is the world's top exporter of deadly asbestos. Markets for asbestos in developed countries have declined, with growing awareness of health hazards and tightening of regulations. The producers are seeking increased markets in developing countries and the Canadian government is using the World Trade Organisation (WTO) to overrule the ban imposed on this product by France. Canada claimed that France doesn't have the right to ban asbestos imports because "when used properly" asbestos is safe.

Seven of Canada's top ten markets are in the third world. Canadian mine owners are peddling their product to countries like Thailand, Korea and India, where its powerful heat-resistance and binding properties are valued in the production of low-cost building materials, car brake linings and textiles.

According to a report in the British Journal of Cancer, asbestos will claim 500,000 lives in Europe by 2035. In the US the death toll is expected to be 200,000. *(H. J. Affleck by e-mail, 04.09.99)*

Burning Hospital Waste!

According to critics, the World Bank is poisoning developing countries with some of the very projects designed to aid their health services. The issue is medical waste incineration, which is falling in disfavour in rich countries where it is seen as a leading source of dioxin, mercury and other pollutants.

The World Bank is promoting incineration as a way to getting rid of potentially infectious hospital garbage. That is "dangerous medicines," say the Washington-based Multinationals Resource Centre (MRC) and Healthcare Without Harm, an international coalition of medical, public health and social experts.

Promoting medical waste incineration in developing countries when the technology is under fire in the west "perpetuates a double standard in which Northern citizens are afforded a higher degree of environmental and public health protection than third world citizens," the Report declares. "This is a clear case of environmental racism," says MRC Director, Ann Leonard. *(TH, 03.07.99)*

Threat from Perfume Trade

The manufacturers of some of the world's most expensive perfumes are involved in a trade that is threatening the musk deer with extinction. Stuart Chapman, International Conservation Officer of the World Wide Fund for Nature said, "In Europe alone the amount of raw musk legally imported in the past decade represents the loss of tens of thousands of musk deer and imports seem to be increasing."

He added: "The snares set up by poachers for musk deer kill indiscriminately. Even giant pandas have been found in these ruthless traps".

It has never been easy to find out which perfume manufacturers use natural musk, since none of the top French makers label what their product contain. Consumers of perfumes have no way of knowing what they are buying and manufacturers should come clean and clearly label their perfumes. *(TH, 11.07.99)*

Not A Drop for Export

Canada has about 20 percent of the world's fresh water and Canadians are very protective about it. This was realised by John Febbraro when he found himself at the centre of a political storm that sank his proposal to draw water from Lake Superior and ship it by tanker to Asia.

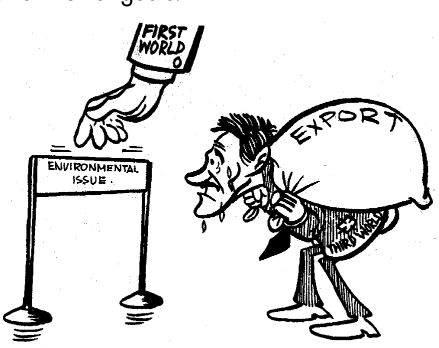
Some trade experts argue that once Canadian water is exported in bulk, Canada's fresh water supply could be reclassified as a tradeable commodity. Canada would then be required to provide equal treatment to any member of the WTO to draw water for export.

Ottawa doesn't necessarily agree with this interpretation, but it is clearly eager to avoid a challenge, particularly since Canada doesn't have a coherent policy on bulk water exports. *(FT, 16.07.99)*

Clash Over Trade and Environment

Rich and poor countries have expressed strongly divergent views over proposals to strengthen the links between the world trade rules and the promotion of environmental objectives. At a meeting of the World Trade Organisation to discuss future global trade negotiations, developing countries rebuffed a series of proposals by the US, the European Union and other countries aimed at achieving consistency between trade and environmental goals.

Many developing countries fear that environmental provisions in trade agreements could be used to shut out their products from rich country markets. On the other hand, environmentalists are dubbing win-win-win negotiations to tackle fishing and farming subsidies that distort trade and damage the environment.



Meanwhile, the WWF published its proposals for 'greening' the proposed new round of trade liberalisation talks. "Unless a number of changes are made, the world will not have the rules-based multilateral trading system needed for a sustainable global economy," said Charles Arden-Clarke, Head of WWF's Trade and Environment Unit. *(FT,09.09.99)*

Sale of Surplus Emissions

The UK could earn up to GBP700mn ($1.1bn) a year from trading in carbon emissions as the rest of Europe struggles to meet pollution targets set up by the Kyoto Protocol, 1997. In a report, Ilex, the Oxford-based energy consultant, says the government has been slow to develop a coherent strategy on international trading of emissions to profit from Britain's strong position.

It says the US is much more advanced in developing trading in greenhouse gases and that UK Ministers should develop policies to promote "emissions trading in both the domestic and international arenas". The Report criticises the government's plans for a tax on energy uses. Emissions trading would be less damaging to industry and is "the cheapest way to secure reductions in emissions of greenhouse gases."

Following the Kyoto Protocol, UK is legally committed to cut emissions by 12.5 percent from 1990 levels over the five-year period. The British government, however, has volunteered to reduce carbon dioxide emissions by 20 percent by 2010. *(FT, 03.08.99)*

Environment Collision Course

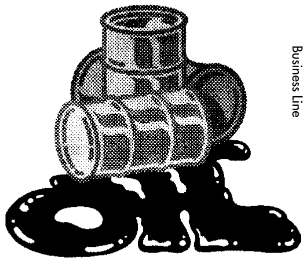
The world is facing several full-scale emergencies as a result of environmental degradation. "The present course is unsustainable and postponing action is no longer an option," said the Global Environmental Outlook 2000 Report of the United Nations Environment Programme.

Climate change topped the list of environmental problems. Other critical areas include water scarcity, water pollution, land degradation, tropical forest destruction, extinction of plant species, over-exploitation of fisheries, destruction of coral reef and urban air pollution.

The UNEP study calls for greater environmental awareness on the part of institutions such as treasuries, central banks, planning departments and trade bodies. These frequently ignore sustainability questions in favour of short-term economic options, the Report says.

"Integration of environmental thinking into the mainstream of decision-making relating to agriculture, trade, investment, research and development, infrastructure and finance is now the best chance for effective action". *(FT, 16.09.99)*

Big Oil Spill Threat



Six employees of an Alaskan oil pipeline company have warned that a far worse ecological disaster than the Exxon Valdez catastrophe ten years ago could occur at any time. The whisteblowers from the Alyeska Company had written to BP Amoco and three US Congressmen saying there was an imminent threat to human and the environment. The letter contained evidence of compliance failure and other serious charges.

A BP Amoco Spokeswomen said, "I cannot comment on it because we have not had any letter." "Its not a matter of if it is going to happen, it's when it is going to happen," said one Alyeska employee. BP Amoco owns 50 percent of Alyeska.

Ten years ago, the oil tanker Exxon Valdez struck a reef in Prince Willium Sound spilling 11mn gallons of oil into one of the world's most bountiful ecosystems. The spill killed more wildlife than any other environmental disaster. *(BL, 13.07.99)*

Non-compliance by US Companies

The number of US companies producing an annual report on their environmental performance has fallen by nearly a third in recent years. This was revealed in a survey conducted by KPMG and the University of Amsterdam. This goes against an international trend where 24 percent of companies surveyed had published an environmental report in their latest year, up from 17 percent when a similar study was conducted in 1996.

At that time, the US led the field with 44 percent producing such data, but the latest figure of 30 percent trails Germany, Sweden, the UK and Norway. The US retreat could be traced to tighter regulation which inhibited companies from making information open on a voluntary basis.

According to George Molenkamp, Director of Environmental Consulting at KPMG: "In the US it is a matter of how far you can go, because you can get into problems of liability. Regulations require companies to give information, and they are reluctant to provide more." *(FT, 02.09.99)*

Green Laws Into Code

Sweden has introduced an environmental code, following up on the effective environmental legislation developed over the years. It becomes one of the first countries to consolidate environment regulations into a national policy statement. According to Egon Abresparr, Legal Advisor to the Swedish Ministry of Environment, the code serves as a new platform for environmental discussions and regulations. However, more important are the principles that have been added to provide a policy framework for environmental regulations.

The objective of the code was to protect the health of humans, environment and biodiversity. It aims at managing natural resources from an ecological, social, cultural and socio-economic viewpoint, and encourages recycling and reuse of materials.

The code, comprising 33 chapters and 500 sections, has introduced the concept of environmental insurance. It follows the principle of precautionary approach, where all precautions to prevent environmental damage have to be taken. This is a natural corollary of the polluter pays principle. *(BL, 07.09.99)*

Energy Intensity to Fall

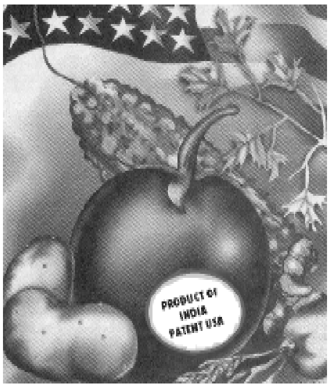
Global energy intensity is to decline one percent annually between 1999-2010. It is an indicator of what percentage of gross domestic product is spent on energy. This was reported by the global energy watchdog, International Energy Agency (IEA). A bulk of the decline would be due to an increase in energy efficiencies in the developed countries, says an analyst.

The global energy consumption is expected to be 470 quadrillion BTU (British Thermal Units) by 2010, a growth of 1.6 percent, compounded annually, over 1990 level of 345 quadrillion BTU.

Globally, the most rapid growing component of energy demand is electricity. IEA estimates have put electricity demand growth in the developed world at 1.7 percent, compounded annually, in 1990-2010. This is going to be significantly lower than 3.7 percent during 1970-90. *(ET, 30.07.99)*

Patent for *Karela, Jamun* ...

Derivatives of *Karela* (bitter gourd), *Jamun* (syzygium cumini) and brinjal are to be patented by a US firm for anti-diabetic properties, despite their use being mentioned in several Indian texts. A patent number, 5900240, was granted to the New Jersey-based Cromak Research Inc.



The Times of India

The patent was granted on edible herbal compositions comprising mixture of at least two Indian herbs selected from a group consisting of syzygium cumini, bitter gourd, brinjal for their use in reducing sugar levels.

The patent document does not mention already existing reports in the "Wealth of India", compendium of Indian medicinal plants, and "Treatise on Indian Medicinal Plants" that extracts of these plants can lower sugar level and have been used as a remedy to treat diabetic.

However, the Department of Science and Technology, Government of India has deferred its decision to challenge the patent. The Department was of the view that though the patent was very weak and could be successfully challenged, no purpose would be served unless it has commercial implications for the country either now or in the future. *(ET, 15.07.99 & TH, 13.08.99)*

Free to Market 'Grey' Sales

UK retailers should be free to sell cut-price designer goods and cars imported from anywhere in the world. This was stated in a report of an influential committee of the House of Commons. But it recommended that pharmaceuticals and music industries should be allowed to retain controls on imports from outside the European Union.

The Trade and Industry Committee's report is a victory for the supermarket chains, which have repeatedly clashed with the manufacturers over the sale of cut-price brand goods. Retailers claim that they cannot sell so-called "grey market" imports of cheap designer products from outside the EU without fear of being sued.

"Currently global trade is restricted and the law puts customers here at a disadvantage rather than protecting them," said John Gildersleeve, Commercial Director at Tesco, the supermarket chain. The Committee said that in the areas of clothing and shoes, perfumes and toiletries and vehicles "the potential consumer benefits of international exhaustion of trademark rights outweigh the disbenefits". *(FT, 09.07.99)*

Pfizer to Pay $143mn

A seven-panel jury awarded $143mn to Trovan Ltd. in its trademark infringement suits against Pfizer Inc. This was the largest judgement of its kind awarded in the US. The jury founded Pfizer Inc. liable for willful, bad faith trademark infringement and unfair competition. At a later date, the jury will rule of Trovan's claim that they are entitled to the profits Pfizer earned from sales of the 'Trovan' antibiotic.

Since 1989, Pfizer has used the Trovan trademark to globally market its system of biomedical electronic identification devices. In 1997, Trovan learned that Pfizer was going to introduce a new antibiotic under the Trovan name. In 1999, the 'Trovan' antibiotic was linked to multiple possible deaths and is currently under investigation by the US Food and Drug Administration, the European Union and Public Citizen, a consumer group in the US. *(PATNEWS, 12.10.99)*

Ban on Patenting Life Forms

The Council of the Third World Academy of Sciences (TWAS) endorsed a call for a ban on the patenting of all forms of "agricultural life forms". "Agriculture in much of the developing world is the result of the collective experience gained from the sweat and toil of poor peasants over thousands of years," said TWAS Vice President, Muhammad Akhtar, Emeritus Professor of Biochemistry at the University of Southampton, UK.

"Recombinant DNA technology is unlikely to alter more than a fraction of one percent of the existing genomic make up of edible plants," he said. "It is hence an affront to the sense of fairness that multinational corporations should be able to claim the ownership, through patenting, of living systems, for such a miniscule contribution". *(Nature, Vol. 400, No. 8, 1999)*

Pressure on Patent Costs

Europe and the US are under pressure to make registering a patent cheaper and simpler, as Internet-related inventions produce a growing flow of intellectual property requiring protection.

The US House of Representatives is due to consider a bill preventing the administration from redeploying income earned by the US Patent and Trademark Office (PTO). The PTO will also seek permission to adjust its fee structure in favour of patent applicants, who, industry lobbyists argue have been paying more than their fair share.

The European Patent Office (EPO) cuts fees by 18 percent a year. But EPO fees remain at least twice as high as those in the US, compounded by the need to translate documents into the language of each country where the patent needs to enter force. An intergovernmental conference of EPO members agreed to seek ways to halve translation costs.

However, these initiatives fall short of the global patent system for which Japan has been pressing.

US Wants TRIPs Off

The US wants intellectual property rights off the agenda for the new round of global trade talks. The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) has hardly taken effect. While improvements in the TRIPs Agreement could be made, a senior US trade official said that there is a risk that new negotiations could lead to backsliding in the current Agreement.

Left out of the Agreement was patent protection for "life forms", which is important to advanced countries like the US. But the official noted that several developing countries have submitted 'non-papers' in the WTO suggesting that there be a further extension of the phase-in period for patent and copyright protections contained in the TRIPs Agreement. *(Andreas Rockstein by e-mail, 12.08.99)*

Theft of Knowledge

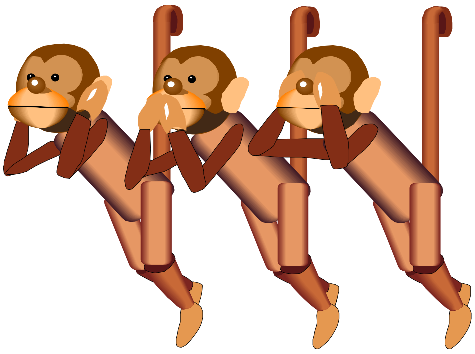
The United Nations Human Development Report, 1999 has a detailed analysis of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) of the World Trade Organisation (WTO). It says, poor people and countries risk being pushed to the margin in this proprietary regime controlling world knowledge.

The Report highlights those aspects of the TRIPs Agreement that undermine food security, indigenous knowledge, biosafety and access to healthcare. Some of the suggestions for developing countries to counteract the ill effects of unequal multilateral agreements are:

- developing countries should actively participate in the formulation of multilateral agreements, from development to negotiations to implementation;
- the WTO dispute settlement mechanism can only be fair when parties to dispute have access to expert services of equal calibre to argue their case. An independent legal aid centre is needed to support poor countries;
- there is need to support policy research in developing countries;
- a multilateral code of conduct needs to be formulated for multinationals. *(BS, 09.08.99)*

Global Debate over Genes

Who owns the copyright on life? The global debate on the commercial exploitation of genes is set to be reignited by two biotechnology activists who have reapplied for a patent on "part man, part monkey" chimeras: combination of human and mammal cells.



Jeremy Rifkin, author of The Biotech Century and Stuart Newman, a Biology professor at the New York Medical College, USA, claim their strategy cannot fail to cause problems for the biotech industry. If their application is successful, they aim to control (and block) the use of chimeras for the 20-year life of the patent. If the application is refused, they will have the automatic right to an appeal court hearing, which could set legal precedents.

This strategy has already worked, if only to the extent of stirring up controversy. The US Patent and Trademark Office (PTO) has been dragged reluctantly into a metaphysical debate about the nature of life. In March, it rejected the activists' initial application partly because the patent "embraces a human being".

Despite this, Rifkin claimed to be "fairly confident we will get the patent or most of it". "The PTO is in a bit of a Catch 22," said Rifkin. "It is trying to argue that you cannot patent life but there are already scores and scores of patents containing human material".

Ukraine Told to Act

The international music industry has asked the Ukrainian government and the European Union to step in to halt export of pirate compact discs from the East European country. The industry says that Ukraine has taken over from Bulgaria as Europe's biggest pirate producer after Russia. Pirate CDs from Ukraine are costing the industry $122.4mn per year.

Ukraine has an estimated production capacity of 70mn optical discs (including CD-ROMs and video CDs), twice the levels of legitimate demand for the entire central and East European region. Pirate recordings are estimated to comprise 95 percent of Ukraine's total CD production.

The industry wants Ukraine to strengthen legislation on copyright protection and introduce tougher penalties for piracy. It also wants CD plant rules to include compulsory use of identification codes. *(FT, 22.07.99)*

Harmonising TRIPs with CBD

India has called for harmonising the approach of the WTO TRIPs Agreement with the UN Convention on Biological Diversity (CBD) as far as utilisation of living resources is concerned.

In a paper submitted to the General Council of the WTO on intellectual property rights issues, India highlighted the need for harmonising the two approaches in order to ensure conservation of biological resources, equitable sharing of benefits arising from their utilisation and preventing bio-piracy.

A material transfer agreement is needed where the inventor wishes to use the biological material and transfer of information agreement is required where the inventor bases himself on indigenous or traditional knowledge. *(TH, 03.09.99)*

African Group Tabled Proposal

The African Group of WTO Members tabled a comprehensive set of proposals regarding the WTO TRIPs Agreement. Amongst the proposals were:

- the call for an indefinite moratorium which precludes submitting non-violation complaints under the TRIPs Agreement;
- clarification that *sui generis* rules for plant variety protection could be used for protecting innovations of indigenous and local farm communities; and
- an extension for developing countries of the implementation deadline for Article 27.3 (b) to five years from the date of completion of its review that is currently underway.

The Group also called for the TRIPs Agreement to provide for the continuation of traditional farming practices including the right to save and exchange seeds and sell their harvest, and for the right to protect food sovereignty.

Further, the Group called on WTO Members to consider an expansion of so-called geographical indications to include items such as handicrafts and textile designs, major exports for developing countries.

The US meanwhile has rejected the idea of extending the TRIPs Agreement implementation deadline or for renegotiating aspects of the Agreement to address developing countries' concerns. "We haven't gotten any benefit out of this agreement from many countries with whom we negotiated so hard in the Uruguay Round," according to one US official.

"To now have them say 'Well, we think we should extend the transition,' or 'We should negotiate to make changes before we've provided you any benefits,' we find completely unappealing," the official said. *(ICTSD Bridges, Vol. 3, Number 33, 1999)*

India Seeks Greater Access

Indian Commerce Secretary, P.P. Prabhu, at a seminar organised by CII (Confederation of Indian Industry) on "WTO: Indian Industry's Agenda for the New Millennium", stressed ensuring greater market access in country's export-interest sectors would be a key element of India's approach at the Seattle Ministerial meeting of the World Trade Organisation (WTO) being held from November 29 to December 3, 1999. The kind of market access for developing countries supposed to come out of the Marrakesh meeting never materialised.

India would have a proactive agenda and seek to ensure the conference focuses on the built-in agenda. It had already submitted a number of proposals to the WTO. Developed countries are trying to bring in new issues in the conference. India would not succumb to pressures to introduce non-trade issues.

India would highlight the huge farm subsidies given by developed countries. As subsidies distort free global trade, the effort would be to put pressure, especially on the European Union (EU), to reduce their level. He agreed with CII President, Rahul Bajaj, that India should not fight shy of isolation on issues of national importance due to disagreements even among developing countries. *(TH, 17.10.99)*

Preventing Theft of Skills

The Textile Ministry is gearing itself to safeguard the traditional skills and crafts of artisans and craftspersons from the silent theft by indigenous urban designers, fashion houses, the garment industry and the audio-visual media.

Official sources said although India had been taking up with the WTO its trade-related intellectual property rights according a higher level of protection for certain geographical indicators such as wines and spirits, it did not do so for products of interest to developing countries, such as Basmati rice. It is also seized of domestic piracy of skills on a larger scale from within.

Millions of craftspersons and handloom weavers of the country have been a part of the chequered and collectively inherited design traditions carried on by successive generations. The intention of the users might not always be to deceive them. However, they were blissfully unaware of the traditional craftsperson's original designs enjoying the same protection under the Indian Copyrights Act, in terms of any kind of use, reproduction or replication, as would the product of a modern designer or an artist. *(BL, 26.08.99)*

Low Ranking of Indian Banks

Moody's Investors Services ranked India 59th out of 74 countries on its list of annual assessment of average bank financial strength ratings. Indian banks average at E+ rating (very weak with relatively higher standing within the category), above China at very weak, with Korea, Pakistan and Thailand ranked even weaker. The lowest ranked country is Russia.

Moody's ratings represent its opinion of a bank's intrinsic safety and soundness and exclude external credit risks and credit support elements.

Mauritius is ranked at adequate, sharing place with Japan, which is marginally superior. Japan is an 'AAA' rated country internationally. Lower rating reflects the poor asset quality in the banking system. Brazil and Philippines are ranked at D+ (adequate with relatively higher standing within the category). France and Chile are rated good. *(ET, 02.08.99)*

Low Local Transaction Costs

A research paper prepared by the Securities and Exchange Board of India (SEBI) revealed that the cost of transactions in India is among the lowest in the world, next only to Hong Kong and the US. Retail investors are paying higher transaction charges than institutions owing to higher brokerages, primarily on account of the fact that institutions are not required to pay any margins.

Transaction costs for institutional investors have come down by 60-75 percent over the past few years owing to dematerialisation and gradual reduction in bad delivery. Foreign institutional investors (FIIs) incur a higher transaction cost than their domestic counterparts due to payment of higher brokerage charge.

The paper noted that for demat deliveries, the transaction cost for retail investors have come down. For retail investors, the average transaction cost for non-delivery transactions is lowest at 16 basis points. *(BS, 18.08.99)*

MRTPC Fixes Floor Price

In a landmark ruling, the special bench of the Monopolies and Restrictive Trade Practices Commission (MRTPC) fixed a floor price of $150 per tonne, on cost and freight basis, for import of soda ash from China. The ruling could well set a precedent for other commodities imported at prices lower than those prevailing in the domestic market.

The Alkali Manufacturers Association of India (AMAI) moved the MRTPC over a year and a half back alleging dumping of soda ash (sodium carbonate) by a Chinese soda ash manufacturers' cartel, through Sinochem International Chemicals Company of China and its self-proclaimed Indian agent, Nahar Industrial Enterprises Ltd of Delhi. *(ET, 09.09.99)*

FICCI Draws Trade Agenda

The Federation of Indian Chamber of Commerce and Industry (FICCI) prepared a trade policy agenda for the new government to increase India's share in global trade to at least one percent in the next five years. It said India's share in world trade diminished over the years to stagnate around 0.5 percent since mid-1970s against 2.5 percent in 1950 and 1.6 percent in 1960. However, increase in export growth in 1998-99 marks an arrest of the declining trend.

The first three months of the current financial year has witnessed an export growth of 6.5 percent in dollar terms.FICCI called for the removal of structural deficiencies in the economy in view of the low rankings given to India by the World Competitiveness Report of 1998 in respect of competitiveness-influencing factors. Among the 52 countries surveyed by the World Economic Forum, India is ranked 45 in infrastructure (fiscal, energy-related, communication), 42 in internationalisation of business (Indian participation in international trade and investment), 41 in people (labour productivity), 33 in finance (cost availability and quality of financial services), and 29 in science and technology. *(BS, 27.08.99)*

India's External Trade Data

Period	EXPORTS ($ billion)	EXPORTS % growth	IMPORTS ($billion)	IMPORTS % growth	Balance of trade ($ billion)
1993-94	22.2	20.0	23.3	6.4	-1.0
1994-95	26.3	18.4	28.6	22.7	-2.9
1995-96	31.8	21.4	36.4	28.7	-4.6
1996-97	33.1	4.0	38.5	6.0	-5.4
1997-98	32.4	-2.0	38.9	5.8	-6.4
1998-99	33.6	3.7	41.9	7.9	-8.2
Apr-June 98-99	7.5	-7.9	9.9	3.9	-2.4
Apr-June 99-2000	7.9	6.5	10.3	4.5	-2.3

Effective Export Strategy

In view of the emerging scenario arising from the elimination of Multi Fibre Agreement quotas by 2005, the speed and spread of regional trade blocs and opening out of Indian markets to foreign goods, Sudhir Thackersey, Chairman of the Indian Cotton Mills Federation (ICMF), advocated a plan for an effective export strategy. At the Annual General Meeting of the ICMF, he pointed out that competing countries like China, South Korea, Pakistan, Sri Lanka, Turkey and Bangladesh have evolved action plans.

These involved industrial restructuring, encouragement for investments, elimination of fiscal distortions, removal of regulatory regimes, export promotion measures, manpower planning, improvement of infrastructure and strengthening R&D.

"The industry has been pressing for providing a level playing field to face the emerging challenges, but nothing significant has been done so far at the ground level," he said. The textile industry suffered a negative growth in 1998-99. Spun yarn production plummeted by six percent and fabric production by over three percent. *(ET, 09.09.99)*

Shorter Validity of Patents

The Associated Chambers of Commerce and Industry of India urged the Indian trade negotiators to seek a shorter period for patents from the existing 20 to 10-12 years at the forthcoming WTO Ministerial Conference at Seattle, USA. The Chamber President, K.P. Singh said the fast paced technological developments have made the current patent validity period of 20 years 'irrelevant'.

A patent holder can recover his costs, besides earning rewards, in a shorter span of time. Therefore, acceptance of a 20-year 'monopoly' is 'unfair' and not in the interests of the society. He stressed the need to build a new system of intellectual property rights regime and suggested it must strike the right balance between the production and distribution of new ideas. *(TH, 22.09.99)*

Donning Adjudicator's Cloak

The Tariff Commission is visualising a role for itself as a settlement panel for disputes between the various government agencies on tariff-related matters, the Chairman, Tariff Commission, Kosal Ram said. In view of the complexities involved in tariff matters, there would, eventually, be the need for an independent body to act as the adjudicator. In times to come, WTO might look for an independent domestic panel whose opinion would represent the final view of the country on any particular issue.

The Tariff Commission has been witnessing a major change in its activities and functioning in the recent times. Not only has its mandate been expanded to include the study of tariff-related issues arising out of the country's international commitments, the erstwhile Bureau of Industrial Costs and Prices has also been merged with it to provide the necessary technical support.

The Commission is preparing itself to advise the Government on a wide range of tariff issues. However, this is likely to be possible only after the agenda for the next round of global negotiations is finalised at the Seattle meeting. *(BL, 22.09.99)*

Indian Shoes Charged

India has expressed surprise over reports that shoes and slippers exported to France from India, contained substances that can cause skin cancer and allergy. Strongly condemning the report, Council for Leather Exports (CLE) has said, India follows European Union regulations on leather products and has banned the use of all harmful substances in them. The report quoting French trade magazine *Le Cuir* (leather) cites findings of tests conducted on 16 pairs of imported shoes at an official laboratory.

It reportedly named the substances involved as being artificial colourants and preservatives, chrome-vi and formaldehyde (a poisonous, colourless solution used to make synthetic resins and as a disinfectant).

Such 'mischievous' reports based on pitifully small samples, which do not allow definite conclusions to be drawn, have "motives less than honourable", CLE Chairman, M. Mohamed Hashim said. CLE would take the matter up with the EU and other international bodies. *(ET, 08.09.99)*

India to Trudge a Long Way

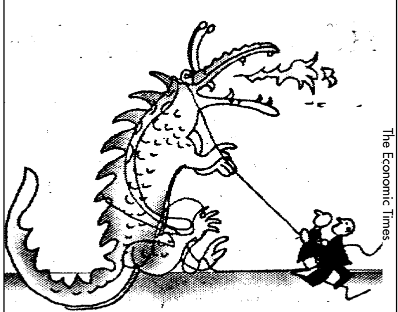
India cannot become a world economic power unless it concentrates on achieving 7-8 percent growth and rapid globalisation, to which political parties have paid scant attention in their manifestoes, *The Economist* said. "Globalisation involves not just opening an economy but equipping it to take full advantage of opportunity…India needs to cash in on the parameters…A country with a billion people and a nuclear bomb, India does not count for much… Its trade accounts for a scant 0.7 percent of the world total and it gets about one tenth of the foreign direct investment that China attracts".

To add to the scars, it said, India has no permanent seat in the United Nations Security Council and on the parameters of geo-strategic future, it has remained the world's biggest under-achiever. Though it has done well out of the first phase of economic reforms, more contingent problems are still lying unsolved.

The economic liberalisation process dramatically improved the terms of trade, "much has been achieved in India, but the tragedy is that so much more should have been and could have been..". *(TH, 08.09.99)*

Taming the Dragon

The Indian Commerce Ministry has, for the first time, conducted a comparative study of Chinese export performance *vis-à-vis* India to counter China's march in the export market. China's exports for 1998-99 stood at $184bn compared with India's paltry $34bn. This difference



is important, as China's entry into WTO is now imminent. This will provide it with a higher market access. The analysis conducted by the economic division of the ministry has come up with a five-point programme, exhibited in the accompanying table, to compete with China.

Immediate measures need to be taken for propelling sectors like engineering goods and chemicals, where import intensity of exports is considered high. Therefore, a fall in imports has led to a fall in exports.

Another area is electronic goods and related services. India needs to examine whether this sector is losing to cheap imports in China. The ministry has sought encouragement in foreign direct investment as direct investment has had a direct correlation with the exponential increase in exports from China. *(ET, 01.09.99)*

Both Sides of GMO Coin

David Bryon, a senior official with the United Nations Food and Agriculture Organisation, gently criticised both sides of the debate in the emotionally charged argument over genetically modified food standards.

Over-zealous labelling of food containing genetically modified organisms (GMO) could run foul of global trade regulations. He dismissed the arguments that GM food products were equivalent to selective breeding practices which farmers have carried out for centuries.

FAO's Codex Alimentarius, or food code, committee includes 165 member governments, as well as international organisations and national governmental organisations. Whether very strict labelling regulations on GM food would break World Trade Organisation (WTO) rules would ultimately depend on Codex committee labelling decisions. If a country decided to differ from Codex requirements, they would have to justify that scientifically. *(FT, 11.08.99)*

Move on Labels Alarms Farmers

The National Farmers Federation, Australia's leading agriculturist lobby, said the decision of the joint council of Australian and New Zealand Health Ministers to introduce mandatory labelling for GMO foods required clarification and could break WTO rules if the labelling was construed as a non-tariff barrier. The US also warned Japan of its recent moves toward mandatory labelling of GMO foods constituting unfair trade barriers.

Australian officials acknowledged the decision could complicate their position in the growing debate over GMOs. In the trade context, the debate raises complex issues in labelling of foods produced in one country with ingredients from other countries with different GMO regulations. Australia, as one of the largest exporters of agriculture produce, could be severely affected by the strict GMO regime. *(FT, 05.08.99)*

US to Force EU on GMOs

The US was working with other countries to force the EU to accept imports of GMOs that have been proved to be safe for human consumption, said Peter L. Scher, Special Negotiator for Agriculture at the Office of the US Trade Representative. The US aim was to ensure that the EU uses "science-based, transparent (approval) processes".

Scher told the Senate Agricultural Committee (SAC) that the US hoped the new European Commission (EC) would recognise that prohibiting imports of genetically modified corn and other products was not acceptable under the WTO rules.

"We're hopeful that the new leadership of the EC recognises that this is not a sustainable position for Europe and will work with us to resolve this," he said. "If not, we have other options that we will keep open…One of the options would be to challenge the EU." *(International Trade Reporter, 06.10.99)*

FOE's Appeal to Food Firms

Friends of the Earth (FOE), an environmental group, stepped up its campaign against GM crops, as members of the WTO prepare to discuss the controversial issue at their fall ministerial meeting. FOE sent letters to 100 US food companies asking them to pledge not to use genetically altered crops in their products. "A lot more testing needs to be done before this food is forced down our throats," said a FOE member from UK.

The US is a leading producer of genetically engineered crops, such as tomatoes made to ripen more slowly and corn modified to resist insects. Scientists have even created frost-resistant strawberries by transferring a gene from an arctic flounder.

The Department of Agriculture has promoted exports of GM crops, saying they can reduce pesticide use, increase yields and improve nutritional contents. US Agriculture Secretary, Dan Glickman said he expected biotechnology to be one of the top trade issues during the WTO talks in November at Seattle. *(BL, 26.08.99)*

Consumers Wary of Gene Crops

US consumers want more labelling and stricter regulation of GM food, according to almost 70 percent of the respondents of a survey conducted by Strategy One, the research division of Edelman Public Relations worldwide. In addition, 40 percent said the government should regulate agricultural biotechnology more closely. Agricultural biotechnology alters the genetic traits of corn, soyabeans and other crops to make them resist pests or withstand greater doses of weed killers.

Leading makers of gene-based crop seeds and other substances include Monsanto Co, DuPont Co and Novartis AG. They have promoted genetic crop modification as a way of increasing farm productivity and reducing consumers' exposure to pesticides.

They also say biotechnology can be used to produce healthier food in the future. US consumers are increasingly distrustful of gene-altered food. More than half the country's soyabean crop and more than a third corn crop will use the technology this year.

However, most Americans knew little or nothing about gene-modified food. In Europe, food safety scares such as the 1996 outbreak of mad-cow disease in the UK have eroded public trust of food regulatory agencies. Consequently, gene-modified food has faced strong opposition from environmental and consumer groups. *(BL, 16.09.99)*

Move to Unblock GMO Jam

Biotech firms initiated a move to end the temporary halt to the approvals of new GMOs in the European Union (EU). They said they would take a number of extra safeguards, which are expected to be included in the revised rules. The EU environment ministers agreed in June not to authorise any new GM crops until revised approvals system was in place. They had reached an initial agreement on the revised rules, including an automatic review for GMOs after ten years, tighter safety checks and an enhanced role for an ethical committee in the decision-making process.

Financial Times

Monsanto Co and AgrEvo, a joint venture between Hoechst AG and Schering AG, had offered to modify their licensing applications for new GMOs to take account of more stringent standards, which the EU governments want to introduce for approving new crops. Monsanto would undertake close monitoring of the crops and provide information to allow labelling of products derived from its seed. *(FT, 12.08.99)*

Unsolicited Drug Donations

Up to two-fifths of drugs donated to developing countries were not requested by the recipient governments while a third were within a year of their expiry date. A two-year study carried out by the Harvard School of Public Health, followed reports that 'inappropriate' medicines, such as lip balm and anti-smoking devices, were shipped to refugee camps in Yugoslavia. In the US, critics suggested pharmaceutical companies, spurred by tax breaks, use donations to clear their warehouses of old drugs.

Drugs often expire before they reach the patients because of poor distribution systems, saddling the recipient governments with the cost of destroying them. This problem should be addressed through better communication between the companies, the NGOs and the governments.

The intention, however, was for US taxpayers to subsidise the redistribution of drugs from the rich to needy countries, not to encourage dumping. Michael Reich, the author of the study, said most drugs were useful and with a different shelf life. But, a significant proportion of the donations did not meet the required criteria. *(FT, 16.08.99)*

Internet Crossfire

Brussels lobbyists were distressed by a proposed revision to an obscure regulation called the Brussels Convention. This allows consumers cheated in a cross-border transaction to choose which of the two countries to pursue their case in.

This could be the end of the single market system and a swift demise of electronic commerce for small and medium-sized enterprises, as they would have to be *au fait* with the consumer regimes of all 15-member states to avoid the risk of costly actions.

However, the Brussels convention merely clarifies where a consumer can pursue a claim, not which country's law would be applicable. Lobbyists fear the Rome convention, which aims to establish which law would be applicable, will be revised on the same lines. This would raise the prospect that in a disagreement between a seller and a consumer, the law of the country from where the consumer logged on to a website would apply, rather than the law of the country from which the website was transmitted. *(FT, 14.07.99)*

Online Fruit and Vegetable

Three Swedish internet entrepreneurs have set up a UK-based company, VFM International. It aims to be the world's first online fruit and vegetable exchange, dubbed vfm.net. It is an example of Internet-based business-to-business worldwide electronic commerce. It hopes, eventually, to take business from physical exchanges such as London's centuries-old Covent Garden. Buyers will be able to access offers on-screen and purchase simply by pressing a button.

VFM claims the exchange's advantages over its physical rivals will include its round-the-clock-opening, real time access to price information and a direct link between buyers and sellers that will shorten the chain between the grower and consumer.

It will also help users to monitor trends in the fruit and vegetable trade, gather information or offer a service. VFM will charge a one-time connection fee and collect a percentage-based sales fee from suppliers. It will initially focus on Europe, appointing local "service providers" in each country. *(FT, 09.09.99)*

Profit from Electricity War

After competition in telecommunications business slashed their phone bills, German households are now starting to benefit from a similar fall in electricity prices. The liberalisation of the German energy market has already seen utility companies cut their rates for businesses.

Now, the race is on to win over domestic customers. RWE Energie has launched a nationwide campaign to promote a uniform electricity rate, which maybe up to 20 percent lower than the prices offered by its competitors.

Germany's other leading electricity providers Veba AG and Viag AG have also cut their prices. They say increasing competition has cut into their half-year profits. The utilities were slow to extend their price-cut offers to households, keen to avoid the higher costs involved in delivering to low volume customers. However, lower profit margins amongst business customers have seen households become more valuable. Electricity providers expect the prices to fall by as much as four percent. *(FT, 20.08.99)*

Tougher Antibiotics Law Urged

David Byrne, EU Commissioner for Consumer Protection, signalled a toughening of laws and measures on the use of antibiotics, while speaking during the hearings by the European Parliament. He favoured phasing out the use of antibiotics for growth promotion in animal feed. "Indiscriminate prescribing" of antibiotics for people and animals could be increasing their resistance to medicines.

Many including Mario Monti, EU Competition Commissioner, has praised his performances and candidatures. Byrne's main priority was food safety. He supported food labelling, with information on nutrition. He expected to keep in place a ban on hormone-treated beef, which has been contested by the US for a decade and has been declared by the WTO to be in breach of the EU's international trade obligations.

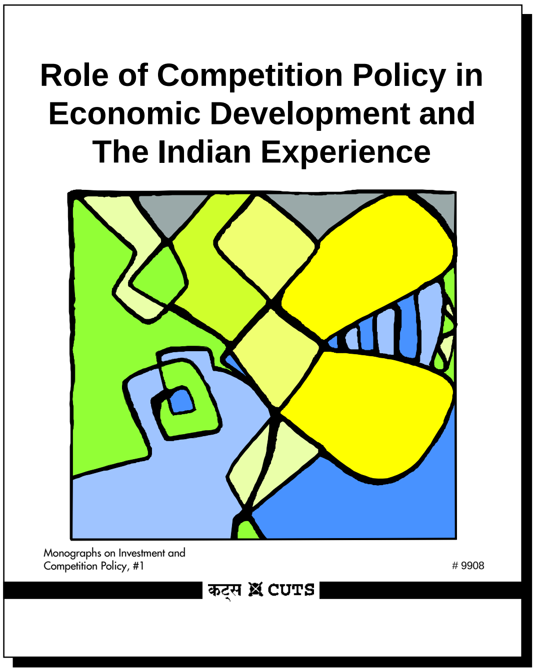
He was also looking at legislation on animal feed following the BSE "mad cow" disease and dioxin food poisoning scare. *(FT, 04.09.99)*

Demand for Food Regulator

Antony Burgmans, Co-chairman of Unilever, one of Europe's largest food manufacturers, has called for the creation of a food agency, modelled on the US Food and Drug Administration. It could help restore consumers' confidence after a series of scandals, such as the dioxin food scare in Belgium and the BSE crisis in the UK. It would also streamline the testing and introduction of new food products. The creation of a food agency has been floated by EC President Romano Prodi and supported by Franz Fischler, the EU Agriculture Commissioner.

The agency could also play a part in the debate over GM food substances. The responsibility for planning it has been given to Byrne, EU Commissioner for Consumer Protection, who believes there is an urgent need to reform EU food legislation and establish an EU-wide framework on animal feed.

Unilever's call comes after nine months of wrangling over the introduction in Europe of pro activ, its new cholesterol-reducing spread marketed under the Flora brand in the UK and Becel in other European countries. *(FT, 07.09.99)*



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

The underlying rationale for globalisation is that free flows of trade and information will produce best outcomes for growth and human welfare. 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 widen.

As globalisation takes place and countries rely more on market forces, the question of ensuring competition and keeping markets functioning efficiently assumes increasing importance. In a globalising and liberalising world economy, the number of actual and 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 addresses the role of competition policy in economic development and outlines the Indian competition law. It starts with essential understanding of competition policy and the linkage between competition policy and trade policy, and competition policy and competition law.

It concludes that there is no panacea for creating the desired harmony between the interests of competition (consumer interest) and the interests of the whole society (public interest). No one economic theory can fulfil the requirement for striking the harmony. Appropriate economic theories need to be reified to be suitable as a tool for working out the desired harmony.

The writer of this paper, Dr. S. Chakravarthy has been a Member of the Indian competition authority: the Monopolies and Restrictive Trade Practices Commission until recently. He was the Chairman of the Expert Group on the Interaction Between Trade and Competition Policy, Ministry of Commerce, Government of India.

SOURCES

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