

Keeping Doha Alive

– Rob Portman*

After more than four years of negotiations with no breakthrough on the toughest issues, and a failed Ministerial Meeting in Cancun, expectations for Hong Kong were low. The Meeting of the World Trade Organisation (WTO) in Hong Kong kept the Doha Development Agenda (DDA) trade talks alive. Progress was made as more than 150 nations gathered to give developing countries a further stake in the global trading system and move forward in efforts to break down barriers to the free flow of agricultural and manufactured goods and services. We were able to set a date of 2013 for the end of agricultural export subsidies and agree to a number of development initiatives.

Perhaps most important, there was a recognition among trade ministers that we cannot afford to miss this once-in-a-generation opportunity to energise the global trading system, create economic growth and lift millions of people out of poverty. The consensus that more open trade is an important development tool is stronger as a result of our commitments in Hong Kong. At the same time, we have a lot of hard work ahead to ensure a successful outcome for the Doha Round by the end of 2007.

Expanded market access, particularly in agriculture, is the key to a final agreement. The World Bank studies make clear that the biggest gains for developing countries will come from opening markets to their agricultural output. An agreement to make deep cuts in tariffs and open up quotas on agriculture goods will pave the way for success in the Doha Round's other goals for reducing trade-distorting agriculture subsidies, cutting tariffs on industrial goods and obtaining meaningful new openings for services. We need to redouble efforts across the board, but agriculture is the linchpin for the success of the Round. One reason the United States (US) is more optimistic after Hong Kong is the meeting helped give the developing

countries, most particularly the least-developed countries (LDCs), a bigger stake in the global trading system. This came through a series of trade measures to support development. We formalised a landmark breakthrough in the rules governing intellectual property rights (IPRs) that balances the needs of protecting patent rights with delivering life-saving medicines to areas hardest hit by disease.



Nations reinforced their commitment to development of so-called Aid for Trade (AfT). This will help create the legal, administrative and physical infrastructures needed to help developing countries participate fully in the market openings hoped to achieve in the Doha Round. We will lead the world in providing such assistance and has announced a doubling of contributions over the next five years from the current level of roughly US\$1.3bn a year to US\$2.7bn annually.

Also, we committed to duty-free/quota-free treatment for goods from the world's poorest countries. The US is already the most open market in the world to these products. In Hong Kong, all developed countries agreed to provide even more trade opportunities for the least developed. What is more, we set the stage for cutting costly and confusing customs procedures. This will help facilitate and reduce the costs of trading between developing nations and also help them attract foreign investment.

In Hong Kong, I was struck by the cooperation among countries at different levels of development and from all parts of the world. The long-held notion of a world divided by rich countries and poor countries, or North and South, is beginning to be replaced by a system in which countries of diverse makeups work together in pursuit of common objectives. For example, in Hong Kong, US worked in common purpose with countries from Zambia to Japan on development initiatives. We worked closely with the Group of 20 developing countries from Latin America, Asia and Africa on agricultural market access and setting a date for ending agricultural export subsidies. We were in common purpose with India and Chile on services and we worked closely with our trading partners in Europe and Korea on reducing industrial tariffs.

Coming out of Hong Kong, the importance of the rules-based multilateral trading system and the peaceful pursuit of expanded commerce were reaffirmed. But now the 150 members of the WTO must join together to make real progress in bridging the fundamental divisions in the Doha negotiations. It will take contributions from all members. Unless this can happen early in 2006, we risk missing a unique opportunity to enhance global economic growth and alleviate poverty.

*(United States Trade Representative;
WT, 01.06.06)*

INSIDE

Need for IMF Reforms	3
US Farmers Resist Change	4
Blocking Anti-corruption Rules	6
Taiwan-China Trade Dispute	7
Russia's Commitment to Free Trade	8
OECD Report Criticises US on Environmental Grounds	11
Water for All	12
China-US Row over IPR Infringement ..	13
Coalition against Immigration Bill	14
Commentary on the WTO Ministerial Meeting	15

Completing the Doha Round What Progress Since Hong Kong?

– Simon J. Evenett*

After another year of false starts, contretemps, and lowered expectations, senior government officials agreed at the WTO Ministerial Conference in Hong Kong, China, to complete the Doha Round of trade negotiations in 2006. A series of deadlines were set, largely in recognition of the expiration of the US administration's authority to negotiate trade agreements in the middle of 2007. The first of these deadlines was set for April 2006, by which time modalities for the agricultural and non-agricultural negotiations are supposed to be agreed.

The US has continued to publicly call for Europe to make further cuts in its agricultural tariffs and domestic support programmes.

Meanwhile, US officials have insisted that its 2005 agricultural offer is conditional on other countries making more ambitious offers, so discounting the possibility that the latter would result in another, more generous offer from the US. Moreover, US officials continue to stress the binding nature of the deadline associated with the expiration of "Fast Track" or Trade Promotion Authority in mid-2007.

This tough US line is partly undermined by two factors. The first is that US commitment to completing the Doha Round appears to have wavered in January 2006. The second, and related, reason is that the US administration needs Fast Track negotiating authority to implement many of the foreign policy-motivated free trade agreements (FTAs) that it expects to sign in 2007 and later. This suggests that there will be strong foreign policy as well as commercial policy interests supporting any Presidential request for extending Fast Track in

2007. This is not to say that obtaining Congressional approval for such a request will be at all easy, only that the expiration of Fast Track in mid-2007 may not be as immutable as it currently made out to be.

The two months since the conclusion of the Hong Kong Ministerial Conference have not been used well in Europe either. First, a spokesman for the European Commission's Directorate-General for Trade revealed in early January that they

Commissioner Mandelson has concluded that making the case at home for further agricultural trade liberalisation is hopeless. Indeed, in a recent interview he ruled out asking Chancellor Merkel to impress upon the French government the need for greater flexibility in agricultural trade negotiations.

The one positive development, whose significance is debatable, was the agreement among 15 trade ministers meeting in Davos, Switzerland, that future negotiations should proceed "in concert". Moreover, a move away from making formal offers to informal "bilateral soundings" of potential trade-offs was signalled. Certainly, dispensing with the "you first" approach to negotiations is helpful (its track record in 2005 was pitiful). Moreover, to the extent that quiet bilateral discussions help identify the potential scope for compromises in the agricultural negotiations

and elsewhere, then these procedural steps can be helpful.

However, it remains to be seen whether these steps will make the necessary political decisions any easier or forthcoming. Indeed, at the Davos meeting Ambassador Portman is reported to have said that 80 percent of the work that remains requires difficult political choices concerning the fate of domestic constituencies. Given those particular decisions are taken in national capitals, and not in Geneva or wherever else trade ministers and ambassadors choose to meet, the question arises as to whether the current group of trade negotiators have the authority to conclude this round. This last point has not been lost on everyone.

(Professor at University of St. Gallen and CEPR; WTO News, 15.02.06)



were undertaking a "period of reflection", a classic Mandelson phrase. So much for starting the year with an energetic push towards the April deadline! Second, in a speech given in Berlin Commissioner Mandelson indicated that the European Commission won't move until others do so. Then, after the Davos Meeting of 15 trade ministers in late January (which I will discuss below), Mandelson went to Mauritius to give a speech in which he implied that Europe and Africa had a common interest in limiting further cuts in agricultural tariffs (Many African countries are beneficiaries of preferential market access to European markets).

How one reconciles this attempt to shore up opposition to more agricultural trade reform with an ambitious Doha Round outcome is beyond me. It would also seem that

Bird Flu Hits World GDP

A new study released by Sydney-based Lowy Institute has estimated that avian influenza could cause up to US\$4.4tn of world economic loss. The study predicts a mild outbreak could kill 1.4 million people and economic loss would amount to US\$330bn. The project was modelled on the Severe Acute Respiratory Syndrome (SARS) outbreak which cost the global economy US\$40bn.

The Southeast Asian economy would be the worst hit by the flu. In the worst case scenario, which is modelled on the Spanish Flu (1918-9), the GDP of Hong Kong could be halved, while that of the Philippines and Indonesia would reduce by a third and a fifth respectively. Consequently, this economic harm to Southeast Asian market would lead to capital leaving to both North America and Europe. *(FE, 18.02.06)*

New Areas of Cooperation

India and United Nation's Economic and Social Commission for Asia and the Pacific (UNESCAP) have identified four new areas of economic cooperation: disaster management, infrastructure financing, setting up of an India-UNESCAP Cooperation Fund and enhanced India participation in the Asia-Pacific Technology Transfer Centre. The agreements were announced recently after a meeting between Minister of State for Commerce, Jairam Ramesh and Executive Secretary of UNESCAP, Kim Hak-Su. The two sides agreed that there were large opportunities for closer cooperation between India and UNESCAP.

Kim Hak-Su, asserted that a higher growth rate of 8-10 percent with a higher level of inflation, in a rapidly emerging market like India, might augment the already visible social disparity by creating large, but isolated pockets of prosperity.

UNESCAP estimated that the India needed between US\$220bn and US\$500bn investment for the four major infrastructure sectors of transport, energy, water and information and communication technology. *(TH, 12.02.06 & 13.02.06)*

China's New Plans

Double per capita gross domestic product (GDP) and reduce energy consumption per unit of output by

2010 are the key targets in China's new five year plan. The new plan focuses on social spending, in education and health, and on the environment. "The aim of the reform is to distinguish which is the responsibility of the government and which should be left to the market", said Fan Jianping, Director of the economic forecasting department in the State Information Centre.

China's Planning Commission also aims to get its predictions correct, since in recent years it has become discredited by being off-target. In 2000, the commission predicted annual average growth of seven percent until 2005, but it turned out to be over nine percent.

(FT, 07.03.06)

Japanese Economy on the Rise

Japan's economy grew at 1.4 percent in the fourth quarter, which is far in excess of the US at 0.3 percent and the EU at 0.4 percent. The strong last quarter growth exceeded market expectations with an annual growth rate of 2.8 percent. Besides, 2005 marked the third year of healthy Japanese economy.

The dominance of domestic influence over growth explained the sustainable nature of Japan's economic expansion. Household consumption rose by 2.2 percent, while non-residential business investment surged by 8.4 percent. Net exports contributed 0.2 percentage points to the overall 2.8 percent annual growth rate.

However, rising Japanese growth has done little to reduce the gaping in global trade imbalances. Deflation is still a cloud hanging over the country considering that the consumer price index has only recently started rising, while higher oil prices provided for much of the rise in GDP. *(FT, 18.02.06)*

Record Investment not Enough

Airports increased their investment around the world to a record total of US\$36bn last year to pay for new runways, terminals and modern facilities. The largest investments were seen in Singapore's Changi, Washington's Dulles and Paris Charles De Galle airports.

The Geneva-based, Airports Council International warns that the pace of investment needs to be improved in consideration of its

prediction that worldwide traffic will double by 2020.

However, environmental groups are worried and unpersuaded. Steve Hounsham from Transport 2000, said, "Instead of spending US\$36bn on setting down runways, governments should be getting that kind of money out of the aviation industry to tackle climate change".

(The Guardian, 25.01.06)

Need for IMF Reforms

Mervyn King, governor of the Bank of England, warned that the International Monetary Fund (IMF) could 'slip into obscurity' without radical reforms. He proposed that the director of the IMF and its staff to be given more independence when monitoring and criticising individual



countries' economic policies, which they were currently unable to do. He recommended that the existing board should be replaced, with its permanent delegations in Washington and appealed to the international community to create a new fund that would pass judgement on the effects of one country's policies on others.

Defending IMF, Raghuram G Rajan, Economic Counsellor and Director of Research, IMF, admitted the dichotomy in industrial countries publicly pressing for transparency, while discouraging the Fund from holding a press conference to disseminate its findings. He deplored the retreat of multilateralism and mentioned the revival of beggar-thy-neighbour policies. However, there is need for the Fund to re-engage both these groups and provide a much needed forum for multilateral dialogue. *(FT, 21.02.06 & BL, 09.03.06)*

EU Barely Serviceable

David O'Sullivan, Director-General of Trade at the European Union (EU) Commission, in light of the EU promise for improved non-agricultural market access (NAMA) at the Hong Kong WTO Ministerial, called for increased service access from India. However, the 'World Development Movement' said the EU exhorts developing economies to hike their General Agreement on Trade in Services (GATS) commitment, from an average of 50 to 93 sub-sectors. This violates the WTO's principle of 'less than full reciprocity' for developing countries.

Concurrently, there is unrest among EU members in the internal EU service market over wage harmonisation. But that has not stopped the new approval of a draft bill to form a free market in services in the EU. The bill has been diluted though, after members of the European Parliament accepted 211 amendments. These alterations removed more controversial aspects like 'country of origin' that would have enabled companies to apply their domestic labour law when providing their services to other European countries. *(ET, 19.02.06 & FT, 17.02.06)*

E-7 Threatens G-7

According to a report from PricewaterhouseCoopers (PwC), by 2050, the emerging seven (China,

India, Brazil, Russia, Indonesia, Mexico and Turkey) termed as the 'E-7', will have a combined size at least 25 percent bigger than that of the G-7 (Britain, Germany, France, Canada, the US, Japan and Russia).

As per the market exchange rates, the GDP of China is 18 percent that of the US and by 2050, it will be 76 percent as big. Similarly, taking into account the purchasing power parity (PPP) at present, China buys more than a dollar in the US, and China's GDP is already 94 percent as big as the US. By 2050, it could be half as big again.

Goldman Sachs, the leading investment bank, estimates that by 2050, the demand for oil will double to 169 million barrels a day, with both China and India requiring more than the US. *(BL, 06.03.06)*

Angola Tops Saudi Oil Supplies

Angola shipped 456000 barrels of oil to China in the first two months of the year 2006 beating Saudi Arabia who supplied 445000 barrels. This oil accounted for 15 percent of China's imports. Oil imports to China rose 34 percent to 179 million barrels in the first two months of the year from the same period last year. Demand is rising, as Chinese vehicle manufacturers sell more than 500000 vehicles a month.

BP, Chevron and other oil firms have found more oil off the coast of

Angola, enabling the country's proven oil reserves to triple in the past seven years. The African country's oil production accounts for 45 percent of its US\$24bn economy, being also the world's fifth largest diamond miner. *(Business Day, South Africa, 30.03.06)*

Rising Global Unemployment

The International Labour Organisation (ILO) shows that the number of people without jobs climbed a record high of 191.8 million in 2005, even though the world economy grew at 4.3 percent. The unemployment level rose by 2.2 million from 2004, and 34.4 million over the past decade. Besides, half of the world's 2.85 billion workers are living on less than US\$2 per day, which is the same as a decade ago.

Juan Somavia, the ILO Director, said: "This year's report shows once again that economic growth alone is not adequately addressing global employment needs".

The global unemployment rate remained at 6.3 percent in 2005, after two years of falls. The biggest rise in unemployment was found in Latin America and the Caribbean where it rose by 1.3 million while the highest joblessness was in the Middle East and North Africa at 13.2 percent.

(The Guardian, 25.01.06)

A Record Trade Deficit

As the US trade deficit grows, the chance of punitive trade legislation against China grows. In January, the US trade deficit record stood at US\$68.5bn, while the bilateral trade deficit with China was US\$17.9bn. The US lawmakers are continuously threatening action against China, unless it moves towards floating its undervalued currency and clamps down on theft of US intellectual property.

Though US exporters raised their sales by 2.1 percent, imports are now almost 60 percent larger than exports. Over 2005, the deficit totalled 5.8 percent of American national income, while the current deficit is 6.5 percent of the national income. Economists are continually worried that investors will no longer finance the US deficit, without a fall in the dollar, but the dollar rose last year by 3.5 percent on a trade weighted basis. The increase in deficit is the result of large move in volatile sectors, such as aircraft sales or jumps in oil prices.

(FT, 10.03.06 & 11.02.06)

US Farmers Resist Change

Farming's most powerful block, the American Farm Bureau Federation voted to push for an extension of the US Farm Bill passed in 2002. This Bill is the most generous farm bill in history, providing US\$180bn over ten years. It is estimated that the largest three percent of American farms receive about a third, and 92 percent of all programme spending goes to only five crops: soybeans, maize, wheat, cotton and rice.

Mike Johanns, the US agriculture secretary, is worried about legal challenges to the US subsidy regime within the WTO, since the Farm Bill was seen as trade distorting. Johanns asserted that the farm subsidies should be overhauled to reduce the federal budget deficit. But as mid-term Congressional elections loom large this year, politicians are unlikely to be vocal in opposing the interests of farmers.

(FT, 19.01.06)



Expanding India-Australia Trade

To boost business ties in a big way, India and Australia have signed a trade and economic cooperation agreement. India is Australia's sixth largest export market, with two way trade estimated at US\$4bn and an annual growth rate of 20 percent. The recent agreement aimed at increasing two-way trade to US\$10bn by 2010.

Companies from both countries signed a range of contracts. Australia's largest logistics group, Lindsay Fox, signed an agreement with Macquarie Bank to open offices in Mumbai. Reliance Petroleum signed an agreement with Santos, a major oil and gas exploration firm, for oil exploration in Southeast Asia. The education sector will be benefited from the new deal between Monash University's plan to set up a postgraduate research and training academy in Mumbai's Indian Institute of Technology (IIT). Such deals will improve Australia's current low investment in India, valued at US\$150mn. *(ET, 07.03.06 & 08.03.06)*

Sino-Africa Trade at New Height

Trade volume between China and Africa increased from US\$30bn to US\$37bn between 2004 and 2005 period, a record high. In fact, China-Africa trade has entered a new phase of rapid and stable growth since the establishment of China-Africa Forum in 2000.

During this period, China managed to import more African goods and services than it exported to African countries. High value added goods as opposed to cheaper manufactured goods made up near 50 percent of China's exports to African countries in 2005.

At the start of 2005, China began cutting tariffs on 190 kinds of imported goods from 28 of the least developed African countries. At the same time, Chinese companies invested US\$175mn in African countries. *(Tralac Newsletter, 10.01.06)*

Not Easy to Win Trade Deals

Bilateral trade agreements for US are becoming more difficult, as the US trade diplomats face tough time in securing new opportunities for the exporters. In January 2006, plans for talks with Switzerland were scrapped since the Swiss refused to open their agricultural sector. The trade deal with South Korea is halted because

Russia's Still Struggles to Join the WTO After 13 Years

Russia faces many obstacles on her way to completing all bilateral talks to join the WTO in 2006. It has already taken Russia 13 years, yet the goal is still not been achieved. The current objection to the Russia's accession is from Australia, Colombia, Switzerland and US. Controversial issues, for instance, the US's demand from Russia to open its financial market to foreign banks, are still to be resolved. Last year,



President Putin resisted the move. But how Russia could deal with US, which is the last to endorse new WTO member, is remains to be seen. Russia is guided by China's accession, where the Chinese joined the WTO on terms that were first of all beneficial to their country. Russia's specific feature is huge energy and weapons exports, but the WTO only has a minor influence on these goods. Therefore, Moscow wants to meet its demand for the latest foreign technology and obtain the opportunity to protect its trade and economic interests. *(FE, 11.02.06)*

its belligerent farmers pose problems. Thailand is now the second largest world truck manufacturer and is pushing the US to reduce its 25 percent tariff on imported pick-ups and this conflicts with US carmakers GM and Ford. Egypt's overtures with the US have not been going much better.

The US domestic political environment with a sour partisan mood in Congress may make it difficult for US to win future deals. Though US has completed six bilateral trade agreements involving 11 countries, these were relatively easy as asserted by Daniel T Griswold, director of Centre for Trade Policy studies at Cato Institute. *(FT, 03.02.06)*

EU Protects American Potatoes

The EU has offered protection to non-EU exporters of items such as Idaho potatoes following a WTO ruling. The US and Australia complained that the EU's name registration system (NRS) discriminated against their goods, and their companies were deterred from registering under the NRS. For example, previously under the NRS, only ham made using traditional methods near Parma, Italy, would be allowed to called Parma ham; the same occurred for Roquefort cheese from the city in southern France; and Maderia wine from the Portuguese city.

The EU ministers accepted alterations to a law that now protects more than 700 European foods. The EU received its first application under the new system from Colombia for its Café de Colombia. *(FE, 20.03.06)*

G-6 Fails to Reach WTO Consensus

G-6, a group of world's top six trading powers comprising EU, US, Brazil, India, Japan and Australia, failed to reach a breakthrough on the key issues of Doha negotiations like agriculture, NAMA and services at the two-day meet in London. On the occasion, India's Commerce and Industry Minister, Kamal Nath remarked, "There is no formula yet on the cards. There is only hope". Brazilian Foreign Minister and chairman of the G-20 remarked, "I think that the click is not yet there to have a deal".

Though the US trade representative (USTR), Rob Portman said that at least a clearer view was emerging of where the necessary trade-offs for a pact might lie. He furthered, "We can understand the good, the bad and the ugly of what a potential deal might look like". While the EU trade commissioner put forth more positively said, "We have had a good meeting so far, testing both the possibilities and limitations of these negotiations". *(Reuters, 12.03.06)*

Blocking Anti-corruption Rules

Germany and Japan are blocking efforts to tighten anti-corruption controls covering companies supported by export credit agencies (ECAs). The Organisation for Economic Cooperation and Development (OECD) members were planning new anti-bribery guidelines due to be agreed next month.

ECAs provide about US\$100bn annually in long-term and short-term credits and guarantees for projects in countries where investment risks are high. These guarantees are key factors for companies in high risk countries for enabling such projects as building dams or defence contracts. But anti-corruption campaigners and some OECD members have found evidence that consultants to these companies often receive or pass bribes worth hundreds of thousands of dollars.

Japan and Germany used ECAs to boost their companies' exports and investments and were cautious about giving the agencies anti-corruption responsibilities.

(FT, 15.02.06)



Pact on WTO Accession Terms

Australia and Vietnam have agreed on the terms of South Asian nations' accession to the WTO. The WTO pact between the two countries leaves Vietnam to agree on terms with only Dominican Republic, Honduras, Mexico and the US.

Two-way trade between Australia and Vietnam increased by more than 50 percent in 2004-05, whereby Vietnam exported US\$2.3bn worth of goods to Australia and imported US\$522mn from Australia.

Vietnam is keen to join WTO, as it suffers from quotas on its garment exports to the US and hopes the WTO membership will solve this problem. At the same time, Vietnam wants better protection against Anti-dumping suits like the US' imposition of duties on Vietnamese shrimp.

Vietnamese Deputy Prime Minister, Nguyen Tan Dung said, "Vietnam is determined to implement and speed up its modernisation and international economic integration".

(FE, 02.03.06)

Biggest Accord Since NAFTA

The US and South Korea have initiated discussions on a trade agreement which is suggested to be the largest bilateral negotiation undertaken by the US since North American Free Trade Agreement (NAFTA) with Mexico more than a decade ago.

A deal with South Korea, the world's 10th largest economy, is also a central part of US' strategy to avoid losing economic influence to China in Asia. Rob Portman, the USTR, called the talks "the most commercially significant free trade negotiations, we have embarked on in 15 years".

Two-way trade between the two

countries was around US\$72bn, more than double the amount of trade between the US and Central American countries.

However, the US-South Korea plans are already sparking protests from protected industries on both sides. Sander Levin, a congressman representing the US motor industry, said talks must open the South Korean car market which remains virtually closed to the US. The applied Korean tariff on US goods is 11.2 percent – three times greater than the US average of 3.7 percent.

On the other hand, South Korean farmers are protesting against the talks. They fear their protection may be reduced, even though nearly two-thirds of South Korean farmers income is derived subsidies or trade protection, more than twice the OECD average.

(FT, 03.02.06)

Fall in World Rice Trade

The world rice trade is projected at 25.5 million tonnes in 2006, which is eight percent less than that of 2005. This is mainly due to weak exports by India, Vietnam and Pakistan, among others. A decline in imports by major buyers, such as Philippines, sub-Saharan Africa (SSA), Bangladesh, Saudi Arabia and Indonesia is the major factor in pulling global rice trade down. Such decline in imports is partially offset by increased imports by Brazil, Iraq and South Korea.

India has noticed that export prices for its par-boiled and *basmati* rice are on the increase, rather than its lower-quality coarse rice. Pakistan, on the other hand, which has just harvested a near record crop, is more competitive than India in the low-quality broken coarse rice market.

(Tralac Newsletter, 10.01.06)

Who is Blocking WTO Deal?

European trade commissioner, Peter Mandelson blames India and Brazil, not EU, for delaying WTO negotiations. Mandelson asserted, "the blockage is not in Brussels, but in those countries failing to come forward with an offer on industrial tariffs and services that goes anywhere near responding to the seriousness of our offers in all sectors of the Round". He said EU's offer of a 38 percent average cut in farm tariffs is at the outer limits of its mandate from member states.

Across the Atlantic, US threatens 'to walk away' if the negotiations fails to lead to a satisfactory agreement. Portman, the USTR, conveyed, "We put our best offer on the table on not just agriculture but on (manufactured goods) and services if others do not come up with commensurate offers, at some point you may have to say that this process is not one conducive to a good result".

(FE, 23.01.06 & 16.02.06)

IBSA to Focus Farm Research

Exchange of germplasm and collaboration in farm research is at the top of the list for new trilateral cooperation between India, Brazil and South Africa (IBSA). India has offered to exchange its germplasm in many farm commodities such as wheat, mustard, guava, papaya to name but a few. While in return, India seeks to have germplasm of soybean, maize, cotton, sugarcane, coconut, citrus fruits, oil palm etc., from Brazil and South Africa.

Other areas have been identified under the new trilateral cooperation such as plant breeding for food security, new technologies for livestock and poultry health management and the augmentation of productivity in fisheries sector.

(FE, 18.01.06)

Anti-dumping Investigation

India has initiated investigation against imports of tyres from China and Thailand. The period of investigation would be from April 02 2004 to June 30, 2005. Industry body Automotive Tyre Manufacturers Association (ATMA) alleged dumping of new or unused pneumatic diagonal ply or cross ply non-radial bias tyres, tubes and flaps used in buses and lorries and the Directorate General of Anti-dumping (DGAD) started the investigation.

Earlier, ATMA had approached DGAD on behalf of market leaders Apollo tyres, Ceat, JK Tyres, Birla Tyres and MRF and furnished data on declining market share, stagnant sales, increase in imports and price under-cutting. According to the DGAD authority, "there is sufficient evidence of dumping of the goods

from the countries, injury to the domestic industry and casual link between the dumping and the injury".

On the other hand, China is restricting imports of US auto parts. China has imposed new auto part import rules from effect in April 2005 that tracks the number of different auto parts entering the country and compares them with the amount needed to assemble complete automobiles. This has been criticised by US, EU and Japan.

(BS, 22.01.06 & BL, 27.02.06)

WTO Rejects US Appeal

The WTO appellate body rejected an appeal by US against a ruling that it continues to violate trade rules in an export tax row with the EU. In a case that began in 1997, the WTO ruled it illegal and authorised EU to retaliate by restricting US\$4bn worth of trade, the largest award in WTO's history. The EU began to impose sanctions in March 2004, suspending them in January 2005 pending a US appeal.

The EU argued that the US had not only fully complied with a series of rulings by the Geneva-based trade organisation against the tax measures, which benefits companies like Boeing and Microsoft. The EU would reimpose trade sanctions on the US unless Congress eliminated the last remainder of a tax break for American exporter, which were ruled illegal by the WTO. This would lead to further transatlantic trade tensions.

(FE, 13.02.06 & FT, 14.02.06)

Dispute over Plastic Bags

Anti-dumping trade dispute over cheap Asian exports of plastic bags to Europe has got entangled in a wider debate of its impact on environment. Brussels started investigating complaints that plastic sacks and bags from China, Malaysia and Thailand were being exported to the EU at below domestic market prices.

Europe is making moves to limit the number of plastic bags that are given out by shops and end up as litter or are sent to landfill, where they take 400 years to disintegrate. They also pose a danger to marine animals and birds, which can suffocate by swallowing the bags or become trapped or entangled in them.

Environmental institutions have been increasing pressure on governments to take action. An alternative to banning or taxing bags

is to use biodegradable bags, which are just as strong but tend to be more expensive to produce. This year, 15 British retailers warned Peter Mandelson against sanction on Asian bags because the additional costs would have to be passed on to the consumers.

(FT, 10.03.06)

Japan Bans US Beef

Japan reimposed a ban on all US beef imports after discovering a spinal cord in meat imported from US farm. The ban will be a huge blow to US meat producers as Japan began to re-import US meat following a two-year import prohibition. The Japanese Prime Minister backed the decision of his Agriculture Minister to stop all beef imports until the US satisfactorily explained how potentially dangerous material had slipped through its safety checks.

Japan had lifted its ban on condition that meat comes from cattle under 20 months old and that high-risk material, including spinal cord be removed. The ban, which was characterised as unscientific and protectionist by some US congressman, cost US farmers nearly US\$3bn. Before it was imposed, the US was the biggest exporter of beef to Japan.

(BS, 22.01.06)

WTO's Ruling against EU

The WTO ruled that the EU unfairly blocked imports of Genetically Modified Organisms (GMOs). This decision of WTO makes it clear that biotech regulations must be based on sound science and that the EU's approach to biotech crop approvals is unwarranted.

According to US industry, EU curbs cost their exporters US\$300mn a year in US\$5.5bn global biotech market. The EU, which grows less than one percent of the world's GMOs, banned biotech foods for six years until 2004.

According to European Commission (EC), the new laws since 2004 allow biotech seeds to be planted, traced or labelled and points to more than 30 gene altered products approved for marketing in the bloc.

This ruling would have a profound impact on developing countries that have started or are considering switching to GM technology. This would also prove as incredible opportunity for farmers throughout the world, particularly in the developing world.

(FE, 08.02.06 & 09.02.06)

Taiwan-China Trade Dispute

Taiwanese towel industry triggered demand for safeguard against Chinese exporters. Both China and Taiwan are finding ways to deal with bilateral trade disputes under WTO rules despite political deadlock that keeps their governments from directly talking to each other. The government officials of both the countries are given chance to talk face-to face.



Taipei has in the past shied away from using the WTO's dispute settlement mechanism out of fear that China would try to put political conditions on the interactions, which involve such procedures. The Taiwan's Ministry of Finance said recently that it was launching an anti-dumping investigation against Chinese towel exporters, as well as seeking safeguards.

The threshold for safeguard is lower because the local industry demanding import restrictions only has to prove it has been suffering from an import surge, and not that the exporter has been using dumping prices.

(FT, 02.03.06)

European Threat to China

The European industrialists demanded action against import of unfairly cheap furniture from China. European furniture makers are preparing to file an anti-dumping complaint to the EC alleging that China has been selling upholstered sofas and other types of seats at below domestic price. The complaint would cover a broad range of sofas and kitchen and office chairs made in China but exclude the sensitive sectors of car and aircraft seats.

This anti-dumping case could further strain trade relations between Brussels and Beijing, following a lengthy dispute last year over EU curbs on Chinese textiles. The European Furniture Industry Confederation (EFIC) is expected to file its formal anti-dumping complaint in the coming two months. The head of Brussels office of Italian furniture manufacturers said, "This act would be considered as respecting fair trade rules and preventing dumping and not about promoting protectionism. The figures we have been collecting show that Chinese quota of the European market is growing in abnormal fashion". *(FT, 08.03.06)*

Appeal against Anti-dumping Duty

Almost 17 shrimp exporters have filed applications before the US department of commerce for administrative review of the 10.17 percent anti-dumping duty imposed on shrimp. In contrast, the US petitioner Southern Shrimp Alliance (SSA), which had moved the department earlier seeking imposition of anti-dumping duty claiming Indian shrimp import was affecting the domestic traders has also sought review of the duty orders.

The SSA named over 300 exporters to be reviewed. According to the Alliance, domestic producers believed the Indian exporters were dumping merchandise at margins greater than the applicable cash deposit rate collected in the form of customs bonds and it was in this backdrop that an investigation had to be undertaken. *(FE, 01.03.06)*

US Accused over Gambling Case

Antigua and Barbuda have accused US of failing to comply with a WTO ruling that it discriminates unfairly against online gambling companies based in the tiny Caribbean Island nations. The case arose from complaints from Internet gaming companies, several of which are based in Antigua, that US laws unfairly discriminated against foreign companies by prohibiting cross-border betting. Last year, the WTO dispute settlement body (DSB) ruled that while the US was entitled to restrict Internet gambling, the rules were not being applied fairly.

If the WTO finds that the US has not complied with the ruling, it can permit Antigua to impose reciprocal trade sanctions, but these would be almost entirely symbolic for such a small trading partner. *(FT, 20.02.06)*

Dispute over Batteries Settled

The dispute between India and Bangladesh over imposition of anti-dumping duties on lead-acid batteries is settled. Mutually satisfactory solution has been reached which was submitted to WTO's DSB.

In January 2005, the Indian government withdrew the anti-dumping duties that it had imposed in 2002 on lead acid batteries exported to India from Bangladesh, China, Japan and Korea. Bangladesh pointed out that since it is a member of South Asian Free Trade Agreement (SAFTA), it should not be subjected to such duties. And its volumes of exports were not high enough to attract anti-dumping duties.

This augurs well for the future of South Asian unity, especially with the implementation of the SAFTA on track. *(FE, 02.03.06)*

China Decries EU on Shoe Duties

China has denounced an EU decision to place anti-dumping duties on some Chinese-made shoes and called the action discriminatory. China's Ministry of Commerce showed unhappiness over EU's decision to impose duties of up to 19.4 percent on leather shoes. The Ministry warned that the EU would take a 'step backward' in its trade relationship with China if it imposed anti-dumping duties on Chinese shoe exports.

The EC approved the anti-dumping duties, which include duties of 16.8 percent on leather shoes from Vietnam. Only three EU member states voted in favour of proposal to sanction cheap leather shoes made in China and Vietnam while nine countries voted against and eleven abstained from it. Also, China has responded angrily to the proposed sanctions and warned that it would expose before WTO that this issue has serious flaws in the data and arguments presented by Mandelson to justify anti-dumping duties.

(FE, 24.03.06; FT 17.03.06 & BS, 10.03.06)



Russia's Commitment to Free Trade

The current gas dispute between Russia and Ukraine, which are stepping up their effort to join WTO, is reviving the debate about Russia's commitment to free trade. Russia is the largest economy still outside the WTO's members list. The Russian government has been lobbying fiercely for WTO membership.

However, the extent to which Russian gas policy will affect the remainder of the accession negotiations is unclear. According to trade negotiators, Moscow's handling of its gas conflict with Kiev has done little to boost its case. John Audley, a senior transatlantic fellow at the



German Marshall Fund said, "Half of the problem with the negotiations with the Russians is that we have never really been sure that Russia wanted to endorse the kind of disciplines that WTO membership requires. The gas problem is evidence of that".

If the WTO's leading members raised the pressure in the accession talks by demanding additional concessions from Russia over issues such as gas, then it would enhance concerns within Russia about benefits of WTO membership. *(FT, 09.01.06)*

Making Poverty History in Asia by 2015

– Shantayanan Devarajan[#]

– Homi Kharas^{*}

Asia is a puzzle. While China, India and several other Asian countries are enjoying rapid economic growth some 600 million Asians (more than the entire population of Latin America) live on less than a dollar a day. But this puzzle can also be an opportunity. If China and India can sustain their 8-10 percent annual GDP growth, and bring the rest of Asia with them, then Asia stands a very good chance of eliminating poverty by 2015. This issue, among others, was the subject of a conference held this week on the future of the region.

What will it take? The same factors that enabled Asia to achieve rapid growth in the past – domestic reforms and external assistance – would work for them.

All Asian countries, especially China and India, grew rapidly by maintaining macroeconomic stability, opening up their economies to trade, and harnessing the dynamism of the private sector. The fiscal, trade, regulatory and financial-sector reforms that made these possible should be continued and deepened.

Second, the growth needs to be more widely shared. Since 80 percent of Asia's poor live in rural areas, agricultural growth will be the key. Rural infrastructure, land rights, rural credit and better prices for agricultural products – something that will be helped by a successful conclusion to the Doha Round of trade talks – will contribute to higher incomes for Asia's farmers.

Third, because of their recent rapid growth, all Asian countries are now facing infrastructure bottlenecks. From Bangladesh to China, businesses rank infrastructure as a major constraint to investment. Estimates of the amount of new infrastructure needed are around US\$250bn annually. Building new infrastructure is as important as managing existing infrastructure assets. Despite ample supply, no city in South Asia has 24x7 water. More, water tariffs are politically manipulated, utilities are inefficient and crucial maintenance is neglected. Better management of infrastructure and more conducive



Shantayanan
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policies can attract private-sector funds for building new infrastructure, as the public sector will not be able to finance all of the additional US\$250bn.

Fourth, unless Asia has a healthy, skilled and productive work force, it will not be able to sustain its growth. For example, Pakistan and Cambodia are seeing slow progress in health and education and northern India and western China have very high and stubborn rates of child mortality. And countries, which have achieved basic human development, such as Sri Lanka, Bangladesh and Indonesia, are facing second-generation problems of quality education, and non-communicable diseases such as cancer, diabetes and heart ailments. Here too the problem is not just a lack of resources, but also ineffective use of resources. In India, the absentee rate of doctors in public, primary health clinics is 40 percent. Tackling this problem will require strengthening the delivery of services in primary education, universities, clinics and hospitals, to name a few, by holding politicians and services providers more accountable to citizens, especially the poor. Ineffective use of resources, not the lack of it, is the problem for all these ills.

Finally, Asia has been hit with a series of man-made and external shocks, from the East Asian financial crisis of the 1990s to the *tsunami* in 2004. Though they have generally weathered these shocks, (there have been very few episodes of sustained negative growth) Asian countries will have to protect the factors that helped them adjust to these shocks, including a diversified economy, low

external debt, and a focus among policymakers on preventing crises.

The international community has also played an important role in fostering growth and poverty reduction in Asia. But the fact that aid has been successful in Asia means that the partnership will have to change in the future. As Asian incomes grow, financial assistance for 'gap-filling' becomes less important except in the poorest countries. What becomes more important is knowledge assistance. But this knowledge assistance too is changing, from traditional technical assistance to joint problem-solving with governments, civil society and the private sector; from prescriptions to empirically-based policymaking. To scale up poverty reduction, Asian governments need to know what works, and what does not. Impact evaluations of innovative projects, often financed by the World Bank or the Department for International Development (DFID), UK, can answer this question.

The main partnership between industrial countries and developing Asia is that of trade and investment. Not only this has fuelled growth on both sides, but also will continue to flourish, as Asian countries have become a bigger market for European, Japanese and American exports. Besides, the region is an excellent destination for foreign investment while Asians continue to sell their products abroad.

Asia's recent economic history shows that rapid, sustained growth is possible. If this growth can be accelerated and more widely shared by deepening reforms, improving infrastructure, building human resources, and managing risks, then Asia's 600 million poor people will escape the wrath of poverty in a decade. Even Asia's development partners can support this transformation by strengthening knowledge assistance, while expanding trade and investment in Asia. Together in this giant continent, we can make poverty history.

(FE, 23.03.06)

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Missing Child Poverty Target

The British government has failed to hit the child poverty reduction target, as poverty remained stubbornly high in 2005. The government had targeted to cut the number of children living below its poverty threshold by a quarter from levels in 1998-99. However, though there has been a drop of 7,00,000 children defined as living in poverty since 1998-99, the ministers need to secure a further cut of 4,00,000 children.

This might prove to be difficult for the government, as on assumptions poverty will rise, not fall. Billions of pounds more would be needed to get the government back on track and simply raising the child element of tax credits would also prove to be problematic as it would worsen work incentives.

Under the governments' current definition, a family is classed as living in poverty if its after-tax income falls below 60 percent of the national median. In 2004-05, 2.4 million children were living in families below the poverty line before housing costs and 3.4 million after housing costs.

(FT, 10.03.06)

Probe into Financial Irregularities

Oxfam recently suspended all its work except essential services such as water deliveries and trash pick-ups on a series of *tsunami* relief projects in the Indonesian province of Aceh. Oxfam has already sent in internal auditors after discovering tens of thousands of dollars in financial irregularities, especially at a project office in Aceh Besar, the provincial capital.

The irregularities were found at a project office in Aceh Besar, which is

one of six project offices Oxfam has in Aceh and is due to administer projects worth f.3.2mn (US\$5.6mn) in 2006. The action would be the most drastic taken publicly so far in Aceh by an international aid agency to deal with alleged financial irregularities.

Situated in the northern tip of the Island of Sumatra, Aceh is the worst affected by the December 26, 2004 Indian Ocean earthquake and *tsunami* in which more than 160,000 people were listed as either dead or missing in the province. *(FT, 16.03.06)*

No Development Funds, No Aid

The Deputy Finance Minister of Germany stated that his country would not be able to fulfill its promise of increasing aid to developing countries if it does not find new resources of development funds. As part of UN led global effort to reduce poverty in 2005, Berlin pledged to increase its aid spending to 0.51 percent of gross national product (GNP) by 2010 and 0.7 percent by 2015. However, the development ministry officials recently admitted that it was unclear how Germany could keep its pledge to help poor countries, as budget constraints would make it difficult to reach the 0.7 percent target.

Currently, Germany spends about 0.3 percent of GDP on aid. The pledge to achieving 0.7 percent target makes the situation awkward, as the government has no concrete plans for raising funds from any of the financial instruments under international discussion. A 'consensus-based' solution is expected from discussions between the EC, Germany and the other EU member states. *(FT, 20.01.06)*

Emami Care for the Poor

The personal and health-products major Emami Ltd, a member of the Rs 700-crore Emami Group of Companies, has launched an innovative rural self-employment programme, as part of the group's new corporate social responsibility (CSR) initiative to help eradicate rural poverty. The scheme initially introduced in Cooch Behar district of West Bengal is now successfully operating in Andhra Pradesh, Madhya Pradesh, Chhattisgarh and Orissa. Plans have been firmed up to introduce it in Maharashtra and Karnataka. The programme involves two new schemes: Emami Mobile Traders (EMT) and Emami Small Village Shops (ESVS).

The programme provides an opportunity to earn a regular and sustainable income to the unemployed rural youth and women who have no fixed income. To make this successful, Emami has entered into partnership arrangements with several agencies at different levels, like the regional rural banks (RRBs), *gram panchayats*, district rural development cells, farmers' clubs, youth clubs, NGOs and other Self Help Groups (SHGs) etc. *(BL, 06.03.06)*

UN Unearths Malpractices

A UN report into procurement operations at its peacekeeping missions has uncovered evidence of suspected mismanagement, favouritism and financial irregularities in relation to its dealings with several companies, including a subsidiary of Compass. The report stated that the world body may have lost as much as US\$298mn in contract irregularities after the Office of Internal Oversight Services, the UN's internal investigative arm, examined 27 contracts worth US\$1bn.

An earlier draft report that was not for public distribution cites four separate areas in which UN dealings with Eures Support Services (ESS) were called into question. As per the report, ESS was among the companies that allegedly benefited from a failure to enforce UN rules relating to the provision of performance bonds, which are issued by banks to guarantee satisfactory performance by a contractor. The report also described outwardly the irregular payments made to ESS, suspicions over why contracts were awarded to ESS and the absence of proper financing on one contract. *(FT, 25.01.06)*

Water Privatisation Splashed Out

Water privatisation was seen by the World Bank and G-8 countries as the most effective way to bring clean water to large numbers of poor countries throughout 1990s. However, as per the UN's Second World Water Developments Report, "many multinational water companies are decreasing their activities in developing countries either voluntarily or by force".

Though some privatisations have been successful, many companies have faced accusations of profiteering or not meeting pledges to connect poor districts to the mainland. Recently, Argentina has terminated its contract with Aguas Argentinas, a company partly owned by French utility group Suez, to supply drinking water to Buenos Aires. The reason cited by the government is that the Aguas had failed to meet its contractual obligations and had reneged on its pledge to improve the quality of the water it supplied. The contract will be taken over by a new group called Aysa, which is 90 percent owned by the state and 10 percent by workers.



(BL, 24.03.06 & FT, 22.03.06)

Ban Continues on Terminator

On March 31, 2006 the plenary of the Convention on Biological Diversity (CBD) will formally reject a text presented by a group of multinational agrochemical and biotech companies, as well as the states of Canada, Australia and New Zealand (with US support), on the testing of terminator seeds, as they are known among their critics. These are seeds whose genetic characteristics are modified in such a way as to render them sterile in their second generation, thus creating a vast market potential for seed companies.

The text insisted on field tests being allowed, for a 'case-by-case' assessment of the technology. The South Against Genetic Engineering (SAGE) civil society group has welcomed the CBD's decision as a victory for farmers and a step towards global food security. Already states like India and Brazil, where farmers represent a sizeable chunk of the population, have imposed a ban on the terminator technology.

(BL, 26.03.06)

EU to Boost Carbon Trade

The EU has announced a plan to charge planes landing on and taking off from its territory for their carbon emissions, to offset the damage to the environment. This is still at the stage of a political agreement on the scheme, while details will not start emerging until 2008, after extensive dialogue within the EU Member states and consultation with international aviation organisations and carriers. If this scheme were to be put into place, it would result in an increase in the cost of air travel, while boosting the carbon trading market. In fact, it would be a part of the EU Emission Trading Scheme (EUETS). This system sets emission reduction targets over a certain time period, and corresponding penalties in case of breaches, for various sectors – transport is currently not included.

Moreover, many voice in the EU for the inclusion of road transport in the carbon trading scheme, although currently only aviation is included, as Morley, UK Minister of State for Climate Change and Environment, confirmed. On the progress of clean development mechanism projects in India, Morley commented that it needed more funding. This was rectified during the UN Framework

Convention on Climate Change, where US\$8.8mn was raised for the CDM board. *(BL, 28.02.06)*

Sweden Takes the Lead

The government of Sweden has commissioned a committee with representatives from many civil society stakeholders (industrialists, car makers, farmers, academics) and civil servants, to investigate new forms of renewable energy to be exploited in the near future. The aim, says Mona Sahlin, Minister of Sustainable Development, is to stop oil-dependency by 2020. This claim is substantiated by Sweden's already high use of nuclear and hydroelectric power, which was spurred by the hike in oil prices during the 1970s that badly affected the country.

In 2003, Sweden's consumption of renewable energy was 26 percent of total energy consumption, while nuclear energy was at 33 percent and petroleum at 32 percent. Compared with the EU's and US's petroleum consumption in the same year (respectively 43 and 40 percent of total energy consumption), it is a good starting point to reach the 2020 oil-free target. This is because Sweden has relegated its use of fossil fuels to transport, while employing less polluting methods for its electricity needs. *(TH, 10.01.06)*

Alarm over Climate Change

During the World Water Forum in Mexico City, experts have raised calls of alarm about the changes in weather patterns. They argue that increasing natural disasters are going to impact negatively on the well-being of developing and least developed countries (LDCs), which are the most vulnerable to such threats. The Secretary-General of the World Meteorological Organisation, Michel Jarraud, has emphasised that LDCs are the most affected, while developing countries lack the resources to mitigate the impact. The Executive Director of the World Wildlife Fund (WWF) has argued that developing nations should request more help to cope with climate change, since it is not only damaging the environment, but the livelihood of the people who live and make a living out of the environment. He made specific reference to the changing flows of the Indus and Ganges rivers. *(BL, 21.03.06)*

Humans Provoke Extinction

The Global Diversity Outlook 2 report by the Secretariat of the UN Convention on Biodiversity has shed some light over the increasing rate of extinctions that is 'homogenising' the planet. According to the report, human beings are responsible for the sixth major extinction event in the history of earth: this is due to our rising population, which is progressively modifying the environment and putting a strain on the biological resources of the planet. Some 844 animals and plants are known to have disappeared in the last 500 years.

Forest areas and mangrove swamps are shrinking, while hard coral cover in the Caribbean has declined from 50 to 10 percent in the last 30 years. This is happening although environmental awareness is on the rise, with an increase in the number and size of protected areas (12 percent of the land surface and 0.6 percent of the oceans). *(BL, 21.03.06)*

OECD Report Criticises US on Environmental Grounds

A recent OECD 'report card' has commented on the US's use of energy, deemed inefficient, and warned the country that it should increase its efficiency levels in the wake of rising fuel prices, if it does not want to risk losing in



competitiveness. The organisation also commented on the country's high water usage, and suggested that it should cooperate more on environmental issues at the international level.

It had some words of praise for initiatives by states, municipalities and corporations, and also commented positively on the US's success in reducing lead and nitrogen oxides emissions, its use of 'pollution permits' and its advances in environmental science. *(FT, 10.01.06)*

Water for All

– By Katherine Sierra



Katherine Sierra

This month, water once again takes centre stage at the Fourth World Water Forum in Mexico City. It is an opportune moment: while much of the world's attention has been fixed on issues of energy supply and security, hundreds of millions of people in the developing world continue to see the supply and security of fresh water as equally, if not more, important.

Surveys undertaken by the World Bank in developing countries show that, when poor people are asked to name the three most important concerns they face, 'good health' is always mentioned. And a key determinant of whether they will have good health or not is access to clean water.

More than a billion people around the world today do not. As a result, they are increasingly vulnerable to poor health. The World Bank estimates that by 2035, as many as three billion people, almost all of them in developing countries, could live under conditions of severe water stress, especially if they happen to live in Africa, the Middle East, or South Asia. This will cause obvious hardship, but it will also hold back the economic growth needed for millions of people to escape poverty.

In Latin America, about 15 percent of the population – roughly 76 million people – do not have access to safe water, and 116 million people do not have access to sanitation services. The figures are worse in Africa and parts of Asia.

This is a situation that few people in rich countries face. Generally, these countries' citizens enjoy services that provide for all water needs, from drinking to irrigation to sanitation. In addition, other water-related issues, such as the risks posed by flooding, have been reduced to manageable levels.

Rich industrial countries have invested early and heavily in water infrastructure, institutions, and management capacities. The result, beyond the health benefits for all, has been a proven record of economic growth; one only has to look at investment in hydropower to see the positive impact of water management projects on many economies.

Moreover, rich countries have a certain advantage: they benefit from generally moderate climates, with regular rainfall and relatively low risks of drought and flooding. Even so, they are not immune to water-related disasters, as Hurricane Katrina's destruction of New Orleans taught us.

But the impact of such events on poor countries is much greater. Extreme rainfall variations, floods, and droughts can have huge social and economic effects and result

in the large-scale loss of life. The Gulf coast of Mexico and Central American countries have repeatedly experienced such tragedies, with poor communities the most vulnerable and the least able to cope.

Ethiopia and Yemen are equally stark examples. Ethiopia's development potential is closely tied to seasonal rains, so high rainfall variation, together with lack of infrastructure, has undermined growth and perpetuated poverty. A single drought can cut growth potential by 10 percent over an extended period. Yemen, for its part, has no perennial surface water; its citizens depend entirely on rainfall, groundwater, and flash flooding.

To move forward, developing countries need new water infrastructure and better management. Any approach must be tailored to the circumstances of each country and the needs of its people, but there is no fundamental constraint to designing water development investments that ensure that local communities and the environment gain tangible and early benefits.

In some countries, new water infrastructure may mean canals, pumping stations, and levees. Still others might need deeper reservoirs, more modern filtration plants, or improved water transport schemes. These can all potentially be designed to improve and expand water supplies for power generation, irrigation, and household and industrial use, while providing security against droughts and protection from floods.

The key to successful increased investment in water infrastructure is an equally increased investment in water institutions. Badly managed infrastructure will do little to improve peoples' health or support economic growth, so water development and water management must go hand in hand. Water infrastructure can and must be developed in parallel with sound institutions, good governance, great attention to the environment, and an equitable sharing of costs and benefits.

A water investment policy that reduces the vulnerability of the poor and offers basic water security for all will require customised planning and an effective partnership of donor countries, developing country governments, the private sector, and local communities. Delegates to the World Water Forum will have ample opportunity to forge and/or strengthen these partnerships. If they succeed, the rewards for the world's poor will be immense.

*Vice President for Infrastructure at the World Bank.
(Project Syndicate, March 2006)*

Russia Grants GI Cover

Russia has granted geographical indication (GI) protection to three Indian products: *Darjeeling tea*, *Alphonso mango* and *Basmati rice*. The protection is only accorded to these three products, and only in Russia.

The lengthy bilateral trade negotiations between the two countries led to the signing of Russia's WTO accession agreement with India; however, they have also provided a platform for the strengthening of their economic relations, which had been deteriorating of late (bilateral trade sunk to US\$650mn in 2004, from US\$950mn four years earlier).

Among the new initiatives envisaged by the two countries are: the formation of a Joint Study Group (JSG) to examine the feasibility of a comprehensive economic cooperation agreement and expanding the use of the US\$2bn worth of Rupee-Rouble debt to cover investment as well as purchase of goods – so as to attract Russian investors to India.

Moreover, German Gref, the Russian trade minister, has implied that both countries are to blame for the current state of things, and that the renewed will to dialogue should move its focus from 'state-to-state' to being more business-based.

(FE, 06.02.06)

Tackling Counterfeit Drugs

With the growing fear of the world's population about diseases such as AIDS, cancer and recently 'bird-flu', the market for counterfeit drugs has expanded enormously – up to 50 percent of the entire market in some (mainly developing) countries. This situation is exacerbated by the fact that in many states counterfeiting is not covered under criminal law, therefore it becomes a potentially lucrative activity with little risk involved. The problem with counterfeit drugs, as Howard Zucker, top official at World Health Organisation's (WHO's) on pharmaceuticals points out, is that unlike a fake handbag, they can kill.

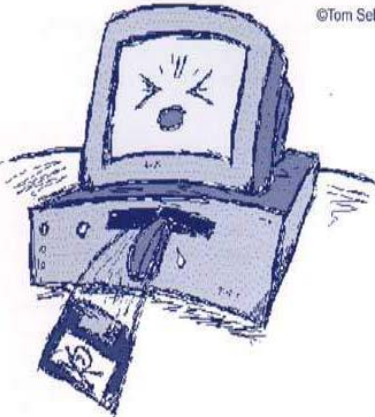
In the wake of this threat, the WHO has organised a conference in Rome, which focuses on the fight against counterfeit drugs. The organisation, together with the

international pharmaceutical industry, is planning to establish a taskforce for this purpose, to be presented at the conference. Its focus will be on the reinforcement and implementation of national laws, awareness-raising by consumers and health professionals and strengthening international cooperation on the issue, as well as more hi-tech solution such as electronic tagging. The proposal to establish an international treaty on combating counterfeit medicines has been abandoned, since it would involve time-consuming negotiations, while there is dire need for some action.

(FT, 16.02.06)

China-US Row over IPR Infringement

Although China has launched some anti-piracy measures that have produced some results, US businesses loudly complain that this is not enough. They claim to be making conspicuous losses because of Chinese counterfeiters. However,



the threat of filing a complaint against China at the WTO is not going to become a reality, unless some hard evidence of Chinese deeds is provided. This has, up to this day, proved to be a problem, mainly because of confidentiality issues. However, as Mendenhall, general counsel of the Office of the US Trade Representative, says, "You need to arm us with the facts".

(FE, 03.03.06)

China Leads in Patent Filing

The increasing export market of Chinese hi-tech products has caused the country to augment its filing of international patents, i.e. patents that are valid in several countries at once. In 2005, China was the 10th largest international patent seeker – notwithstanding the fact that it is under pressure from the US to tighten its own anti-piracy and Intellectual Property Right (IPR) laws. Generally, there has been an upsurge of patent filing in 2005: a total of 1.34 lakh applications took place in 2005, a rise of nine percent from the 2004. Asia was the leader of this new trend, thanks to China, of course, and also Korea and Japan.

(BL, 04.02.06)

Market Closed over Fake Goods

Initial attempts of the Chinese authorities to curb the sale of counterfeit goods in the famous Xiangyang market in Shanghai, through posters alerting tourists as well as the more traditional methods of stall closure and confiscation of goods, did not yield great results. Therefore, it was decided to shut the market down, thus removing the problem at its roots.

Tourists will now be devoid of the temptation of purchasing fake goods sporting brand names such as Vuitton or Prada. The city now holds the record of being the first in China where a thriving market is closed because of proliferation of counterfeited goods.

(BS, 09.01.06)

Lawsuit against Piracy

The Beijing Xiushi Haosen Clothing Market has been held responsible by a local court of intentionally providing convenient conditions for the sale of fake branded goods on its premises. Xiushi Haosen has appealed against this ruling, on the grounds that it has tried to crack down on illegal activities and it should not take the blame for not having entirely succeeded.

However, this case has demonstrated that market landlords can indeed be held responsible for the actions of their tenants, thus creating a breathing space for the owners of popular brands like Burberry, Chanel and Prada, which are among the favourites of counterfeiters.

(FT, 06.01.06)

Coalition against Immigration Bill

A coalition of 24 organisations in US grouped together to defeat an Immigration Bill passed by the House of Representatives urging Senate to come out with its own version of the law for illegal immigrants. The coalition reasoned that the Bill, if made a law, would turn some 11 million illegal immigrants into felons, which would disturb the peace of the country.

The President of the US Chamber of Commerce expressed his disappointment over the Bill, which according to him failed to recognise the contributions of the immigrants and their growing need in the country in future.

The one bipartisan proposal put forth by two senators opines that the illegals would be eligible for work permit that would last for six years. For this, they would have to pass a criminal background check, possess the ability to speak English and have to pay a fee of US\$2,000. At the end of six years period, they could apply for permanent residency and five years after getting the 'Green Card', apply for American citizenship.



(FE, 20.01.06)

New Year Gift to Indian Workers

The year 2006 is going to open the door for Indian skilled workers in the form of easy work-visa regime. The South African Government has proposed to amend the immigration law by liberalising the work visa regime so that the Indians get a better access to migrate temporarily.

South Africa, being one of the fastest growing research rich economies, is becoming the current hot destination for the Indian workers to migrate.

South Africa is recognising how Indian vocational degrees can provide services in the teaching project management, accounting and budgeting where there is a big gap. To fill this gap in skill development, a large number of Indian skilled workers are needed.

Due to the stringent immigration laws in the European countries and US, the entry of Indians has been restricted. This provided an advantage for South Africa, to attract a sizeable number of skilled workers by relaxing her immigration law.

(ET, 02.01.06)

US Joins Boycott of Coke

The University of Michigan in the US, which has 50,000 students, became the 10th college to stop selling Coca-Cola products because of concerns arising from accusations about the company's treatment of workers in bottling plants in Colombia and environmental problems in India.

Labour activists have said that Coca-Cola, through its Latin American bottlers, has been complicit in the deaths of eight union leaders

and in continued harassment of unionised employees.

In India, activists led by two groups, Corporate Accountability International and the Campaign to Stop Killer Coke, have accused Coke of polluting the soil and groundwater near several bottling plants, of severely reducing groundwater levels in drought-prone areas and of failing to install adequate filtration systems that would remove pesticides from the water used to make its products.

From 2005 onwards, New York University, Rutgers University in New Jersey and Santa Clara University in California, among others, have stopped selling Coke products.

(TH, 01.01.06)

Indian Doctors in Trouble

A large number of overseas doctors, mostly from India, who had flocked to Britain in response to the UK National Health Services' global appeal for more staff, are facing unemployment, penury, poverty and discrimination, a report said. The grim situation can be gauged from the fact that many doctors flock the Sri Mahalakshmi Hindu Temple every evening to get free food. More than 6,000 doctors who passed the professional and linguistic assessment board (PLAB) test face months of hardships or even return home penniless.

A survey by the General Medical Council (GMC), UK, shows that less than half of those who passed the PLAB test in summer 2004 found work within six months, and a quarter were still unemployed a year later. The situation is likely to be worse in 2006.

The British International Doctors Association has accused the government of exploiting the situation by charging doctors hefty fees each time they renew their visa.

(ET, 03.01.06)

Clinical Depression to Hit Hard

In the next 20 years, clinical depression is expected to become the most expensive disease in healthcare budget in the industrialised countries. The factors include work overload, personal loss, illness, harassment at work place, job changes, loss of motivation etc.

According to a survey, more than 54 million Americans have a mental disorder in any given year but only around eight million seek treatment, Anna Oldman, chief operating officer, Personal Performance Consultants (PPC) Worldwide, India, said.

"Surveys undertaken in Western countries indicate that 85 percent of employee termination is due to psychological problems and 20 percent of the employees feel bullied at work. The fast paced environment, time-critical schedules, fluctuating work patterns and job insecurity in the IT/ITeS industry in India makes it imperative for India Inc. to provide psychological support to its employees also", she added.

(BS, 14.03.06)

Australia Tightens Migration Norms

Australia might tighten migration norms due to a surge in overseas student population. In 2005, there were approximately 20,000 Indian students in Australia. Nearly 90 percent of the enrollments are in IT, engineering, management, accounting, applied science and hospitality programmes. Now overseas or international students would be subjected to a stricter regime before qualifying for a permanent immigrant visa under the skilled migration programme. Australia is considering creating a temporary visa category that overseas students will have to apply for in order to gain work experience before being eligible for a permanent skilled migration visa.

Proposed changes are being considered as a part of a re-examination of the skilled migration programme being undertaken by the Australian government that hopes to introduce the new skilled migration programme in May 2006. (ET, 31.01.06)

Commentary on the WTO Ministerial Meeting

– Doeke Eisma, Chairman & Pieter van der Gaag

The preamble of the WTO Agreement puts sustainable development at the heart of the organisation. However, based upon the poor progress made on environmental issues, one minister suggested that countries for now do not seem ready to add the element of sustainability to their work, the preamble of the WTO agreement notwithstanding. Certainly, increasing the complexity of what is in front of negotiators now might make achieving success in the trade round nearly impossible, especially in the middle of a WTO crisis in which the world's largest blocks seem unable to find common ground, even in high-profile negotiations such as those on agriculture. This might lead one to presume that, for the time being, negotiators consider, including sustainable development in their agenda as 'something' for the 'next time'.

However, short-term gains that may result from trade liberalisation may prove devastating to achieving long-term sustainability. For example, the proposal submitted in October 2005, by Canada, Hong Kong China, New Zealand, Thailand and the US to reduce tariffs on forest products argues that such liberalisation will probably increase the value of exports for producer countries, increase the volume of trade and as such increase revenue, resulting in positive social impacts in the short term and a greater ability to invest in proper management.

However, these predictions can be juxtaposed with the conclusions of the United Nations (UN) Millennium Ecosystem Assessment, which warns that increased trade in forest products coming from badly managed forests will exacerbate deforestation and biodiversity loss to an extent that the long term effects will likely result in a loss of this economic base. As the Millennium Ecosystem Assessment shows, the problems our ecosystems are facing are urgent and WTO negotiators need to deal with these issues this time.

So what did happen around the environment in Hong Kong?

In the NAMA negotiations, discussions took place on the side



on how to address non-tariff barriers (NTBs), including standards relating to the environment, but nothing was agreed on. The series of environment-related negotiating issues under Paragraph 31 of the Doha mandate have all been left unresolved. The negotiators simply agreed to continue to work on addressing the relationship between Multilateral Environment Agreements (MEAs) and WTO rules, but at least negotiators did not drop this discussion. The same holds true for the negotiations focusing on the relationship between the Trade Related Aspects of Intellectual Property Rights (TRIPs) Agreement and the Convention on Biological Diversity (CBD).

The negotiations on environmental goods and services did not move forward one inch from where they were left prior to the Hong Kong Meeting. What this clear lack of progress may signify is a view amongst trade negotiators that the environment is a secondary issue, and that the negotiations had more important issues to tackle first. Regretfully, it shows that there is still little understanding of the direct link between ecosystems and trade policy, and thus the importance of considering and addressing the environment/trade policy linkage.

In this context, environmentalists must play a more active role in researching and clarifying the relationships between trade regimes and ecosystem degradation and biodiversity loss. They need to understand what the industrial goods and agriculture negotiations will

mean for natural resource use and ecosystem services in order to be able to better safeguard these resources and services. Environmentalists still lack some of the basic understanding – a few environmental economists amongst us aside – what the liberalisation of trade means for quantities of trade flows; how and if producers can re-invest revenues earned from trade into sustainable management of resources, including in environmental technology for those sectors; and whether trade liberalisation will enhance the ability to produce goods more efficiently and to use natural resources sustainably.

Environmentalists must do more to link their knowledge about commodity chains and ecological footprints to economic rule making. Let the lack of priority given to environmental issues in Hong Kong result in more interaction between environmental groups and trade policy makers at home and in Geneva. This understanding also opens up possibilities for the negotiators in the Committee on Trade and Environment as they try to grapple with the relationship between MEAs and their secretariats and the WTO. When natural resource protection as a goal is included in the WTO disciplines, it becomes a must to involve expert institutions, also in dispute settlement.

(Project Leader Policy Coherence, IUCN National Committee of the Netherlands; ICTSD; Bridges TradeBio Res, 20.01.2006)

Hanging By a Thread

Perspectives on the WTO Ministerial in Hong Kong

"Hanging By a Thread: Perspectives on the WTO Ministerial in Hong Kong" is another momentous publication from CUTS International, like its previous one "We've been here before" which was brought out after the Cancun ministerial in 2003, that touches the whole gamut of trade negotiations pulsating around the Doha round. This book, which is divided into three parts, is a compilation of 59 articles written by world renowned experts, ministers, commentators, analysts, editors, trade representatives, and legal advisors. Among the leading names that have contributed to this compilation are: Kofi Annan, Pascal Lamy, Peter Mandelson, T N Srinivasan, Jagdish Bhagwati, Pradeep S Mehta, Biswajit Dhar, Abid Qaiyum Suleri, Kamal Nath, Rob Portman, Larry Eliot, Martin Wolf, Arun Jaitely, and Ratnakar Adhikari, among others.

The independent views expressed candidly from different angles and perspectives on a single topic help open up a whole new world of issues, essence and aspirations at stake around the WTO Hong Kong ministerial. These viewpoints were expressed prior to, during and after the Ministerial from around the world.

The main objective of this book is to assist trade negotiators, trade policy officials and the trade community at large, who are on a tight rope walk while doing research and advocacy on WTO by presenting divergent views.

Part-I of the book, which contains 18 articles collected from international newspapers and journals, deals mainly with the optimisms, apprehensions and suggestions for a successful completion of Doha Round at the Hong Kong Ministerial as voiced in the article, "If trade liberalisation fails" by Martin Wolf that "...such failure ...would undermine the credibility of the WTO" while Peter Mandelson asks in a pessimistic tone, "where does Doha go from here"? in his article "Where next for Doha?" published in the Wall Street Journal though admitted "Doha round of world trade talks is full of hard-boiled negotiators". If the article 'Tough talks' predicts the Hong Kong Ministerial to be "fractions and frustrating", 'How to resolve the world trade talks deadlock' by Jagdish Bahwati shows some silver lining in the trade talks amidst "near breakthroughs and near breakdowns". As the Hong Kong Ministerial drew nearer, the patience seems running out, as is evident from the 'Will we make history in Hong Kong'?

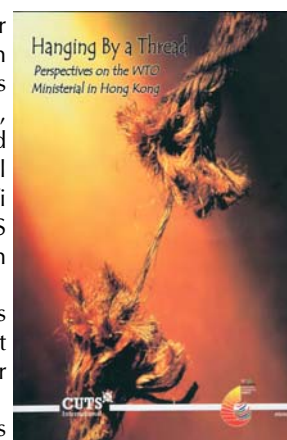
Part-II contains 12 articles written during December 13-18, 2006, including the 'Excerpts from Ministerial conference diary', most notably 'Don't give up on Doha' by T N Srinivasan advises to continue with in spite of the "torturous history of the Doha round". While the article, 'The real face of free trade' "reveals its ugly side, the African perspective seeks to take lesson from the evaluation of Hong Kong city itself which was "barren rock; now, thanks largely to open trade and free economy, is thriving and prosperous". 'The Declaration for the World Trade Organisation ministerial meeting' expects to solve the riddle that Bard of Avon created when he says, "there is a tide in the affairs of men" before grabbing the "opportunities arising in the South-South trade... and billions of dollars of potential benefits being forgone".

Post-Hong Kong analysis in Part-III lays bare the mixed reactions at the 'No breakthrough, but no break-down either' outcome, which is nicely explained brief in 'Six days in Hong Kong by Aftab Alam Khan. For Kamal Nath 'The struggle has only begun' whereas Henry Bwisa has 'Something to smile about from distant Hong Kong'; but interestingly, UN Secretary General was 'Relieved at the result of Hong Kong trade talks' though The Economist unearths the 'Hard truth' about the Doha round. If Mexican view still would like to decipher the 'The true meaning of Hong Kong', then the American perspective struggles to 'Keep Doha alive' even though it is hanging by a thread.

Arun Jaitely took the leaf out of Peter Mandelson's nitty-gritty phrase, "hard-boiled negotiators" while extending due credit to the developing countries' strategy, stamina, and strength. And rightly so because Pradeep S Mehta and Pranav Kumar seem satisfied in 'Hong Kong ministerial – Another show of South solidarity' that proved to be instrumental in saving the Doha round as is ridiculously echoed in 'Hong Kong phooey' by Carlo Stagnaro. What a symbolic conclusion that we find in the article 'Over to the next meeting', which sums up the entire talks, however, 'Any lesson learnt' rings in the ear for long. Do we hear?

The three "Exhibits" adds value to the overall compilation, which gives a sense of completeness to the book. It will surely assist the future leaders and negotiators, but it will be no less important for researchers and students of WTO trade talks. A copy for those even least bothered about WTO issues is a must.

(Suggested Contribution: Rs.300/US\$20)



SOURCES: BS: BUSINESS STANDARD; BL: THE HINDU BUSINESS LINE; ET: THE ECONOMIC TIMES;
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