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Trade Goes Global, Labour Remains Local

Even though the world economy becomes increasingly integrated and barriers to flow of goods, services and capital get progressively reduced, the movement of people is still subject to severe restrictions. While there is consensus on the benefits of an open trade regime and relatively liberal capital movement, that consensus rarely goes on to ensure free trans-national movement of the people as such. The paradox of free movement of man-made objects (goods and money) and least mobility of men themselves makes for an interesting case to be studied, understood and explained.

In this perspective, it is misleading to talk about globalisation today; for, in reality, the integration of factor markets is, at best, only half-complete. Labour, one of the two mobile factors of production, has largely been left out of the process of trade liberalisation. Economically speaking, preventing movement of factors–labour and/or human capital–from lower to higher productivity activities (countries) may entail a global welfare loss in terms of foregone world output.

In many developed countries, albeit in varying degrees, foreign workers have been more widely admitted over the past decades; but this trend applies only to the skilled workers. In most cases, unskilled workers are excluded from liberalisation schemes, resulting in their emigration through illegal channels to flee poverty in their home country. As the native population of developed countries would start ageing and average level of training and education goes higher, these economies would face an increasing scarcity of less-skilled labour. Thus, immigration should not be perceived as a threat for the domestic labour market. In fact, in most cases, it makes up for the native labour shortage.

Therefore, when the General Agreement on Trade in Services (GATS) was negotiated during the Uruguay Round, one of the main objectives was to ensure greater mobility of natural persons. The GATS addresses trade in services through four modes of supply. The presence of natural persons, referred to as Mode 4, is one of the four ways of trading a service under the GATS. Recent estimates, based on limited empirical information, suggest that Mode 3–commercial presence–accounts for more-than-half of the world trade in services, Mode 1–cross-border trade–for nearly a fourth, while Mode 2–consumption abroad–contributes less than one-fifth. Mode 4 was found to be nearly insignificant, a little one percent of the services trade.

Immigration can prove another factor in global economic integration. Economic ties between immigrants and their home country are often strong: immigrants trade with and invest in their home countries and send money to their families. According to IMF, remittances exceed $70bn per year. Remittance levels are often much higher than trade or investment flows and contribute significantly to the GDP of certain developing countries.

Not only do the immigrants contribute to the economic development of their home country, they also make significant contributions to their host country's public finances. For example, in 1999-2000, emigrants in the UK contributed about £31.2bn as taxes and increased public expenditure by £28.8bn through their receipt of public goods and services, resulting in fiscal contribution of around £2.5bn — 10 percent more to public finances than they took out.

Economist Jagdish Bhagwati, in *Foreign Affairs* (January-February 2003), argues: "Migration lies close to the centre of global problems. Rich countries are trying to attract skilled immigrants and keep unskilled ones out, while the poor countries are trying to keep skilled labour at home. Both sides are doomed to fail. The reality is that borders are beyond control and little can be done to really cut down on immigration. Thus, there must be a seismic shift in the way migration is addressed: governments must reorient their policies from attempting to curtail migration to coping and working with it to seek benefits for all."

Bhagwati also wants industrial countries to accept unskilled immigrants, arguing that a combination of NGOs, protecting migrants' rights, and employers, who want to hire unskilled foreign workers, makes it impossible to prevent their entry, stay or employment.

The very rationale of international trade–be it in products or factors of production–lies in exploiting differences among countries in terms of availability of natural and human resources, subsequent comparative advantage etc. The larger the differences, the greater potential gains from trade. As for movement of labour, if medium and less skilled workers are allowed to move to developed economies, large returns would be feasible.

INSIDE

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Will Doha Agenda Move Forward After EU's CAP Reforms?

Why so much euphoria over the decision to reform the much-debated Common Agricultural Policy (CAP) of the European Union (EU)? It is but a blip in trade semantics. Perhaps the decision to decouple subsidies from production would act as a disincentive for EU farmers to overproduce. But, "whether it will curb the trade-distorting effects" is a million-dollar question. Agricultural subisidies is one among few contentious issues, acting as a logjam in the Doha Round of trade negotiations.

The reform decision was adopted by EU farm ministers at Luxembourg on 26th June. The world heaved a sigh of relief in the hope that it will help remove the ongoing deadlock in the negotiations of the Doha Round of the WTO. Said Dr Supachai Panitchpakdi, Director-General of the WTO: "The EU has done a great deal to move the process forward." This is, probably, a politically-correct statement for the WTO head to make, though his feelings are not shared widely. More on that later.

This small step is just one of the three main pillars of the required reforms in the agriculture sector, *i.e.* trade-distorting domestic subsidies. The other two, and certainly more critical are: export subsidies and tariff barriers.

The proposal to take out $50bn from direct production subsidy and give it to the same farmers as income support is somewhat like taking out an amount from the left pocket and putting it into the right one. However, there is a catch here — the production-based subisidies will continue to be paid for as much as 25 percent of EU's cereal crops and 40 percent of its beef production. These two products are of greater interest to the poor countries as well as the Cairns Group (alliance of developed and developing country agricultural exporters). Further, overall support given to the EU farmers might not reduce significantly, thereby, leading to continued overproduction and dumping the left-overs in developing countries.

Export subsidies depress prices and do not allow exports from the poor countries to be competitive in the Third World as well as in the EU. Besides, high protective tariffs also restrict exports to the EU. Thus, agriculture in the poor countries suffers and hinders development and poverty-reduction efforts. On the other hand, EU consumers also suffer because they pay high prices for agricultural goods. It is, thus, a lose-lose situation for everyone.

The only winners are a few rich EU farmers. In a 1992 study, the European Commission (EC) found that 80 perent of the subsidies went to only 20 percent farmers. For example, the British *Sunday Times* reported that Queen Elizabeth is to receive £220,000 for her Sandringham Estate, while her daughter—Anne—is to receive £400,000 over five years for her Gatcombe Park farm. Even Arab princes are cashing in, reported the paper. Saudi Prince Khalid Abdullah al Saud claimed £120,000 in 1995 for his country estate in Kent. The situation hasn't changed much even after a decade and a proposal to address this creamy layer does not seem to have been taken up seriously.

Measure of direct subsidies paid to farmers in OECD world (in Euro mn)

Country	Amount
European Union	103,937
USA	54,715
Japan	52,750
South Korea	18,801
Mexico	7,299
Switzerland	4,706
Canada	4,386
Norway	2,427
Poland	1,616
Australia	923

But, as it is, agricultural support in other rich countries is equally scandalous, and therefore, distorting development in the poorer parts of the globe. The US is the second-biggest subsidiser in absolute terms, though as percentage of farm incomes, Switzerland, Norway, South Korea and Japan beat the EU and the US. However, the US has cleverly hidden most of its subsidies under permissible heads in the WTO agreement on agriculture. An Organisation for Economic Cooperation and Development (OECD) report in December 2001 gave the total subsidy figures (see table).

In response to the EU farm minister's decision, US officials reacted that the overhaul doesn't go far enough, rejecting the proposition that the US is now obligated to overhaul its own agricultural policy (as reported by the *Wall Street Journal)*. Even the US farm groups joined the chorus and charged the EU for not travelling the whole distance, terming the EU move a "minimal reform".

If one reads the reactions carefully, one can see that the euphoria may turn out a short-lived one. Agriculture has always been the most contentious issue between the two trading giants, and has been, thus, either a dealmaker or a dealbreaker in trade negotiations. On the three issues of liberalisation in agriculture, the US stand appears to be much more clear than EU's. It has indicated its willingness to eliminate export subsidies and cut tariffs to bring them down to a peak of 25 percent.

One main cause of the US dismay is that for it, access to EU markets is more important than even subsidies. Notwithstanding the stand-off on genetically-modified organisms (GMOs), the US farm lobby would like to see tariff barriers brought down. This is quite vital for the success of farm talks at the WTO, and thus the US and the Cairns Group are laying huge emphasis on this.

The battle is not yet over, and the ball may be thrown back into the EU's court. In this game of ping-pong, if the EU is able to convince the US to reduce its own subsidies, then the Doha round may move forward with far less hiccups.

Like in any similar situation, other countries also have a stake, and how they see the situation will also be of consequence in the forward movement of the Doha agenda. In sum, things remain still muddled instead of straightforward in this complex scenario.

As far as the EU is concerned, there is clearly a huge task before Franz Fischler, the EU farm supremo. It was, perhaps, too early for him to have uncorked the bottle of champagne at Luxembourg.

Germany Dumps Fiscal Pledge

The German government dropped its pledge to balance its budget by 2006, adding strain to eurozone stability pact. The country is battling to cut on spending and avoid recession.

Chancellor Gerhard Schroder told a Berlin newspaper: "A balanced 2006 budget would require growth rates that I cannot expect and if achieving this meant cutting spending as much as revenues are falling, or giving up the 2005 tax reform, I would not be ready for it."

Hans Eichel, the Finance Minister, admitted that the deficit would be above the stability pact's ceiling of three percent of the gross domestic product this year.

However, a European Commission official said that Germany's decision to drop 2006 target did not mean that it would necessarily breach its commitments under the pact. Germany's decision could further dent confidence in the stability pact, designed to keep fiscal profligacy in check within the eurozone. *(FT, 12.05.03)*

Budgetary Woes for US States

More than 30 US states face long-term budget shortfalls. These will force permanent tax increases, spending cuts or both, a study by the National Bureau of Economic Research revealed.

Among the 15 states with the biggest long-term imbalances are New York, California and Pennsylvania.

However, the results are conservative. The figures do not take into account the current cash crunch, new funding obligations for education reforms and homeland security and the acceleration in healthcare costs.

Laurence Kotlikoff, the Boston University Economics Professor and co-author of the study, said: "I don't see a systematic assessment of the fiscal solvency of these states. States can't go broke overnight, so the real issue is how well they are going to be able to pay their liabilities and obligations over time." *(FT, 29.05.03)*

IMF Funds and Pak Growth

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) has come out with its first annual report, highlighting the results of the prolonged use of fund resources (UFR). Montek Singh Ahluwalia, India's former Finance Secretary, is the director of this office.

Pakistan was one of the cases in study with the IEO. It pronounced that Islamabad's prolonged UFR points to "a limited effectiveness of its IMF-supported programmes".

The IEO noted that from 1970 to late 1980s, Pakistan enjoyed an impressive growth performance (6-7 percent annually, on an average). But the scenario worsened distinctly from then onwards, as growth faltered, and continued failure to rein in the fiscal and current account deficits led the debt to become unsustainable.

Pakistan made an intensive use of the IMF resources during the period, but it became more and more dependent on the IMF-supported programmes towards'80s-end.

The IEO said the lesson that the Fund should get is that it should refrain from providing resources in support of a programme that is not genuinely owned by the authorities, especially so when there is not a strong commitment to a core set of necessary adjustments and reform measures. *(BL, 28.05.03)*

Global Tension & Businesses

Corporate executives gathered at the World Economic Forum (WEF) in Jordan in late last June expressed concern over the geopolitical tension hampering their business interests and felt that only few have immediate plans to boost investment despite the end to the Iraq war.

This has come out of a survey conducted on 200 private-sector executives. It also revealed fears that companies' national or cultural identities were affecting the sales outside their respective home markets.

Such "Freedom Fries" effects (named after the attempt to rename "French Fries") have received much attention but been hard to prove in the actual data. Less than 10 percent of the executives, largely Europeans, planned to dissociate their corporate identity from their company's nationality.

Furthermore, there was a clear divide among the respondents of different nationalities for reducing global uncertainty. American and Middle-Eastern executives, in particular, thought the US would be in the strongest position to do so. Of those, who thought the UN was better placed to reduce political tension, almost all were European. *(FT, 20.06.03)*

Studying Economic Tie-Up

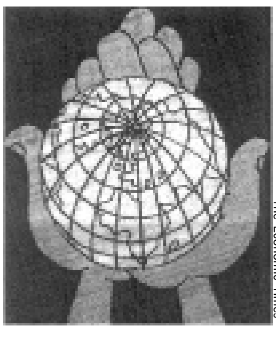
Brazil and Argentina are South America's two largest economies and gradually emerging from financial crisis. And, they are relaunching ambitious plans for economic integration.

The Brazilian government announced its plan to create a $1bn-fund to finance the proposed bilateral trade. There is also a renewed talk of a common currency and both sides have set up a negotiation framework for the purpose.

The bilateral investment fund is to be financed largely by the BNDES, Brazil's huge state-run development bank. It would promote not only Brazilian but also Argentine exports. Loans would be supported by central bank guarantees, BNDES officials said. *(FT, 08.05.03)*

Reforms: The G-7's Focal Area

The finance ministers of the Group of Seven (G-7) nations and Russia are apparently stuck to "cautious confidence" and looking at the long-term prospects for both rich and poor regions alike. At a meeting in Deauville, France in May last, the ministers devoted much of their time to medium-term economic reforms and links with the Third World.



The Economic Times

The G-7 members felt the dangers to the global growth and prosperity were receding, though they did not announce any urgent or coordinated steps in terms of monetary, fiscal or currency policy. This was at a time when the dollar was about four-year low versus the euro and two-year down against the yen.

At least three countries of the G-7 club experienced a dire first quarter in 2003, with stagnant or declining output. However, they hoped this would be reversed by a post- (Iraq) war upturn in the consumer and business optimism.

A rebound on the world stock markets in recent times and the data on the US consumer spending are expected to further these hopes. *(BS, 19.05.03)*

'Fragmented' SE Asia at Risk

South-East Asian leaders were told that they had failed in their goal of persuading investors to consider the fragmented region as a single, integrated market. A study by McKinsey states: "…this is essential if the area is to be successful in competing for investment with China.

"The clear message from the investors is that they do not see an ASEAN (Association of South East Asian Nations) market *per se* for goods and services, but rather a disparate mix of 10 largely distinct markets," the study reads.

South-East Asian countries began talking of economic integration in the early 1990s, but began tackling the issue seriously only after the 1997 financial crisis. But McKinsey maintains that the expansion of ASEAN from six to 10 members just before the economic crisis has hampered the progress.

Many of the region's leaders are still unconvinced or uncertain about the benefits of deeper integration, and worse yet, ASEAN lacks strong institutions to take the lead. The result had been a "partial and half-hearted" integration effort, the study suggests. *(FT, 17.06.03)*

Caution Over Deflation

A special International Monetary Fund (IMF) deflation task force warned of a high and increasing risk of deflation in Germany, Taiwan and Hong Kong and of worsening deflation in Japan. However, it concluded that the risk of a global deflation is "still low."

"Deflation is seldom benign. It can be costly and is difficult to anticipate," IMF economists warned in a manifesto, aimed at prodding governments and the central banks.

"It is better to prevent deflation than try to cure it, and monetary policy must take the lead," the task force said. It called for special attention to Germany, where underlying inflation is below one percent, unemployment and unused capacity are high and rising, and banks are struggling.

The IMF experts also blamed the impact of falling prices in China on the transitory factors. Of course, the government's anti-deflation fiscal and monetary policies, buoyant private demand and increasing real estate prices diminish the deflation chances, they hinted at the SARS factor as a potent threat. *(WSJ, 20.05.03)*

New Adequacy Rules

Large internationally-active banks will have a financial incentive to move towards more complex capital adequacy rules. The Basel Committee on Banking Supervision observed that the planned Basel II capital adequacy rules showed the banks, adopting the most advanced of the new regulatory standards, would need less capital than the ones under the present rules to cover their risks.

Basel II, to be introduced at 2006-end, includes three ways of fixing minimum capital requirements for bank lending. The most sophisticated one was tested by large international banks from 13 financially important countries represented on the Basel Committee. This is known as advanced internal ratings-based (IRB) approach.

The results showed that, on an average, the big EU banks adopting the advanced IRB approach would require 6 percent less capital than under the existing Basel I rules, devised in 1988. *(BS, 07.05.03)*

Czechs Warned on Public Spending

European Union officials warned the Czech government to bring in swift reforms *vis-à-vis* public procurement, or else they would risk missing out on EU aid.

"If the public procurement is not *acquis* compatible [in line with EU rules], not one single cent of EU structural funds will flow into the country," said the first secretary at the EU delegation in Prague, Ruud van Enk.

Brussels has criticised the Czech public procurement system for giving too many exemptions to awarding contracts by open tender. In its 2002 report, the supreme audit office of the Czech Republic reported that the law "is being broken often and the consequence is creation of good conditions for spreading corruption".

Although a new public contracts bill has been submitted to the Czech cabinet's legislative council, EU officials think it still has too many exemptions. *(FT, 16.04.03)*

US Tops Competitive Economy Chart

The US has again been ranked the world's most competitive economy, weathering the global economic slowdown better than its European rivals. The US economy got this honour following a ranking index, prepared by the International Institute for Management Development (IMD), the Swiss business school.

This year, IMD has split its rankings into 30 large and 29 small countries with nearly 20 million population. The US is closely followed by Australia, Canada and Malaysia. At the bottom of the large-country table are Venezuela and Argentina, with Indonesia, Poland and Russia just above them, IMD index records.

Among the small economies, Finland leads the pack, followed by Singapore, Denmark, Hong Kong and Switzerland.

IMD compiles its index by using more than 300 criteria, reflecting not only current economic performance but also factors, like infrastructure, innovation and efficiency. *(FT, 14.05.03)*

2003 World Competitiveness
Overall Scoreboards
Group 1: Population > 20m

Country	Rank
US	1
Australia	2
Canada	3
Malaysia	4
Germany	5
Taiwan	6
UK	7
France	8
Spain	9
Thailand	10

Group 2: Population > 20m

Country	Rank
Finland	1
Singapore	2
Denmark	3
Hong Kong	4
Switzerland	5
Luxembourg	6
Sweden	7
Netherlands	8
Iceland	9
Austria	10

Source: IMD

Chinese Propel Growth

The Chinese economy grew by more than 9 percent in the first quarter of this year. The growth figures signal a shift in China, where the consumer has started to propel growth. For most of the last five years, that role had been played by the centralised government spending agencies.

There are several signs of domestic demand becoming more self-sustaining and less state-driven. Retail sales are expected to have risen in the first quarter from 8.8 percent growth rate, recorded in 2002, and could near the 10.1 percent mark, posted in 2001.

One of the main drivers of retail activity has been the frequent desire to buy cars. Nearly, 4,40,000 cars rolled off mainland production lines in the first quarter. Steel sales have also risen sharply, partly to feed the car sector. *(FT, 16.04.03)*

Bid to End Coffee Crisis

Developed countries will need to open their agricultural markets to the Third World producers. This is required to avoid a deepening of the world coffee crisis, warned a World Bank official.

Bank's Director of Agriculture and Rural Development, Kevin Cleaver, said coffee farmers need to diversify to help solve the issues of overproduction and collapse of real prices to 40-year lows. Income of many farmers have halved in the past three years.

Nestor Osorio, executive director of International Coffee Organisation, said low prices are not caused only by supply and demand issues, but also by the breaking of previous quota systems in the name of free trade. *(FT, 20.05.03)*

UK Patients in Indian Hospitals

In a bid to overcome the long waiting lists in Britain's National Health Service (NHS), some patients suffering from heart and lung ailments may be flown to India. This will reduce the time for treatment and at almost half-the-cost.

Apollo Hospital network's Director for India Yaswant Mehrotra said: "We expect negotiations to work out within months. Once this arrangement is in place, patients on British waiting lists can be transferred to Apollo's cardiac, orthopaedic and ophthalmology departments."

The Indian operations would cost around £3,000, half-the-price of surgery in Britain, including the cost of the return flight. More than a million people in the UK are currently on NHS waiting lists. One has to wait up to nine months for a cataract operation and six months for heart surgery. *(ET, 30.06.03)*

Plea to End Cotton Subsidies

Burkina Faso President, Blaise Compaore, appealed to the WTO to end cotton subsidies. He said subsidies by the US and others were undercutting the livelihood of 10 million cotton producers in Central and West Africa.

He was addressing the WTO's Trade Negotiations Committee that oversees the Doha round. He called on the members to agree on the September ministerial meeting in Mexico, a timetable for the elimination of global cotton subsidies. These subsidies are estimated to be worth $6bn a year. *(FT, 11.06.03)*

Dhaka Declaration for Cancun

The second meeting of the trade ministers of least developed countries (LDCs) endorsed a 16-point Dhaka Declaration as the benchmark negotiating tool for the Cancun meet of the WTO.

Among other things, the Declaration took serious note of the tough rules of origin that dashed LDCs' hopes of reaping benefits from trade preferences offered by the developed nations.

It also expressed concern over their continued trade marginalisation and slow implementation of the commitments by the rich nations to favour the LDCs. The LDCs' share in the world trade now accounts for only 0.4 percent.

It demanded free access to the markets of developed nations for temporary movement of natural persons, particularly unskilled and semi-skilled service providers with simplified visa procedures.

Only market access would not work unless the LDCs were provided with proportionate market share as per the capacity of each country, the trade diplomats agreed. The Declaration also sought substantial increase in technical and financial assistance for the LDCs for diversifying export base and building institutional capacity. *(TH, 03.06.03)*

'Significant Market Access' Call

In the first week of May, a two-day conclave of textiles exporting countries was held in Brussels. The meet was the brainchild of the EU textile industry, led by Euratex, with support from the European Commission.

A positive feature of the meeting was that no serious doubt was cast about the dismantling of the quota regime as scheduled (1st January, 2005).

A host of developing countries rammed home the point that "significant market access" for EU countries in textiles and clothing in the developing world would emanate only if the peak tariffs in textiles, apparels and leather products are addressed to expeditiously.

In another development, moves are afoot in the US and EU to prop up LDCs as effective competitors to India and China, the countries, which might ultimately call the shots in global trade in textiles and clothing. The US and EU are likely to extend preferential treatment to a large number of textile suppliers and concessions to the LDCs in a bid to protect their local industry. *(BL, 16.05.03 & FE, 11.06.03)*

US-Mideast FTA Idea Gets Bush's Push

President George Bush has called for a US-Middle East free trade area (FTA) within the next decade. The proposed initiative seeks to bring prosperity to a region that is "missing out on the economic progress of our time".

The Bush administration directed Secretary of State, Colin Powell and US Trade Representative, Robert Zoellick to discuss the steps towards trade liberalisation. President Bush pledged to devote US energies to assisting countries in the reforms necessary to join the WTO and fostering trade and investment opportunities.

The Economic Times

The Middle East economies, dominated by oil exports, are among the most protected in the world. US non-oil imports from the region were less than $13bn last year. The region's share of world trade has declined steadily, from 13.5 percent to less than 4 percent, since oil prices hit their peak in 1980.

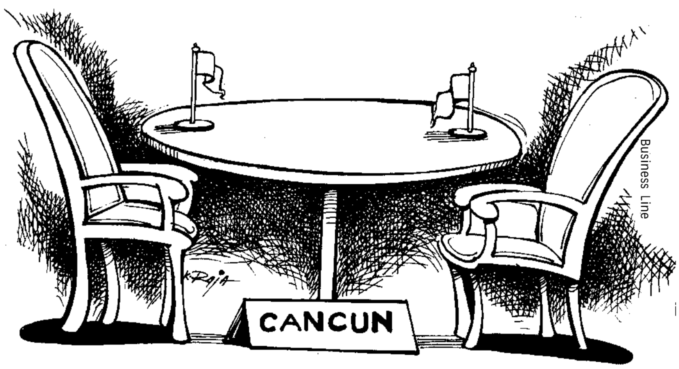
The US has entered into free trade agreements with Israel and Jordan and aims to sign a deal with Morocco by the end of the year. *(FT, 09.05.03)*

"We've to Resolve TRIPs, Public Health and S&DT Before Cancun"

*There is a growing apprehension that the forthcoming ministerial meet in Cancun may not succeed due to the agenda being overcrowded with unresolved issues. WTO Director-General **Supachai Panitchpakdi**, however, believes that if some tricky issues are sorted out, there is still hope. Excerpts from an interview by Amiti Sen of "The Financial Express", New Delhi.*

Most of the deadlines set in the Doha mandate as part of the on-going negotiations have not been observed. What do you think will be the consequences of missing the deadlines?

Although deadlines have not been met in several areas, they have been quite useful in making delegations work as hard and as fast as they can. When one is assessing the consequences of missing the deadlines, one should see what kind of approach there was towards meeting them and amount of effort put in for that. Except for one or two issues, like the special and differential treatment (S&DT), where there had been problems from the start of the negotiations, I think the approach has been quite positive.



Developing countries, including India, are quite upset that there has not been much movement on the S&DT issue although an agreement was to be reached in July last year. Shouldn't discussions have moved faster?

The first slippage of this deadline was due to complete lack of understanding among members on how to proceed on the work programme. The large array of proposals, in all 87, made it difficult for members to get a grip on it. However, now that the chairman of the General Council has come up with a categorisation of the issues, things would hopefully move more smoothly.

Do you think that the categorisation would help to sort out the issue and will be acceptable to all?

As part of the categorisation, the 87 S&DT issues have been divided into three groups. The first group comprises 37 agreement-specific issues, which are to be dealt with upfront. It not only deals with procedural agreements but also with substantial issues. The second group of 13 issues have been proposed to be considered under the regular sessions while the remaining are to be kept apart for the time being. The proposal seems to be acceptable to most. I did not hear any dissenting voices.

Are there chances of the proposal being cleared by the time of the Cancun ministerial?

We have asked delegations to support the chairman's proposal. There might be some need to adjust the categorisation a bit to cater to the interests of particular countries. I have recommended that work should be done on it before Cancun, so that ministers are in a position to give it a final nod in the ministerial meeting.

TRIPs & Public Health is another area where developing countries feel cheated. Do you foresee a breakthrough in the deadlock in the next few months?

In TRIPs (Trade-related Aspects of Intellectual Property Rights) & Public Health, we were very close to reaching a final agreement with almost everybody prepared to move with the text proposed by the chairman of the TRIPs Council on December 16 last year. Only the US, which has the largest pharmaceutical industry and research base, was reluctant to accept the draft.

However, now the US Trade Representative, Robert Zoellick, is trying to work out some solution by talking to the industry on a consistent basis. I am also trying to work out through some United Nations organisations together with the UN Secretary-General.

We are all attempting to convince the pharmaceutical industry that the agreement is not going to affect their bottomline. Gradually, the industry is realising that it cannot be seen as a culprit, responsible for wrecking the negotiations.

By when do you think an agreement on public health could be culled out?

Most probably before Cancun and latest by Cancun. This is necessary not only as a goodwill gesture but also to avoid including the issue in the Cancun agenda, which is already crowded. If we can have it out of the way, the atmosphere in Cancun will be more conducive.

What other issues will be on the priority list in Cancun?

The market access issues in agriculture and non-agriculture will receive top priority. In non-agricultural market access, we are expecting a proposal for general modalities at the end of May. While the proposal would avoid the conflict of having to specify exact figures on reduction of tariff lines, we are trying to get an agreement on the formulas to apply. The formula should actually be an average one for everyone.

At Cancun, ministers should decide on the final blend of formulas and the sectors where they want to be ambitious. The area is quite sensitive as it involves S&DT proposals and we need to spend at least a day on it.

The deadline for agreeing on modalities for agriculture has been missed. How do you see things moving in this area?

In agriculture, hopefully there will be some movement forward after the mid-term review of EU's Common Agriculture Policy. The modalities, which will be drafted, have to be a balance of all interests.

Do you anticipate problems in the discussions on Singapore issues at Cancun?

Singapore issues have become less controversial now, as there have been substantial clarifications on what is doable and what is not. It is now clear that the multilateral agreement on investment (MAI) is structured for OECD and not for the on-going negotiations. While the negotiations may touch upon the issues of transparency and national treatment, it will not make any requirements on the domestic rules and regulations.

In competition policy too, the same thing is happening. The other two issues of trade facilitation and government procurement are not as controversial.

What does the success of Cancun hinge on?

We have to resolve the issues of TRIPs & Public Health and S&DT before Cancun to avoid overcrowding of the agenda. We should try to have some agreement on formulas on non-agriculture, at least narrow down choices, so that negotiators get a clear picture at Cancun. The rest of the issues are not complicated.

(FE, 15.05.03)

Row over Memory Chips

Taiwan has threatened to introduce safeguards and launch anti-dumping investigations against South Korean memory chipmakers. The move was aimed at preventing Hynix from dumping chips in the Taiwanese market.

This has been feared since the US government announced it would levy a 44.7 percent countervailing duties on Hynix products because of unfair subsidies. The EU is also expected to take action against Hynix.

Hynix condemned the US decision to impose tariffs as an "outrageous act aimed at a hidden agenda". South Korea said it would appeal against the US move through the WTO. *(FT, 19.04.03 & 19.06.03)*

Farm Hog(s) in Limelight

There are growing complaints in Washington that Mexico is not complying with its commitments under the North American Free Trade Agreement (NAFTA), signed a decade ago.

Allen Johnson, the chief US agricultural negotiator, said that US-Mexican relations on agricultural trade were at "a turning point, one way or the other". "If we do not see an improvement in our agricultural relationship, we are prepared to take the necessary actions to protect our agricultural interests," he added.

After the elimination of tariffs on agricultural products, including pork and poultry at the beginning of this year, the Mexican government is considering whether to block imports of the US pork in an anti-dumping case, brought by its hog farmers.

(FT, 23.05.03)

India Disputes AD Action

India has challenged the *locus standi* of a groups of shrimp-producing southern states in the US that has brought an anti-dumping (AD) complaint against shrimp imports from the country.

It was India's view that the standing rules of the US commerce department in this regard should be "fairly applied". "We believe, the Southern Shrimp Alliance does not have adequate standing in terms of numbers and, therefore, we think this has to be determined by the department of commerce," said India's Commerce Minister, Arun Jaitley.

He explained that any anti-dumping issue raised has to have a 25 percent of domestic manufacturers or producers supporting it for consideration by the commerce department and the Alliance has not got that support. *(ET, 14.06.03)*

Shipyard Brawl Reaches WTO

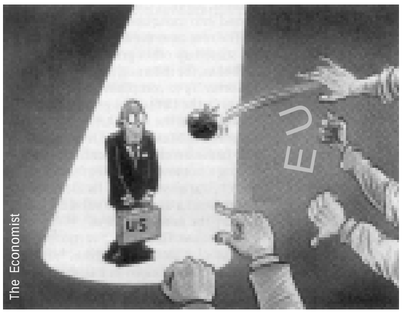
The EU sent its dispute with South Korea over allegedly unfair subsidies to shipyards to WTO arbitration panel. "The situation of European shipyards continues to be shaky," said Arancha Gonzalez, spokesperson for the EU trade commissioner, adding that perhaps, it was time now "to go to the litigation phase".

The EU has sought for years to force Seoul to stop giving what the EU considers unfair subsidies in the form of export financing by the government-owned Korean Export-Import Bank or help with restructuring, notably to Daewoo. *(FT, 12.06.03)*

GM Foods — US Proposes, EU Refuses

The US will ask the World Trade Organisation (WTO) to overturn a European Union (EU) ban on genetically-modified (GM) agricultural products. This move is likely to affect further the already strained relations between the US and its European allies.

Adding political weight to the trade action, Canada, Argentina and Egypt joined the US in sponsoring the WTO complaint to lift the five-year-old moratorium by the EU. Australia, Chile, Colombia, El Salvador, Honduras, Mexico, New Zealand, Peru and Uruguay are also supporting the case.



The 1998 EU move reflected deep concern among consumers and environmental groups about the safety of genetically-modified foods. The US, a world leader in biotech farm foods, argues that scientific studies have shown the products to be safe.

EU officials dismissed the US action. "The EU's regulatory system for genetically-modified organisms' authorisation is in line with the WTO rules; it is clear, transparent and non-discriminatory," said Pascal Lamy, EU's trade commissioner.

Meanwhile, Consumers Union of the US challenged as "anti-consumer" the Bush administration's decision. "The Bush administration's challenge in the WTO is a challenge to every consumer's basic right to know and to be assured of safety," said Rhoda Karpatkin, President Emeritus of the Consumers Union.

In a later development, Egypt decided not to join the US in this complaint. The US retaliated by suspending plans to advance free trade talks with Egypt. The harsh US decision against one of its closest Arab allies has taken Egypt by surprise and set back the initial stages of President Bush's plan for a region-wide free trade area by 2013.

Egypt's participation was crucial to the US claim that the European ban is hurting developing countries as well as US biotechnology companies. "If you're going to do a free trade agreement with someone, it's important that the people you're talking to are going to be able to deliver," said a US trade official. "They told us one thing and did another." *(FT, 29.06.03 & WSJ, 15.05.03)*

Washington's Patience Nearing End

My friends and colleagues have expressed numerous theories on the timings and motivations for the US move to the WTO on the EU's ban on GM foods. These have ranged from the retaliatory (a counter-balance to the EU's case on foreign sales corporations) to the conspiratorial (the European Commission asked us to do it), to the outrageous (we are trying to destroy the WTO).

The US did not reach this decision quickly or lightly. The last EU biotech approval occurred in 1998. Meanwhile, new and improved biotech crop varieties have been evaluated, approved, and planted in the US and other countries.

During this time, the EU's moratorium not only disrupted trade, but dissuaded developing countries from testing new crop varieties out of concern that their exports to Europe would be banned.

After years of patience, the US finally feels that the cost of waiting has become too high. Despite this US decision, however, I want to emphasise that we will continue to work with the EU to achieve success in the WTO's Doha development agenda.

Rockwell A. Schnabel
US Representative to the EU
(FT, 19.05.03)

Minnow Bets on Beating US

The tiny twin-island Caribbean state of Antigua and Barbuda took on the world's biggest trade superpower. They challenged US restrictions on online gambling – one of Antigua's most promising sources of export income.

The dispute is the first concerning electronic commerce to be brought to the WTO and only the second relating to the WTO's General Agreement on Trade in Services. The US rejected Antigua's first request for a WTO panel. But it will not be able to block a second request.

Washington says the US law prohibits cross-border gambling because of the social, psychological dangers and law enforcement problems that they create and the "financial and social risks posed by

such activities to its citizens, particularly, though not exclusively, to the children".

Two years ago, Antigua had more than 100 licensed online gaming operators employing 5,000 people. This had shrunk to fewer than 40 operators because of a US clampdown, said Ronald Sanders, Antigua's chief foreign affairs representative, based in London. The population of Antigua is 67,000.

He said: "The effect of the US enforcement of its laws is to hurt the small economy of Antigua and Barbuda, which is struggling to survive in a world on intense competition in the trade of goods and services."

Antigua had deliberately aimed to attract electronic commerce, including Internet gaming, to create jobs for young people, who might otherwise turn to the flourishing drugs trade. *(FT, 25.06.03)*

US Plea Falls Flat

The US request for grant of 15 months to implement the decision of the WTO's Dispute Settlement Body (DSB) against a provision of its anti-dumping law has been rejected. Instead, the arbitrator has fixed a period of 11 months for compliance. This law is known as the Byrd Amendment.

Under this, the US government distributes the anti-dumping and anti-subsidy duties as offset payments to the US companies that bring forward the cases. The arbitrator, Yasuhei Taniguchi, appointed by the WTO's Director-General, however, maintained that it was not compulsory for the US to repeal the Byrd Amendment.

He said it was for the US to decide on the means of implementation of the recommendations and rulings of the WTO's DSB. The US submitted that other than repealing, one option was to revise the law in a way that distribution of collected anti-dumping and countervailing duties could be made in a WTO-consistent manner.

(FE, 16.05.03)

The Ultimatum from Brussels

The European Union set a September deadline for the US to lift a $4bn tax-break for the US exporters or face trade sanctions. EU officials said they were hoping to light a fire under the US Congress.

In doing so, the EU has waded into the middle of a contentious tax battle that has divided US corporate interests and raised the prospects of a legislative stalemate. Bill Thomas, Chairman of the tax-writing House Ways and Means Committee, said he would bring in legislation to repeal the Foreign Sales Corporation (FSC) provision and replace it with other corporate tax-breaks.

But he lacks even the support of his own party. Philip Crane, the second-ranking Republican on the Committee, has teamed up with Charles Rangel, the Committee's top Democrat to introduce a bill that would preserve much of the FSC benefits.

Thomas has used the EU sanction threat as a club to beat his opponents with. "Their (his opponents) response is that the Europeans can't tell us what to do," he said. "I can't underscore strongly enough that, yes they can. We lost."

(FT, 15.05.03)

India Dressed to Charge US

India is planing to appeal against the WTO ruling in the case pertaining to the rules of origin imposed by the US on textiles and apparels. According to the US rules, though textiles and apparels are exported to the US from one country, the quota allocated to a second country would be deducted if the inputs for the exported product come from the second country.

The WTO's dispute settlement panel noted that India has failed to convince that the US rules are complex. The panel also said that India has not presented any evidence to show that the US rules have discouraged exports.

India moved the WTO in January 2002, as it was feared that the rules, introduced in 2001, would affect exports from India. A number of other countries, including China, Philippines and the EU, argued against certain features of the US import rules related to the "rules of origin". *(ET, 27.06.03)*

US Vs Rest on Steel Tariffs

Worldwide protectionist pressures reached new levels last year, as many countries made legally dubious moves to shelter their steel markets. This was after the US placed steep tariffs on steel imports, according to a survey.

Mayer, Brown, Rowe & Maw — a law firm — found that a record 417 anti-dumping and trade safeguards cases were initiated on many types of imports, up from 401 the previous year.

Almost 80 percent of the cases involved steel. Over two-thirds were initiated by the EU, Chile, Hungary, Czech Republic, Poland and China. The report recalled that the WTO Dispute Settlement Body had found every safeguard measure examined so far to be inconsistent with its rules. The WTO is due to decide this year on complaints by the EU and other countries that the US tariffs on steel violated multilateral rules.

The US, since long the most active user of anti-dumping measures, was supplanted last year by India, which initiated 80 cases. Thailand, Argentina, Peru, China and Mexico also opened many investigations, confirming developing countries' emergence in recent years as the heaviest users of anti-dumping measures. *(FT, 12.05.03)*

Skepticism over Anti-poverty Goals

Millennium Development Goals (MDGs) embody a broad-based view of economic development and well-being. Specific targets to be achieved by 2015 include reducing extreme poverty (the proportion of those living below $1 per day) by half.

The MDGs evoked mixed reaction in the development community. Some dismissed them as essentially propagandist. They argue that monitoring of aggregate poverty estimates based on a common poverty line is not just risky but often a gross over-simplification of complex problems.

The Economic Times

The relevant point is that the MDGs are designed to raise general awareness of pervasive deprivation in the developing world. This also reinforces the need for a determined and coordinated effort by the development community in reducing it substantially in the not-too-distant future.

However, several problems with the MDG poverty goals have been pointed out. They include:

- failure to lay due emphasis on the severity of poverty and the persistently poor, thus diverting attention away from enhancing their well-being towards strategies to reduce an overall index of poverty; and
- lack of desegregation into rural and urban components.

Much of the work on reducing poverty by half by 2015 has focused on whether continuation of the traditional gross domestic product (GDP) growth rates would be compatible with halving of the headcount ratio by the deadline. Doubts persist about the feasibility of halving poverty by 2015. Progress towards this goal will be facilitated by a judicious policy of higher economic growth and reduction of income inequality.

(Abridged version of an article by Raghav Gaiha and Raghbendra Jha in ET, 30.06.03)

Companies Targeted

Thirty-four international companies were accused of supporting South Africa's former apartheid regime and allowing it to commit human rights abuses against the Black populace.

The case was brought forward by a legal team for tens of thousands of victims of the apartheid regime. The victims are asking more than $100bn in compensation from the companies. The list includes Commerzbank, Deutsche Bank, Dresdner Bank, UBS, Credit Suisse, Barclays, NatWest, Credit Lyonnais, Banque Indo Suez and Citigroup.

The companies targeted have agreed not to comment on the lawsuit. But they are expected to argue that their presence and investments improved the country's economy for the benefit of all South Africans — Black or White. *(FT, 19.05.03)*

Brazil to Host UNCTAD XI

The 11th United Nations Conference on Trade and Development (UNCTAD XI) will be held at Sao Paulo, Brazil, from June 13 to 18 next year.

For UNCTAD Secretary-General, Rubens Ricupero, UNCTAD XI represents an "unprecedented opportunity" to help developing countries meet the challenges ahead. "It will," he says, "strengthen the links between international and national efforts to promote economic growth and sustainable development."

"Enhancing coherence between national development strategies and global economic processes towards economic growth and development, particularly of developing countries" is the theme for this meeting.

(UNCTAD Press Release, 13.06.03)

US Against Bigger Say of the Poor

The US is trying to block proposals to give poor countries a bigger say in the World Bank decision-making process. It dismissed complaints that the institution is too dominated by rich nations.

The proposals include boosting the voting power of poor countries on the Bank's board and increasing the board's size. Central to the proposals are various technical changes, which would increase developing countries' voting power from 40 to 43-44 percent.

But US officials say that the Bank should represent the economic weight of its shareholders and that, if anything, Washington is under-represented given its share in the global economy. They also said that the smaller European nations were over-represented at the Bank.

(BS, 28.06.03)

NGOs Told to be More Open

International non-governmental organisations (NGOs) must become more accountable if they are to retain their influence and position of trust. This was stated in a United Nations report.

The study was conducted by international consultancy agency, SustainAbility, UN Environment Programme (UNEP) and the UN Global Compact (UNGC). It says many NGOs are moving from confrontation to engagement with business, but most lack the accountability they demand from companies.

The study is likely to be controversial with those, who argue that transparency puts checks on their ability to run nimble and flexible campaigns. *(FT, 26.06.03)*

Fewer Drugs for the Poor

Pharmaceutical companies' efforts to develop drugs for diseases that affect the population of poorer nations do not seem to have cut much ice with the Noble Prize-winning organisation, Medicines Sans Frontiers (MSF).

Only one percent of the 1,393 new drugs, registered during 1975 to 1999, were for tropical diseases. "We cannot rely on pharma companies or the market to develop new drugs in this segment," said Bernard Pecoul, the director of MSF's Campaign for Access to Essential Medicines.

MSF has launched Drugs for Neglected Diseases Initiative, in association with several other organisations. It will have a corpus of $250mn over 10 years. "Six to eight drugs are already in the pipeline," said Pecoul. *(BL, 29.06.03)*

Towards Better Water

The European Union is planning to spend up to •1bn in an initiative aimed at improving access to clean and safe water in the developing countries. It will set up a European Water Fund (EWF) to provide technical assistance and financing for water infrastructure and management projects.

The EU will not seek to compete either with the many small-scale water projects or private sector developments. Instead, it would act as a 'catalyst' by promoting initiatives and providing information and by acting as a "lender of last resort".

According to the World Bank statistics, more than 1 billion people lack access to safe water and more than 430 million live in nations facing chronic and widespread water shortages. The Bank also points out that per capita water supply dropped by one-third over the past 25 years, and going by Oxfam International's contention, water-related diseases kill more than 5 million people every year. *(FT, 22.04.03)*

Added Aid to Check AIDS

A big increase in the use of proven AIDS prevention programmes could avert 29 million of the 45 million new infections, projected between now and 2010. This was observed by a group of leading AIDS prevention experts.

In a report, the Global HIV Prevention Working Group said that annual global spending on prevention—at less than $2bn—would fall $3.8bn short of needs by 2005.

"A dramatic scaling up of HIV prevention, combined with increased access to treatment for the millions already infected, can control and ultimately reverse AIDS," said Helene Gayle, Director of the Bill and Melinda Gates Foundation's AIDS programme.

Cost-effective, high-impact strategies include behavioural change programmes to delay first sexual activity, reduce the number of sexual partners, promotion of condom use and voluntary counselling and testing. *(FT, 14.05.03)*

War on Terror or Human Rights?

The US-led "War on Terror" is trampling human rights worldwide and largely ignoring the suffering of millions of people, according to a report by Amnesty International.

It says that basic norms of international humanitarian laws are being widely eroded as governments step up repression of political dissidents and introduce discriminatory emergency measures affecting asylum-seekers, among other factors.

The report argues that far from making the world a safer place to live in, the greater emphasis on counter-terrorism has made nations still unstable. This has deepened divisions among people of different faiths and races and diverted attention from other sources of conflict in the developing world. *(FT, 29.05.03)*

Post-war Rehab Aid Diversion

International aid to war-torn countries is too meagre and dries up too quickly to prevent them slipping back into civil conflict, according to a report by the World Bank. The report was based on a study of 52 civil wars since 1960.

It argues that while aid can be helpful in the decade following a conflict, it is most effective during the middle four or five years of the period, when the recipient government is better organised and can spend it well.

It also argues that increased transparency about the revenues from commodities, particularly oil, can help reduce their misuse by corrupt elites or rebel leaders. It suggests it be made a criminal offence for the companies to make deals with rebel groups for a share of future revenues, as has happened in several African countries. *(FT, 15.05.03)*

Untying of Aid Projects

Most big official aid donors have fulfilled pledges to "untie" areas of official development assistance. But they have been slow to disclose in advance offers of untied aid for specific projects in the world's poorest countries.

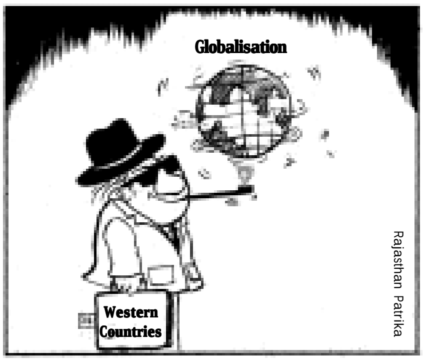
These are the main conclusions of an interim report by the Organisation for Economic Cooperation and Development (OECD). The report says 11 members of the Development Assistance Committee of the OECD have untied aid beyond what was agreed.

It praises governments for rapid and comprehensive implementation to untie several categories of aid. The categories include balance of payments support, debt forgiveness, sector assistance, investment project and assistance to NGOs. *(FT, 23.04.03)*

Not-so-bright Side of Globalisation

The war on terrorism and ruptures in the Western alliance might sharply slow down the international movements of capital and people for an extended period. This may please the critics of globalisation and immigration, but will greatly reduce the opportunities for the poor nations to grow beyond poverty.

The expansion in trade and the movements of people among nations was unusually rapid during the past half-century. As a result of this movement towards an integrated world economy, global income grew at its fastest rate in the recorded history.



World population more than doubled from 1950 to the end of the 20th century, yet real per capita income grew, on an average, by two percent a year all over the world. However, not all the poor nations had much growth during the period. Many of the African nations, the ex-Communist bloc, and some Asian nations lagged far behind.

Economist Xavier Sala-i-Martin of Columbia University has shown that inequality in world income declined sharply since the mid-1970s. The decline in income inequality among individuals was much faster than among countries. This was partly because, China and, to a lesser extent, India grew very rapidly. But there was also a narrowing of world inequality beyond the impressive performance of these huge nations.

The anti-globalisation movement may get its wish for a breakdown in the world economic order, but the biggest losers will not be the rich nations; it will the ones that want to extricate the mass of their populations from extreme poverty.

(Abridged form of an article by Gary S. Baker in FT, 01.06.03)

Mad-Cow Disease Reappears

A lone case of mad-cow disease in the Canadian province of Alberta prompted the US to stop all cattle crossing from Canada. Several Asia-Pacific countries also moved quickly to cut off imports of Canadian beef.

Any risk of contracting a fatal disease for food is an enormous turnoff for consumers. Canadian officials said that the source of the cow's disease is a mystery and they have a huge task ahead tracking down how the cow could have acquired the illness.

Since the mid-1980s, the human variant of the mad cow disease has killed 135 people globally. The ban on Canadian beef is sure to hit its economy hard, particularly in Alberta, where most of its cattle are raised.

(WSJ, 22.05.03)

Respite for the Third World

For developing countries—rattled by frequent changes in standards and norms for processed food exports being adopted by advanced countries—there is some respite.

The WTO Committee on Sanitary and Phyto-Sanitary (SPS) Measures adopted in principle a procedure proposed by Canada that members agree to consultations whenever a developing country has identified a problem pertaining to a notified SPS measure. The results of this consultation would then be notified to the SPS Committee.

The Canadian proposal was in response to an earlier move by Egypt, which proposed adding an S&D (special and differential treatment) box to the form used for notifying SPS measures. This would help the notifying government spell out any special treatment for developing countries. They would include technical assistance or more time for these countries to adjust to the new norms.

Many countries said that they would put forward additional proposals for other possible actions. The US offered to design a pilot project on how an importing country might identify which developing countries would be hit by a new SPS requirement. The European Union emphasised the need for assistance to help developing countries establish effective enquiry points to screen notifications and identify potential problems, in consultation with producers. *(BL, 17.04.03)*

US Cheesed off with Cheese

One intruder is proving particularly difficult to be kept out of the American market — illegal cheese, the stinky French kind. Cheese lovers covet the stuff because it is made from raw, unpasteurised milk.

That is the ingredient that gives many French and other handmade cheeses their distinct, complex flavour. But the US Food and Drugs Administration (FDA) bans the sale of all cheeses made of raw milk that haven't been aged for at least 60 days.

The FDA says they are unsafe because raw-milk products can carry pathogens including E.coli and listeria. The rule is even more restrictive for cheeses made in France. Thanks to a listeria outbreak in mid-1980s, the US bans any soft raw-milk cheese produced in France, regardless of how long it is aged.

(WSJ, 11.06.03)

Tougher Norms for Pesticides Use

The European Union (EU) has tightened its norms on the use of pesticides in the production of agricultural foods that are imported into the EU. The new norms of maximum residual levels (MRL) are particularly harsh on the tea producers.

India's exports to Europe are likely to be hit, given the lack of clarity in the method used for detection of pesticide residues in teas. Bharat Bajoria, Chairman of Indian Tea Association, said the proposed MRLs are based more on precautionary levels rather than toxicity. Besides, these MRLs are applied to black tea and not to the beverage.

The problem, according to Bajoria, pertains mostly to ethane, which is now banned. The tea producers will have to look for another effective method of containing the pest problem. "Unfortunately, there are no prescribed alternatives," he added.

In climatic conditions, such as those of Bangladesh, India, Sri Lanka, certain pesticides have to be used to protect tea leaves from being ravaged by insects. *(ET, 07.06.03)*

Consumer is the King

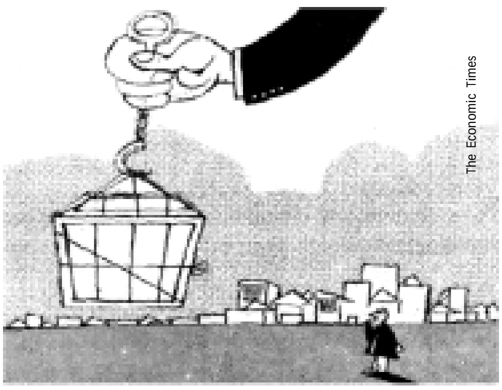
Exporters cannot ignore a very important development taking place in the EU. Call it consumer power, the fact is that European consumers are forcing policy-makers to take their views into account while drafting European legislation, or putting food items on supermarket shelves.

Indian exporters may protest that the EU's SPS measures discriminate against Indian shrimps, and American exporters of genetically-modified soya or corn can file a complaint with the WTO; but fact remains that the EU legislation on labelling of food packaged for supermarket shelves is the result of consumer pressure.

(Excerpts from an article by Malcolm Subhan in FE, 02.06.03)

Food Imports in US Under Stringent Scan

The US Food and Drug Administration (FDA) proposes to issue several rules applicable to food imports. These may impose significant burdens on any entity that engages in the import of food in the US. The most important one is the US Public Health Security and Bio Terrorism Preparedness Act of 2002.



The highlights of the FDA's prior notice proposed rules are that the purchaser of importers is responsible for submitting to the FDA a notice of the import of a food article prior to the article's arrival in the US.

Under the proposed rules, every facility that goes into the manufacturing, processing, packing or hold of food for human or animal consumption in the US must register with the FDA by December 12, 2003.

Furthermore, the US will soon have a Country of Origin Labelling (COOL) in place. At present, COOL is under trial and will become mandatory in 2004. It will look into basic food safety issues and right of information to consumers.

(BL, 24.04.03 & BS, 07.05.03)

GlaxoSmithKline Suffers Blow

GlaxoSmithKline (GSK) has lost the first round of its battle to ban generic versions of its Augmentin antibiotic from the US markets. It was on the grounds that they used a strain of bacteria allegedly stolen.

A judge in the International Trade Commission (ITC) dismissed GSK's claim that the manufacturing process used by Novartis to make Augmentin relied on a trade secret that should be protected. The case was one of the most unusual attempts by a pharmaceuticals group to keep generic competition out of the US market.

GSK is now competing against three generic versions of Augmentin, which recorded $1.42bn worth sales in 2001 — its last complete year of patent protection. The case highlighted the pressure that the large number of drugs losing patent protection is placing the industry down under. *(FT, 10.04.03)*

Colours can be Registered Now

Companies in Europe will be able to register specific colours as trademarks, following a decision by the European Court of Justice. The court ruled that "a colour *per se*" could have sufficient distinctive character.

But it warned that applicant companies could not just reproduce the colour on paper, but would have to designate it by using an internationally-recognised identification code. The court also cautioned that companies should not attempt to monopolise a colour at the expense of rivals.

The court made its ruling in the context of an application by Libertel, the Dutch telecom group. They wanted to register the orange colour as a trademark for telecommunications goods and services. *(FT, 07.05.03)*

Piracy Battle Won Over

Nintendo, the Japanese games-maker behind Game Boy, has won a case against a Hong Kong company in what it describes as one of its "most significant anti-piracy judgements".

A Hong Kong court has ordered Lik Sang International, a chipmaker, to stop making devices that defy piracy counter-measures embedded in Nintendo game machines. It has also ordered damages of $640,000.

Widespread copyright infringement of software in Hong Kong and China has been a key factor in Microsoft, Sony and Nintendo's reluctance to launch their game products there.

"The damages payment is small. The important thing is that the company was ordered to stop selling its copying machines," said a Nintendo spokesman. *(FT, 20.06.03)*

'Special' Treatment for India

India has been put on the US' "Special 301" priority watch list following an annual review by the office of the USTR. The USTR examined the adequacy and effectiveness of the intellectual property protection in approximately 74 countries.

In the eyes of Washington, there has been no change in India's status as a country not taking adequate steps to curb theft of intellectual property rights, which is dealt with solely by Special 301.

But this is nothing new, strengthening the suspicion that the USTR's "list" is basically to pressure mostly weak trade partners to extract further concessions for US exporters and to get some leverage in international trade forums.

It is feared that Washington would not hesitate to use this instrument to discriminate against India *vis-a-vis* the Generalised Scheme of Preferences and other trade preference programmes. *(BL, 07.05.03)*

Deal over Names

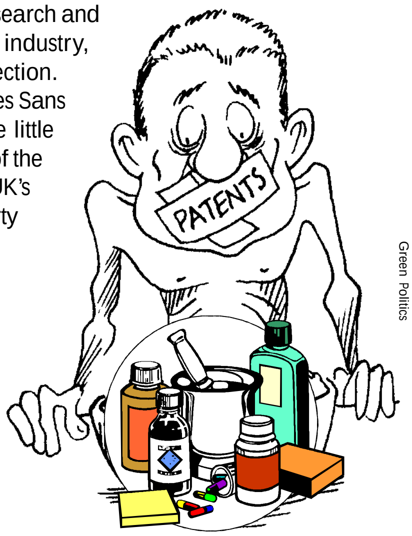
Canada and the European Union have struck a deal that gives European wine-makers the exclusive right to use names, such as Champagne, Chablis, Burgundy, Chianti, Ouzo and Grappa, in the Canadian market.

The deal comes as part of a drive by the EU to win better protection for its manufacturers of traditional and prestigious food and drink products. Brussels is keen to make protection of such "geographical indications" an item in the Doha round of trade talks.

However, its ambition is met with fierce resistance from countries, such as the US, Australia and South Africa. They claim that the EU's prime goal to prevent other producers from using these traditional names smacks of protectionism. They argue that some names that Europe wants to keep to itself, have now become generic terms, which few consumers still associate with specific regions. *(FT, 24.06.03)*

US Under Fire over Drug Patents

Health campaigners attacked a US bid to enlist World Health Organisation (WHO) support for stronger patent protection for medicines. A US resolution to the recently held WHO annual assembly urges members to promote pharmaceutical research and development by boosting incentives for industry, including better patents and data protection.



Green Politics

Campaign groups, such as Medicines Sans Frontiers and Oxfam, say patents have little or no impact on research into diseases of the poor. This argument was backed by the UK's expert commission on intellectual property rights.

Observers were dismayed that the US resolution makes no reference to negotiations in the World Trade Organisation (WTO) to allow poor nations to import generic copies of patented drugs in case of need.

"The US has broken every promise made concerning developing countries' right to access low-cost generic medicines and is using the world health assembly to champion monopoly protections on life-saving drugs," said Brook Baker of US-based Health GAP.

In a related development, the US Trade Representative, Robert Zoellick (USTR) has admitted that he has not yet been able to convince its pharmaceutical industry to go along with the draft agreement on TRIPs and public health, proposed in last December. Among the leading pharmaceutical companies, Pfizer is the most vocal, and is totally unwilling to compromise. *(FT, 23.05.03 & FE, 20.06.03)*

Plan for Refugees Refused

Controversial British plans to process asylum-seekers in centres outside the European Union have been dropped because of opposition from other EU members. Some officials have labelled these as the "end of asylum". Germany and Sweden expressed that such a scheme could break the Geneva Convention on Refugees.

But London still hopes for some form of backing for pilot projects to establish "zones of protection" near conflict areas, particularly in Africa. "Transit camps are not being actively considered," said UK Foreign Secretary, Jack Straw. "However, zones of protection are, and we have support in the United Nations High Commission on Refugees (UNHCR) on that."

Amnesty International is critical of the UK, European Commission and the UNHCR and warned against creation of any new "Sangattes". They were referring to the now closed detention centre on the French coast.

(FT, 17.06.03)

Long-term Jobs Still Alive

The length of time people stay with their employers has hardly changed in the industrialised world in a decade. This was stated in a report by the International Labour Organisation (ILO), contradicting apocalyptic predictions that long-term employment would die out.

However, the length of the job tenure bears little relation to workers' perceptions of job security. These are influenced more by economic conditions and by the quality of social protection available if they lose their jobs, the ILO says.

On an average, about 40 percent of those employed in Europe have held their jobs for more than 10 years and 60 percent for more than five. In the US, the average tenure is 6.6 years against 10.6 years in Europe and 10.9 years in Japan. *(FT, 16.06.03)*

Migration Management Crucial

Nearly three percent of the world's population are migrants, according to the annual report of the International Organisation for Migration (IOM). Migration flows will continue to increase and governments must respond with policies that try to manage rather than repress them.

Globalisation, gulf in living standards between rich and poor countries and ageing societies in the rich world are all fuelling greater labour mobility. "Policy choices made now will serve to determine whether migration is managed to maximise its benefits or will remain a source of concern and potentiality of tension between states," said IOM Director-General, Brunson McKinley.

The key is to increase the opportunities for legal migration to help reduce the numbers relying on smugglers and traffickers. This would give greater protection to migrants now vulnerable to exploitation and abuse. *(FT, 11.06.03)*

India Fetches Remittances Most

Indians working overseas are remitting over $10bn a year back home. The US and Saudi Arabia are the largest sources of workers' remittances to developing countries. However, India is in the danger of losing its top slot.

Mexico ranks second with worker remittances to the country at $9.9bn, while Philippines receives $6.4bn a year. China ranked a distant No. 19 with worker remittances of just $1.2bn.

Though developing countries worry about brain-drain, output losses from emigration of skilled workers are very often more than offset by remittances and positive network effects on trade and investment.

For instance, the net fiscal loss associated with Indian emigration to the US was estimated at 0.24-0.58 percent of Indian gross domestic product (GDP) in 2001. But remittances amounted to at least 2.1 percent of GDP in same year.

(ET, 25.04.03)

EU Soft on Alien Service Workers

The European Union is willing to open its services market to temporary workers from abroad. The move was designed to appeal to developing countries and inject fresh dynamism into the Doha round of trade talks.

Crucially, the European Commission will exclude a provision to allow EU countries to prohibit entry to foreign workers on the grounds that they have sufficient domestic specialists for the job.

This economic need test had been vigorously supported by France, Spain and Germany. This would have effectively allowed countries to block most foreign service providers from entering their labour market.

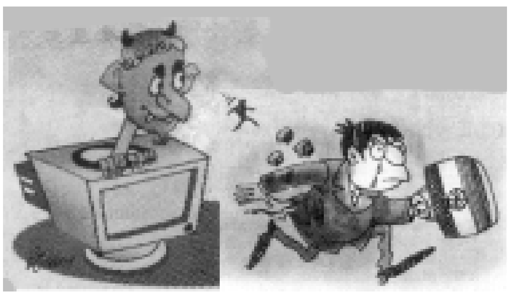
Temporary workers in this sector will be allowed to stay for six months, rather than the present three. The EU will also extend from six to 12 months the time that trainees from a company's foreign subsidiary can spend in its member states.

(FT, 30.04.03)

India Stands Resolved on BPO Issue

Amidst the hectic activity preceding the Cancun meeting, India decided to iron out some key bilateral trade issues with the US. The hottest issues are recent visa restrictions and proposed ban on business process outsourcing (BPO). There is a growing criticism that BPO is taking away US jobs.

It was reported that some American states, such as New Jersey, will introduce legislation against outsourcing of US government contracts in the information technology sector. However, Joseph Crowley, a US congressman, opined that such a bill will be an unhealthy legislation. "I don't think this is a healthy legislation, as outsourcing results in a win-win situation for both countries," he remarked.



The National Association of Software and Services Companies (NASSCOM) of India estimated that the US economy could save $10-11bn in 2003-04 by outsourcing jobs to India.

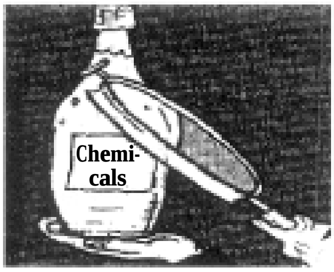
India has also called for easier visa norms for professionals, so that it can leverage its huge pool of skilled professionals, especially in areas like software. "Any reduction in the number of visas will have an impact on the industry only in 2005-06. The increasing trend of more projects moving offshore will also offset any possible impact," said Kiran Kasrnik, President of NASSCOM.

(ET, 06.06.03 & BS, 04.06.03)

EU Eyes on Chemicals Risk Assessments

The European Union has unveiled proposals for the most wide-ranging regulation ever for the chemicals industry. It will oblige producers to submit risk assessments for almost all chemicals circulating within the EU.

At present, more than 90 percent of such chemicals are not registered, as they have been in the market since 1981 — the year the current regime came into force. Environmentalists argue that much more information is needed about chemicals in the EU, particularly because of a rapid rise in allergies in the recent decades.



But the industry and the US, which have trade concerns, warn that jobs are at risk and maintain it would have been better to focus on problem chemicals. The direct and indirect costs of the policy would be at 18-32bn over a period expanding up to 2020. However, the occupational health benefits would be 18-54bn over a 30-year period.

The draft policy says certain chemicals used to produce others may have fewer registration requirements or be exempted altogether. Green groups are upset on this. *(FT, 05.05.03)*

Safer Choices

The proposed European Union legislation comes as a shock to the chemical companies and, therefore, has caused resentment among them and their allies in the US. This is strange, as the chemical giants have been telling us for years that their products are safe. Surely then they already have the data to demonstrate this?

If they do not have such basic data, I suggest the EU is right in insisting that they get it, and that the 0.1 percent of their turnover, that it would cost, is less than excessive.

The proposed legislation should be seen as an opportunity to make Europe the global leader in sustainable chemicals production.

Mark Strutt
Senior Campaigner
Greenpeace, London, UK
(FT, 15.05.03)

Impractical Policy Draft

Greenpeace's expression of support for a sustainable, thriving and vibrant European chemicals industry are welcome. Our assessment of the draft regulation is that it is a nightmare of inconsistencies, omissions and assumptions.

Europe will not become an engine for the development of sustainable chemicals if unworkable legislation drives production to other areas of the world. The quality of life in the EU would undoubtedly suffer as a result of the impact of such a shift on gross domestic product and employment.

Judith Hackitt
Director General
Chemicals Industries Association, London, UK
(FT, 17.05.03)

German Drinks Mart Goes Chill

Anyone travelling through Germany this summer might want to stock up on chilled drink. And thirsty Germans yearning for a cooling soft drink may have to settle for tap water instead.

Metro, the country's largest retailing group, announced that it was removing all disposable soda, beer and water bottles and cans from its supermarkets. They followed rivals Aldi Sud, Tengelmann and Edeka.

The group said a controversial recycling law, forcing retailers to charge 25-50 cents deposits on such packaging since January last had sent sales plummeting, making the cost of collecting empty bottles from customers unjustifiable.

Some brewers, bottlers, tank stations and supermarkets have reported sales drop of up to 80 percent. "We have this ridiculous situation now that instead of buying a can, people get the large recyclable bottle, whose deposit is as low as 10 cents, and throw it away, leaving the environment worse off," the Metro spokesman said. *(FT, 16.06.03)*

Laundering Illegal Logs

A leading environmental group has accused Malaysia and Singapore of laundering logs exported illegally from Indonesia to markets in the US and Europe. The Environmental Investigation Agency (EIA) said it has evidence of large amount of contraband logs passing through both countries.

In another development, the EU is to announce a plan to address ways of tracking timber felled illegally and used by European companies to make wood products.

However, environmentalists are worried that the EU plan will not include enforcement mechanisms or elements that would open the international tropical timber industry to accountability.

The result, they say, would only be more damage to rainforests in places, such as Indonesia, where some 80 percent of the timber logged each year is believed to be done so illegally. *(FT, 09.05.03)*

'Blubber Mountain' to Stay

Norwegian scientists wrecked whalers' hopes of selling a "blubber mountain" to Japan by ruling that the fat was too toxic for human consumption. A scientific committee said a stockpile of 500 tonnes of blubber in freezer warehouses in northern Norway contained dangerously high levels of banned polychlorinated biphenyl (PCB) industrial chemicals.

PCBs, formed in fatty tissues, especially in people and animals in polar areas, have been linked to birth defects. Blubber is a delicacy in Japan and worth about $20 a kilo.

(FT, 06.05.03)

Health Risks Shadow Iraq

Two decades of war, environmental mismanagement and United Nations' sanctions have damaged Iraq's environment to the point where the health and well-being of the Iraqi people are threatened. This was stated in a report prepared by the United Nations Environment Programme (UNEP).

UNEP called for immediate measures to restore water supply and sanitation systems and to clean-up pollution hot-spots and waste sites to reduce the risk of various diseases. "The rapid investigation of sites hit by depleted uranium weapons is another priority," it observed.

The report said long-term priorities include handling of hazardous waste, management of water resources and restoration of eco-systems, especially the Mesopotamian marshlands.

(FT, 25.04.03)

Multilateral Trading Concept Gets a Shot in the Arm

During the recent past, multilateral trading system (MTS), patronised by the World Trade Organisation (WTO), has been under threat from various quarters. But the most potent threat comes from the ever-increasing spurt of bilateral and regional trade agreements. That is why, it has virtually become demand of the hour to neutralise the adverse impacts whatsoever on the MTS and highlight the positive aspects of multilateralism.

In view of the importance of the issue, an outreach meeting of the EU-India Network on Trade and Development (EINTAD) was organised by the CUTS Centre for International Trade, Economics & Environment (CITEE), in association with the University of Sussex and the European Institute for Asian Studies, Brussels, in Washington DC on April 22-23, 2003.

The basic objective of the meet was to reach out to policy-makers and others, especially in the US, with the research results, which show the benefits of the multilateral trading system. EINTAD, in the first phase, has undertaken five areas—mobility of labour, anti-dumping, textiles and clothing, investment and competition policy—for research by respective teams, comprising both European and Indian researchers. The research findings will be provided as inputs to trade negotiators and trade policy officials before the Cancun ministerial conference of the WTO.

(L to R) Rajesh Chaddha of NCAER, Delhi, Pradeep S. Mehta of CUTS and Prof. T. N. Srinivasan of Yale University, USA take part in EINTAD outreach meeting organised recently in Washington DC

Research institutions and civil society organisations should work in tandem with the researchers and policy-makers, felt T. N. Srinivasan, Professor of Economics at the Yale University, USA. "For the civil society organisations, it is imperative to design an advocacy agenda and strategy, with solid background research, so that their voice is better heard and understood by the policy-makers," he stressed.

The meeting saw over 30 participants, from among the research, policy-making and NGO community, taking part in it, who hailed from the US, India and other North and South American countries.

The increasing use of trade remedy measures, such as anti-dumping provisions, as a tool of protectionism, was criticised by many participants. Recommendations for changing the provisions of the present Anti-Dumping Agreement to avoid its growing use were important parts of the EINTAD research and its outreach.

On investment policy and foreign direct investment (FDI), the researchers presented several arguments that suggest that a multilateral investment framework is unlikely to bring greater inflows of FDI to developing countries. The need for a multilateral competition policy, even if not harmonised across countries, was felt by one and all.

Many participants, while making floor interventions, echoed the point raised by Prof. Srinivasan in his opening remarks. According to a member of the Mercosur Trade Network, there is an urgent need to replicate the EINTAD model in different parts of the world. He urged CUTS to take the lead in establishing a network of networks. "We have gained immensely while taking part in this meeting — both in terms of process and contents," the participants said.

The EU-India Network was launched in May 2002 in Brussels, Belgium, with CUTS and the University of Sussex, UK as the lead partners. Other institutions in the Network are the World Trade Institute, Switzerland, Kiel Institute of World Economics, Germany and from India: Delhi School of Economics, Jawaharlal Nehru University, National Law School of India, National Council for Applied Economic Research. Prof Srinivasan is the Chairman of this Network, while Prof. L. Alan Winters of the University of Sussex is the Research Director.

Another EINTAD outreach meeting was organised by CUTS in New Delhi on 30th April 2003.

"Brain drain is a serious concern for India, but General Agreement on Trade in Services (GATS) framework provides the necessary safeguard against it," said Prof. Winters, of University of Sussex. His concern-reflecting remarks, while on one hand, justified the worries of India as a genuine one, on the other, provided clues to put the issue to rest, once and for all, within the existing GATS norms.

Stefano Gato, Head of Trade & Economic Affairs Section of the Delegation of the European Commission to India, said, "We now understand much better, why India is reluctant on some issues, especially investment," adding that this network, in some respects, was able to sort out differences between the researchers of the EU and India on key WTO issues.

Regarding a possible multilateral agreement on investment, Manoj Pant of the Jawaharlal Nehru University, New Delhi, said as of now, there is no proven or theoretical result, which could say that a multilateral agreement on investment will be welfare-enhancing, unlike in case of for trade in goods and services. On competition policy, the research findings substantiate the case for a minimalist multilateral agreement.

Great Achievement, Indeed!

Please accept our hearty congratulations on your elevation and appointment as a member of the informal NGO Advisory Body of the WTO by its Director-General Supachai Panitchpakdi. All of us were extremely happy to hear the news. We all celebrated the occasion in a grand style. We are extremely happy to know that, at last, the WTO has come forward to recognise the meritorious contributions/services rendered by you through your organisation to the world body. In effect, it implies worldwide recognition to the Indian Consumer Movement.

Dr. T. Balachandran, President
Kerala Consumer Service Society
Cochin, India

Pradeep S. Mehta, Secretary General, CUTS has been appointed as a member of the informal NGO advisory body of the WTO

Valuable and Enriching Information

We express our sincere thanks for your kind invitation to attend the meet, "Linkages Meeting: How do we Bridge the Gap", organised in association with the Carnegie Endowment for International Peace, in Washington DC, during April 22-23, 2003.

We found this meeting quite inspiring for our activities. It helped us discuss with experts key issues of trade and labour linkages, role of business for better social standards, eco- and trade-related issues, environmental standards and the mode of interaction between Northern consumers and Southern producers.

We do appreciate your efforts for organising such important events. Also, we thank you for providing us your publications and other in-house produced information devises to keep us up-to-date on the latest happenings, regularly. It is this kind of information we need to work for betterment of community education and social control.

Oscar Lanza V. (MD, MPH)
AIS-CODEDCO Bolivia Coordinator
Bolivia

Received with thanks the reports on "Voluntary Self-regulation versus Mandatory Legislative Schemes for Implementing Labour Standards" and "Approaches to Competition Policy in South Asian Countries".

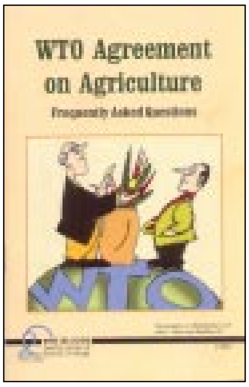
I appreciate receiving regularly valuable information from your esteemed Centre. I will always be delighted to help or offer any support.

Dr. Yehia S. A. EID
Commercial Counsellor
Embassy of the Arab
Republic of Egypt
Commercial Bureau
New Delhi, India

PUBLICATIONS

WTO Agreement on Agriculture

Frequently Asked Questions



"Though in the recent past, many monographs and literatures have been published on Globalisation and Liberalisation, they treated the subject superficially, advocating only lopsided views and publishing half-truths.

However, for the first time, the referred monograph (Globalisation and India – Myths and Realities), which has been sent to me, has treated the most important subject impartially. It has brought out the real challenges India is facing from the World Trade Organisation treaty, along with its factual analysis to take advantages for the benefit of our beloved nation."

– Kailash Joshi
Member of Parliament and
former Chief Minister of Madhya Pradesh.

On seeing the success of our earlier three monographs, evident from the accolades and demands that we have been receiving from various quarters, we decided to come out with a monograph on WTO Agreement on Agriculture in a simple question-answer format. This is the fourth one in our series of monographs on "Globalisation and India – Myths and Realities", which we started in September 2001.

This monograph of CUTS Centre for International Trade, Economics & Environment is an attempt to inform common people about the basics of the WTO Agreement on Agriculture and its likely impact on the liberalising economy of India. *(Rs.100/US$20 p.a.)*

Labour Standards: Voluntary Self-regulation Vs. Mandatory Legislative Schemes

As the developing countries compete against each other to attract foreign investment, they often adopt measures that help them keep the labour costs down. This proves that increased international trade strongly impacts conditions of labour in liberalised economies.

But it raises certain questions, like are the industrialised countries justified in using the WTO to apply trade sanctions in an effort to raise the labour standards? Or, are the developing countries unjustified in their concerns about the protectionist interest that influence the current approaches to social clauses? Can an alternative to improve the conditions of labour be proposed?

This Briefing Paper of CUTS Centre for International Trade, Economics & Environment (CITEE), apart from trying to find answers to these questions, also reviews: (1) the issues under current discussions on labour standards; (2) their linkage with trade; and (3) the scope of codes of conduct and social labels for improving the conditions of labour in India, based on the experience of codes of conduct in other countries.

This paper is an abridged version of the research report, "Voluntary Self-regulation versus Mandatory Legislative Schemes for Implementing Labour Standards", authored by Dr. Atul Sood, Associate Professor, Jawaharlal Nehru University, New Delhi, India. *(Rs.20/US$5)*

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

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