

ECONOMIQUITY

No. 6, 2009

Global Recession: Recovery is Visible but Slow

The economic recession generated by the meltdown of the global financial system is still visible. Although its effects on developing economies have been less intense, its impact on their future could be much more significant.

According to the International Monetary Fund (IMF), the world economy is slowly recovering from the recession. However, the report also cautions that it is likely to be a weak recovery and policies announced to counter the downturn through fiscal and monetary assistance should not be withdrawn.

The IMF forecasts global economic growth of 2.5 percent in 2010 led by strong growth in China and India, a rebound in Japan and positive but sub-trend growth in the US. It has also upgraded its forecasts for Europe, though it still expects the Eurozone to contract by 0.3 percent in 2010.

Fortunately the impact of global downturn on the Indian economy is still not as bad as that on other emerging and advanced economies. Nevertheless, economic growth has slipped from nine to six percent in the wake of recession. Manufacturing output and export growth have declined, consumers' spending has increased and jobs have been lost. The economy has been gripped by a fear of harsh slowdown which has however been lost.

To illustrate, of late, there has been a slight change in business confidence across different sectors. Optimism is growing about the prospect of an economic recovery. According to a recent survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI), most industries expect to see a revival towards the end of 2009.

Commerce Ministry data for June

2009 reveals that, output in the manufacturing sector has risen in May by 2.5 percent, mining output by 3.6 percent and electricity and fuel production by 3 percent. It seems that stimulus packages, cuts in interest rates and taxes, and higher spending on infrastructure by the government are beginning to make a positive impact. The budget strongly emphasises this policy stance of the government as massive spending on infrastructure and rural welfare and employment programmes are planned.

In China, industrial production and retail sales have accelerated recently. For example, industrial production grew at 8.9 percent in May compared to 7.3 percent in April and 8.3 percent in March.

Japan has witnessed the biggest monthly economic gain since 1953. Industrial output rose 5.9 percent in April 2009. The investor confidence index climbed to 35.7 from 32.4 in April. It is reported to have improved every month since tumbling to a record low of 26.2 in December 2008. Confidence among US consumers rose for a fourth straight month in June, indicating that the deepest postwar recession may be easing.

Negative signals, however, continue to come from the Euro zone. Production in the Euro region plunged 21.6 percent from a year earlier. The decline was more than that expected by economists.

Summarising, going by the trends of the last six months, chances of global economic recovery appear to be bright. However, a full recovery might not take place in the immediate future.



Headlines

Morgan Bets Big on India's Growth

The Indian market is likely to outperform its global peers and the benchmark Sensexpage 3

Asian Exporters Pin Hopes on China

Emerging economies in Asia may outperform developed markets on the road to recovery ifpage 4

Little Unity within WTO

Immediately after the United Progressive Alliance (UPA) won its impressive mandate in June 2009, the WTO Director-General.....page 6

INSIDE

PSUs Losing on Fuel Sale 2

Inflation Rate Hits Negative Zone 3

Global Food Supply Improving 4

Poor being Hit by Crisis 5

Climate Change in Asia 6

ASEAN FTA: Impact on Trade 7

PSUs Losing on Fuel Sale

For the first time in seven months, state-run fuel retailers are making losses on selling diesel and together with negative returns on petrol, LPG and kerosene; the companies may lose Rs 38,700 crore in revenues in 2009.



Economically weak oil companies will be getting help from FM through 'OBC' quota – Oil Burden Cess.

Indian Oil, Bharat Petroleum and Hindustan Petroleum are selling diesel at a loss of Rs 2.96 a litre. The firming international crude oil prices, which are ruling at seven-month high of US\$71 per barrel, have widened losses on petrol to Rs 6.08 per litre from Rs 3.68 a litre in the first half of June 2009.

Freeing of fuel prices was idle when crude had fallen to below US\$ 40 a barrel earlier in 2009.

The three firms are losing Rs 69.49 per 14.2-kg LPG cylinder and Rs 12.65 on every litre of kerosene. The state-run firms were till May selling diesel at Rs 0.32 a litre profit which helped them partly neutralise the losses on sale of petrol, domestic LPG and kerosene.

<http://www.indianexpress.com/news/psu-oil-cos-may-lose-rs-38-700-cr-this-year/477348/>

Duty Hike Boost Steel Prices

Responding to requests from steelmakers, who have been seeking further protection from cheap imports at a time of economic downturn, the Steel Ministry is understood to have recommended enhancing import duty on flat products to 10 percent and increasing the duty on iron ore export to 15 percent.

Industry sources opined that their analysis shows that at current international freight On board (FOB) prices in Commonwealth of Independent States (CIS) countries with 5 percent import duty, landed cost of imports in respect to most steel items is below domestic prices. Therefore, the ministry has recommended enhancing import duty on flat products (HR coils) by 5 to 10 percent. In addition, it has also suggested hiking import duty on structural steel and reinforcement bars.

Observing that ore exports grew to a whopping 52.62 million tonne (MT) between December 2008 and March 2009, as against 46 MT in the corresponding period last fiscal when export duty on ore fines was removed, the ministry argued for disincentivising ore export through fiscal measures.

<http://www.indianexpress.com/news/steelmin-pushes-for-duty-cuts-to-help-industry/477064/>

Fast Growing Online Travel

The Indian online travel market has crossed the US\$2bn-mark in 2008, attracting a number of national and international visitors. It is also providing the customer a sophisticated online retail and shopping experience.

With the advent of Internet, consumers are able to find the most suitable package, including the best hotel to stay, at best price through the online. While the online travel industry is dominated by online travel agencies (OTAs), such as

MakeMyTrip, Travelocity and Yatra, and airline companies like Kingfisher, Jet, IndiGo and Spruce Jet, there is a new type of travel site emerging – travel “meta-search” engine.

A “travel meta-search engine” is a search engine that sends user requests to multiple search engines and/or travel suppliers and aggregates the results into a single list or displays them according to their source or ticket price. The term meta-search is used to describe the paradigm of searching multiple data sources in real-time. With the strong growth of Internet penetration and rising income levels of middle class, the demand for such meta-search engines was growing.

<http://www.hindu.com/biz/2009/06/15/stories/2009061550011300.htm>

Gems, Jewellery Market Shrinks

Gems and jewellery exports continued to face a downslide for the eighth month in a row with exports declining sharply by 24 percent to US\$1.5bn in May 2009 due to slump in demand in major markets like the US and Europe.

Exports of cut and polished diamonds were hit badly during June 2009 registering a decline of 30.74 percent compared to the same period last fiscal, followed by coloured gemstones and gold jewellery shipments which slipped by 25.49 and 11.61 percent respectively, according to the figures released by the Gems and Jewellery Export Promotion Council (GJEPC).

According to the Commerce Ministry figures, India exported gems and jewellery worth US\$18.4bn in 2008-09 showing a decline of six percent over the previous fiscal. Consumers in the recession-hit US were spending less on the precious items, exporters said, adding that about 20 percent of gems and jewellery exported by India went to America.

<http://www.hindu.com/2009/06/18/stories/2009061855791500.htm>

Air Tickets to Cost More

Even as Jet Airways and Kingfisher Airlines hiked fares by Rs 400, low-cost carriers (LCCs), such as SpiceJet, IndiGo, GoAir, are likely to raise fares by 8-10 percent following a 33 percent rise in jet fuel prices since March 2009. National carrier Air India and Chennai-based all business-class airline Paramount Airways, too, have decided to increase fares.

The Air India spokesperson said that airfares could go up. After the proposed hike, a ticket on the Mumbai-Delhi route will be in the range of Rs 3,800-Rs 5,800. Currently, the fare on the same route is anywhere between Rs 3,429 to Rs 5,250 depending on the carrier.

State-run oil firms hiked aviation turbine fuel (ATF) rates by over 12 percent due to a rise in international oil prices. Indian Oil, Bharat Petroleum and Hindustan Petroleum raised ATF price by Rs 3,949 to Rs 36,252 per kilolitre (kl) in Delhi.

Interestingly, domestic airlines, such as SpiceJet, Jet Airways, JetLite, announced fares cut up to 48 percent. ATF accounts for 45 percent of an airline's operational expenditure.

[http://
economictimes.indiatimes.com/
News-by-Industry/Low-cost-carriers-
to-hike-fare-by-10/articleshow/
4668887.cms](http://economictimes.indiatimes.com/News-by-Industry/Low-cost-carriers-to-hike-fare-by-10/articleshow/4668887.cms)

Govt. Clears 23 FDI Proposals

Dubai-based Damas' venture on retail trading in jewellery and Paris-based Groupe Danone's plans to re-enter the food and beverage sector after quitting Britannia earlier in 2009 are among the 23 foreign direct investment (FDI) proposals cleared by the government on the recommendations of the Foreign Investment Promotion Board (FIPB). The proposals entail a total FDI inflow worth Rs 564.80 crore.

Damas is to set up a joint venture with Gitanjali Lifestyles for single-brand retail trading in jewellery. The 51 percent foreign equity participation in the venture is projected to bring in Rs 180 crore as FDI. As per its plans,

the proposed venture would open about 100 outlets in three years with an investment of more than Rs 300 crore.

Danone's proposal on investment in food and beverages, mineral water, biscuits, cereals, dairy products, baby foods and medical nutrition, however, does not indicate any FDI component in the venture as the company for the Indian operations is yet to be incorporated. The French company may either go it alone or operate through new as also its existing joint ventures in these sectors.

[http://www.thehindu.com/2009/06/
10/stories/2009061055551300.htm](http://www.thehindu.com/2009/06/10/stories/2009061055551300.htm)

Inflation Rate Hits Negative Zone

For the first time in over 30 years, the year-on-year inflation strayed into negative territory at minus 1.61 percent as the 'aam aadmi' continued to bear the brunt of high prices of cereals, pulses and vegetables compared to 2008.

Although the "unusual" but not "unexpected" dip in the wholesale

price index (WPI)-based inflation evoked predictable responses from the government, bankers and India Inc., the decline in the rate of price rise to sub-zero levels was, in fact, a statistical phenomenon owing to the high base effect, considering that WPI inflation during the same period in 2008 was at a high of 11.66 percent on account of high commodity and crude oil prices.

Commenting on the WPI numbers, Finance Secretary Ashok Chawla said that these would not lead to any change in the policy stance. "Inflation numbers which have come are unusual... [but] they are not unexpected... [The] wholesale price index is likely to be in the negative region for some time to come. This is something that does not really lead us to any major policy shift... These numbers do not reflect any contraction in demand as we know the economy is on the path of growth".

[http://www.hindu.com/2009/06/19/
stories/2009061957300100.htm](http://www.hindu.com/2009/06/19/stories/2009061957300100.htm)

Morgan Bets Big on India's Growth

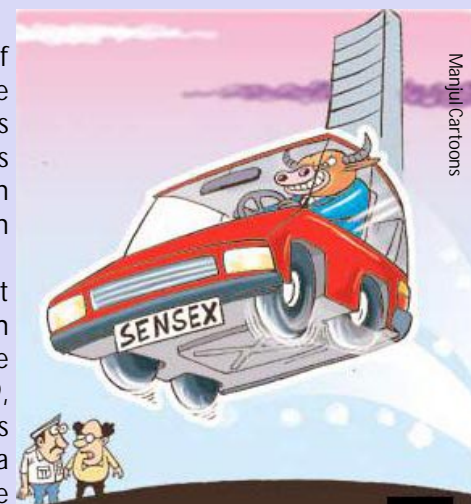
The Indian market is likely to outperform its global peers and the benchmark Sensex could hit the 19,000-level by the end of 2009, financial services major Morgan Stanley said in a report.

"A global market sell-off remains a key risk to absolute performance in Indian equities though we think Indian equities will likely outperform", the Indian strategy report of Morgan Stanley said.

There is 40 percent probability of a bull run in which case the BSE Sensex could hit the 19,000 mark by the end of 2009, the report said adding there is only 10 percent probability of a bear phase in which case the Sensex could tank to 8,600 levels.

The report has predicted the Sensex levels in scenarios like bull and bear market and what it calls a base case. However, the bull case for the market assumes factors like recovery in global growth, strong policy action from the government, lower non-performing assets among others.

[http://profit.ndtv.com/2009/06/05093609/Indian-mkt-may-
outperform-glob.html](http://profit.ndtv.com/2009/06/05093609/Indian-mkt-may-outperform-glob.html)



FAO: Global Food Supply Improving

With the second-highest global cereals crop expected in 2009 and stocks replenished, the world food supply appeared less vulnerable to [external] shocks than it was during 2008's food crisis, the Food and Agriculture Organisation (FAO) said in its Food Outlook report.

So far the improvement was largely in cereals – the critical sector for food security – after record production in 2008 overshoot original forecasts, the report said. The bumper crop had also facilitated replenishment of global reserves to pre-crisis levels.

World cereal production in 2009 is forecast to reach 2, 219 million tonnes (including rice on a milled basis), about three percent lower than 2008's record high but nonetheless the second largest crop ever gathered, the FAO said. In 2008-09 it was 2, 287 million tonnes.

In 2009-10, reductions were forecast for wheat and coarse grains while the global rice crop may register another marginal increase. In several major producing countries, cereal farmers had been discouraged by poor



expected returns: sharply lower grain prices and relatively high input costs.

<http://www.hindu.com/2009/06/05/stories/2009060560332400.htm>

Parash Cartoons

Asian Exporters Pin Hopes on China

Emerging economies in Asia may outperform developed markets on the road to recovery if their exporters can capitalise on rebounding growth in China to escape sluggish US and European markets.

Companies and countries which stand to benefit from China's infrastructure spending surge – the bulk of its US\$585bn stimulus package – have grounds for optimism as demand for building equipment and materials soars, buoying firms, such as Japan's Komatsu and Australian mining giant Rio Tinto.

China's consumer sector is worth US\$1.5tr, puny next to the combined US\$22tr size of the US and European markets. Roughly speaking, counterbalancing a one percent decline in rich-world retail sales would require a 15 percent increase in China – a disturbing reality for export-reliant economies.

Proof can be found in small, open Asian economies such as Singapore and Taiwan, where the brutal collapse in trade has caused gross domestic product (GDP) to shrink by as much as 10 percent.

<http://www.reuters.com/article/reutersEdge/idUSTRE55916N20090610>

Russia: A Emerging Economy

Russia's Central Bank estimates that the country's net trade surplus for the period January-May 2009 was US\$35bn. Andrei Klepach, Deputy Economics Minister said that Russia's trade surplus hit US\$27.3bn for January-April 2009, in comparison with the same period in 2008, when the figure was US\$65.3bn.

Alexei Ulyukaev, Deputy Chairman, Central Bank said that the Bank had purchased less than US\$1bn to restrain the ruble on the exchange market, which was also lower than the period February 01-May 25 when the bank spent more than US\$30bn on strengthening the ruble.

The top bank official predicted that Russia could move towards a free floating regime for the ruble in 2010, but only if conditions were suitable, including an acceptable balance of payments and a mechanism allowing the system to be regulated through interest rates. He also dismissed reports that the Central Bank had stress-tested the Russian banking system.

<http://en.rian.ru/russia/20090606/155184694.html>

FDI Plunges by 33% in China

The Chinese Commerce Ministry said that the US\$34.05bn in FDI China had drawn was 20.4 percent less than in the same period in 2008.

In May 2009, China attracted US\$6.38bn in FDI, down 17.8 percent in 2007 and the eighth straight month that FDI inflows had fallen year-on-year. But the drop was less steep than in April, when it fell 22.5 percent in 2007. China attracted a record US\$92.4bn in non-financial FDI in 2008, an increase of 23.6 percent from 2007.

Inflows surged in the years after the country joined the World Trade Organisation (WTO) in 2001, but have weakened in recent months as the global economic slowdown has hit. The latest data comes as an influential Chinese economist predicted that the economy will not experience a rapid recovery because it will take time to find a new growth engine to replace sagging exports.

Li Yang, a Former Adviser to the People's Bank of China, China's Central Bank said that he expected China's recovery to be W-shaped, meaning that growth would falter once current fiscal and monetary stimulus wears off, before regaining momentum.

<http://en.timeturk.com/foreign-investment-in-china-plunges-21205-haberi.html>

Manufacturing to Drive US Recovery

A revived manufacturing sector is critical for a recovery of the slumping US economy, business leaders told a national economic summit, underscoring the need for new policies. The second day of the summit drew attention to the critical importance of the industrial sector in the global crisis.

"One of the lessons we have learned from the crisis is that you cannot create wealth in an economy simply by spinning things around and around", said Jayson Myers, President of the Canadian Manufacturers and Exporters Association.

"You create wealth by building things people want to buy", these comments were echoed by others at the gathering. Chip McClure, CEO of auto parts maker ArvinMeritor said that the US needs 'a pro-industry climate with policies on trade, taxes, energy, healthcare, and education that make it competitive for US and foreign manufacturers to build here. Manufacturing is essential for the vitality and economic future of the US. It is the ticket to compete globally. It is how we generate wealth, value, and provide jobs for society.

<http://www.businesstimes.com.sg/sub/latest/story/0,4574,338026,00.html?>

CDSs & Bankruptcy: No Empty Threat

Six Flags, an American theme-park operator, filed for Chapter 11 bankruptcy protection on June 13, 2009 bringing its long ride to reduce debt obligations to an abrupt halt. The surprise was that bondholders, not the tepid credit markets, stymied the restructuring effort. Bankruptcy codes assume that creditors always attempt to keep solvent firms out of bankruptcy.

Pragmatic lenders who hedged their economic exposure through credit-default swaps (CDSs), a type of insurance against default, can often make higher returns from CDS payouts than from out-of-court restructuring plans. In the case of Six Flags, fingers are pointing at a Fidelity mutual fund for turning down an offer that would

have granted unsecured creditors an 85 percent equity stake.

Some investors take an even more predatory approach. By purchasing a material amount of a firm's debt in conjunction with a disproportionately large number of CDS contracts, rapacious lenders can render bankruptcy more attractive than solvency.

Henry Hu of the University of Texas calls this phenomenon the "empty creditor" problem. With default rates climbing, he sees such perverse incentives as a looming threat to financial stability.

http://www.economist.com/businessfinance/displayStory.cfm?story_id=13871164

Argentina's Trade Surplus Surges

Exports fell 18 percent in May 2009 from 2008 to US\$5.14bn, while imports sank 49 percent to US\$2.66bn. The slump in exports was caused largely by lower prices for Argentine shipments abroad of grains and oilseeds. Export prices fell 13 percent while the volume increased by six percent.

Argentina is one of the world's leading suppliers of soy, corn and wheat. Imports plunged 39 percent in volume and 16 percent in value. Imports have been falling in recent months as Argentina's six-year economic boom cools, linked to the global slowdown.

Purchases of foreign-made intermediate and capital goods as well as fuel all shrank in May 2009, National Statistics and Censuses Institute (INDEC) said. The accumulated trade surplus in the first five months of 2009 was US\$8.33bn up 63 percent from US\$5.12bn in the same period of 2008.

The Argentine government has increased spending on stimulus programmes to offset the slowing economy. Moreover, as the economy slows, the Argentine provincial governments are racking up higher deficits, which require the federal government to disburse more money.

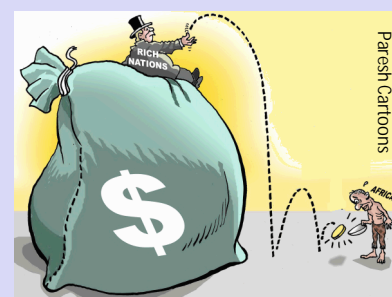
<http://en.mercopress.com/2009/06/20/argentinas-trade-surplus-surges-139-in-may-but-imports-plunge-49>

Poor being Hit by Crisis

The world's poorest countries will see US\$1tr drain from their economies in 2009. Figures published by the World Bank show the financial crisis taking a heavy toll, with the flow of money into the developing world halving in 2009 after heavy losses in 2008.

Despite recent talk of economic green shoots in Britain and the US, the lack of international capital means many poor countries will stay in recession for longer as companies and governments are starved of investment.

The World Bank is calling for greater international policy co-ordination and tighter regulation



of the global financial system in response. Releasing its authoritative annual Global Development Finance report, the Washington-based institution singles out Africa, central and eastern Europe and Latin America as regions suffering most from the global recession even while rich nations are starting to talk about recovery.

It reveals that net private capital inflows to poor countries tumbled to US\$707bn in 2008 from a peak of US\$1.2tn in 2007. There is also little chance of overseas aid payments by rich countries taking up the slack left by the drop in private capital flows.

<http://www.gulf-times.com/site/topics/>

[article.asp?cu_no=2&item_no=299685&version=1&template_id=46&parent_id=26](http://www.gulf-times.com/site/article.asp?cu_no=2&item_no=299685&version=1&template_id=46&parent_id=26)

Mali: Delivering Education for All

Mali is one of the poorest countries in the world. It has been democratic since 1991, and the international community considers it to have, overall, a well-performing government and economy. But this should not mask the huge scale of the challenges facing Mali in realising even the most basic rights of its citizens. This challenge is increased by the country's vulnerability to shocks, such as the food and fuel crises.

If 'education for all' is to be achieved in Mali by 2015 – or indeed at any time – the government must ensure that it builds strategies that respond to the expectations of Malian families, and realistic plans to implement them.

Most of all, improving the quality of education will require a strong emphasis on increasing teacher numbers and on pre- and in-service teacher training, which currently is massively insufficient. Donors should

collectively support this need in Mali, and should significantly scale up budget-support aid flows in order to ensure that education for all can become a reality, and one that is inseparable from, rather than a challenge to, 'quality education'.

<http://www.oxfam.org/sites/www.oxfam.org/files/education-for-all-mali-report-0906.pdf>

Scaling Up to Reach MDGs in Rwanda

Rwanda is not on track to achieve most of the Millennium Development Goals (MDGs) at a time when hopes for scaled-up aid are mixed with concerns that, in the context of the global economic crisis, aid instead will be scaled down.

This paper analyses the effects of alternative scenarios for grant aid, government spending allocations (between infrastructure, agriculture, and human development), and government efficiency. The authors use an economy-wide model for

development strategy analysis, Maquette for MDG Simulations.

When aid increases, the most positive growth and poverty reduction impacts occur if spending increases are allocated to infrastructure and agriculture; progress in human health and education is significant but weaker than if additional spending is focused on these areas.

Given synergies and diminishing marginal returns from expansion in a limited area, the scenarios that may appear most attractive and politically feasible have a broad and balanced expansion across government functions, promoting both growth and human development.

http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349_20090608143540

Convention on the Right on the Child

Little evidence is available on whether changing global rules so as to promote human rights can enhance development outcomes. The Convention on the Rights of the Child was almost universally ratified by the mid-1990s, but it is unclear whether treaty ratification was associated with better or wider protection of children's rights.

This paper uses an instrumental variable approach to investigate whether treaty ratification was associated with stronger effort at the country level on child survival, and particularly with higher rates of immunization coverage.

The paper finds that ratification of the Convention on the Rights of the Child was correlated with a subsequent increase in immunisation rates, but only in upper middle and high-income countries. Treaties can promote development outcomes, but require institutional support to do so.

http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469382&piPK=64165421&menuPK=64166093&entityID=000158349_20090617092305

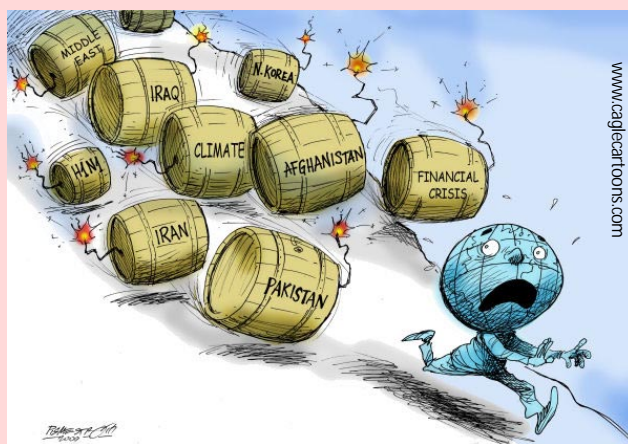
Climate Change in Asia

Climate change is a major threat to improving prosperity in Asia and the Pacific. The Asian Development Bank (ADB) has an important role to play in responding to the threats-and opportunities-presented by climate change in the region.

To better align its investments and associated policy and institutional support with the priorities of its developing member countries relating to climate and development each of ADB's five regional departments covering Central and West Asia, East Asia, the Pacific, South Asia, and Southeast Asia-has drafted a Climate Change Implementation Plan to serve as a guide for climate-related responses, both to mitigate greenhouse emissions and to adapt to climate change impacts.

This report summarises the recommendations of the regional plans and outlines ongoing and planned interventions to help build low-carbon, climate resilient economies in Asia and the Pacific.

<http://www.adb.org/Documents/Books/Climate-Change-Dev-Asia/Climate-Change.pdf>



Asia: Decoupling or Recoupling

In this paper, we investigate the degree of real economic interdependence between emerging Asia and major industrial countries to shed light on the heated debate over the “decoupling” of emerging Asia. We first document the evolution of macroeconomic interdependence for emerging Asian economies through changing trade and financial linkages at both the regional and global levels. Then, by employing a panel vector auto regression (VAR) model, we estimate the degree of real economic interdependence before and after the 1997/98 Asian financial crisis.

Empirical findings show that real economic interdependence increased significantly in the post-crisis period, suggesting “recoupling”, rather than decoupling, in recent years. Output shocks from major industrial countries have a significant positive effect on emerging Asian economies. More interestingly, the reverse is also true. Output shocks from emerging Asia (and the People’s Republic of China [PRC]) have a significant positive effect on output in major industrial countries. The result suggests that macroeconomic interdependence between emerging Asia and industrial countries have become “bi-directional,” defying the traditional notion of the “North–South relationship” as one of “uni-directional” dependence.

http://aric.adb.org/pdf/workingpaper/WP31_Decoupling_or_Recoupling.pdf

Impact of Financial Crisis

Industrialised countries are in their deepest recession since World War II and the resultant slump in demand has already seriously affected commodity prices. Global growth rates have been revised downwards and there is ample evidence that the financial crisis has reduced global demand for developing country products, thus reducing their export revenue. The European Union’s (EU) biggest economies, Germany, the UK and France, recorded declines of about 30 percent in their food and live

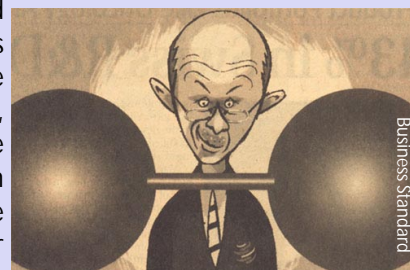
Little Unity within WTO

Immediately after the United Progressive Alliance (UPA) won its impressive mandate in June 2009, the WTO Director-General, Pascal Lamy, made the right noises in his welcome remarks for the new Manmohan Singh government. Among other things, he said that India was a “key WTO member and (had) been actively engaged in the Doha Round since its launch in 2001”.

The election results “had given a clear vote of confidence to the Congress Party and its allies”, which was a good thing because the WTO “(needed) a strong India and, likewise, India (needed) a strengthened WTO”.

This is not something that should make anyone happy because there is no doubt that the future health of the international economy is closely tied to the healthy prospects of world trade, and that greater the exchange between economies by way of free and fair trade, better the chances of an improvement in the general standard of living of people everywhere, especially of those in the developing countries.

<http://www.worldtradereview.com/news.asp?pType=N&iType=C&iID=208&siD=14&nID=47615>



animal imports in October 2008 compared with October 2007.

However, no clear trend of declining EU and US demand for the single commodities analysed in this study is visible so far. Since monthly trade figures are likely to show some abnormalities, we expect to observe clearer volume trends in the coming months.

The global financial crisis has also affected developing countries by aggravating the price volatility for some commodities, increasing revenue uncertainty for commodity-dependent countries. Moreover, South-South trade is expected to suffer, with China, India, South Korea, Taiwan, South Africa, Brazil and Argentina heading towards recession.

<http://www.odi.org.uk/resources/download/3410.pdf>

ASEAN FTA: Impact on Trade

Using detailed data on trade and tariffs from 1992-2007, the authors examined how the Association of Southeast Asian Nations (ASEAN) Free Trade Agreement (FTA) has affected trade with nonmembers and external tariffs facing nonmembers.

First, the paper examines the effect of preferential and external tariff reduction on import growth from ASEAN insiders and outsiders across HS 6-digit industries. The analysis finds no evidence that preferential liberalisation has led to lower import growth from nonmembers.

Second, it examines the relationship between preferential tariff reduction and Most Favoured Nation (MFN) tariff reduction. The analysis finds that preferential liberalisation tends to precede external tariff liberalisation.

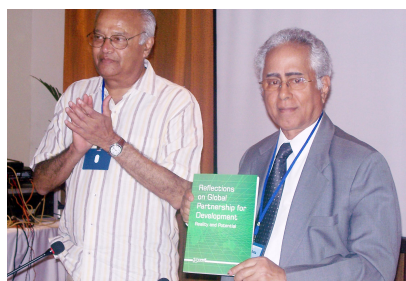
The results remain unchanged, suggesting that there is a causal relationship between preferential and MFN tariff reduction. The findings also indicate that external liberalization was relatively sharper in the products where preferences are likely to be most damaging, proving further support for a causal effect. Overall, the results imply that the ASEAN agreement has been a force for broader liberalisation.

http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/06/10/000158349_20090610085729/Rendered/PDF/WPS4960.pdf

Recent Event

Trade-Development-Poverty Linkages

CUTS Centre for International Trade, Economics & Environment (CUTS CITEE) organised a conference entitled, 'Trade, Development and Poverty Linkages: Lessons and Future Directions' in Jaipur, on June 23, 2009.



The conference explored the dynamic relationship between international trade and poverty alleviation with focus on South Asia, Southeast Asia and Africa. It was attended by about 50 experts from different parts of the world.

A book entitled 'Reflections on Global Partnership for Development: Reality and Potential' was also released by Anwarul Hoda, former member of the Indian Planning Commission at a seminar on 'Future Challenges of the International Trade Regime from South Asian perspectives' organised by CUTS in Jaipur, on June 22, 2009.

Upcoming Events

Eco-labelling for Textile Industries

A workshop on 'Eco-labelling for Textile Industries' under the project entitled, 'Enabling developing countries to seize eco-label opportunities' will be held in Coimbatore, India, on July 27, 2009. The objectives of the workshop would be to build on the momentum generated by the first national workshop on eco-labelling and follow up recommendations made at the conference in Mumbai on global textile opportunities; present project outcomes and engage relevant stakeholders; and increase stakeholders knowledge of the EU Eco-label.

Indo-Bangla Trade: Focus on the North-East

A 'Stakeholder Consultation on Indo-Bangla Trade: Focus on the North-East' will be organised in Agartala, on August 09, 2009. The workshop will be attended by high level delegates from the Indian and Bangladesh national governments and the Tripura state government, and CSOs from Bangladesh and India. The focus will be on trade and transit issues concerning Bangladesh and India, especially the North East. The emphasis will be on recent developments involving the Government of Bangladesh and Tripura.

GRANITE State level Workshop – Phase II

A State Level Workshop for Grassroots Reachout & Networking in India on Trade & Economics (GRANITE) Phase II will be held in Jaipur, on August 17, 2009. The objective of the workshop would be to present research findings; share opinions for making the National Foreign Trade Policy (NFTP) more pro-poor; share views and opinions as to what could be done to increase exports of gem and jewellery from Rajasthan; and identify areas of further research.

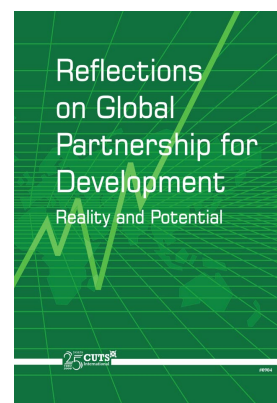
For more information, please visit: www.cuts-citee.org

Reflections on Global Partnership for Development: *Reality and Potential*

CUTS International and the Federation of Indian Chambers of Commerce and Industry (FICCI), organised a conference on the Global Partnership for Development (GPD) in New Delhi, on August 12-13, 2008. The conference was enriched by papers and presentations from a wide range of experts hailing from both the developed and the developing world as well as open house deliberations and panel discussions. This volume compiles the papers presented during the course of this conference. The papers received examine these diverse aspects of the GPD from different angles – the opportunities for facilitating it, the various barriers that impede its facilitation and how these can be overcome.

<http://www.cuts-citee.org/pdf/>

[Reflections_on_Global_Partnership_for_Development_Reality_and_Potential.pdf](http://www.cuts-citee.org/pdf/Reflections_on_Global_Partnership_for_Development_Reality_and_Potential.pdf)



We want to hear from you...

Please e-mail your
comments
and suggestions to
citee@cuts.org

We put a lot of time and effort in taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds and suggest ways for improvement.

- Content
- Number of pages devoted to news stories
- Use as an information base
- Readability (colour, illustrations & layout)