G-8 calls for freer global trade

"Achieve urgent progress in World Trade Organisation talks"

Vladimir Radyuhin

MOSCOW: Finance Ministers of the Group of Eight (G-8) called for liberalising global trade and for achieving "urgent progress" on the World Trade Organisation talks.

"We are committed to fighting protectionism and promoting trade liberalisation in agriculture, industrial goods and services as well as of investment," the G-8 Ministers said on Saturday at the end of their two-day meeting in St. Petersburg.

"We agree on the importance for global growth, of an ambitious outcome of the Doha Development Round and recognise that urgent progress is needed," a statement said. "Many developing countries need substantial aid to help them take advantage of general trade liberalisation."

India's Finance Minister P. Chidambaram attended the meeting along with his colleagues from Australia, Brazil, China, Nigeria and South Korea who were invited by Russia. Setting forth India's position on free trade at a previous G8 meeting in Moscow in February, Mr. Chidambaram said India would not accept any settlement that goes against its rural sector.

The Doha WTO round launched in November 2001 is dogged by differences over farm subsidies and industrial tariffs.

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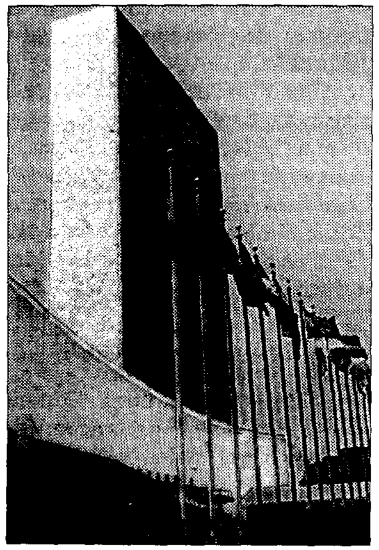
THE HINDU

G-77 blocks Annan's reform proposals



The UN Headquarters in New York

DHARAM SHOURIE
UNITED NATIONS | APRIL 29

A GROUP of 77 developing countries, including India, has blocked UN Secretary General Kofi Annan's reform proposals which would have given him vast power over both financial and human resources and reduced the say of the poor in budgetary matters of the world body. The move came as rich countries, including the US and Japan, held out veiled threats of starving the UN of funds. The next confrontation is less than two months away when the members would discuss progress in the implementation of the reforms. The budget authorisation for the world body is only up to June end.

The developed nations, which blocked adoption of budget for one year, want to review the progress in reforms before authorising more funds. "We'll have to assess (in June) whether there's been adequate progress on reform," US Ambassador John Bolton said. "Our efforts are going to continue and in fact redouble to obtain the reform that we need."

Annan, whose second term ends on December 31 next, expressed regret over the way the diplomats handled the issue. He had withdrawn two of his most contentious recommendations in an effort to enable a UN committee find consensus but that did not happen.

Also, only 108 out of the 132 members of G-77, a group of developing countries, voted for a resolution which took some reforms off the table and sought more information from the secretariat on others, thus showing some cracks in their ranks, perhaps as a result of pressure by the rich. India, Pakistan, Bangladesh, Nepal, Sri Lanka and Iraq joined 108 members who voted for the resolution.

Fifty member states, including the US, Britain and France, voted against the resolution but Russia and China were with the developing nations. Norway, Uganda and Armenia abstained and Afghanistan along with Bhutan and North Korea absented themselves. The overall impact would be that reforms, which the rich consider essential, would be delayed and might undergo extensive changes as member states try to develop consensus.

The G-77 pressed for the vote on their resolution in the budgetary committee of the general assembly yesterday, breaking a tradition of more than two decades of taking all decision by consensus. The resolution now goes to the 191-member general Assembly where it would be easily adopted. —PTI

30 APR 2006

INDIAN EXPRESS

23 APR 2006

THE STATESMAN

G-7 ministers vow to resist protectionism

Agence France Presse

WASHINGTON, April 22. — The Group of Seven industrialised nations have pledged support for the faltering Doha round of trade liberalisation talks and vowed to resist protectionism.

It has also warned that record oil prices risk slowing global growth.

G-7 ministers and central bank governors' meeting here said in a final statement yesterday that they would "resist protectionism and promote liberalisation of trade and investment including an ambitious outcome from the Doha Development Round."

Their statement came at a critical moment in the round, which is currently foundering and threatened with collapse in the face of lingering disagreements on how to reduce trade-distorting subsidies and slash import tariffs.

In Geneva yesterday, World Trade Organisation negotiators acknowledged that a key deadline would likely be missed, throwing into doubt chances for completing the round by the end of the year as the WTO had hoped.

European Trade Commissioner, Mr Peter Mandelson said the WTO's 150 member governments had failed to narrow their differences sufficiently to reach an outline agreement on cutting tariffs and other trade barriers by the target date of 30 April.

The Doha round was launched with great fanfare in the Qatari capital in late 2001 and is aimed at harnessing freer trade as a means to improve living standards in developing countries.

Failure to complete the process, it is feared, could give rise to a wave of protectionism.

GRAPHIC:UTPAL

China chided

Finance ministers from the world's seven most powerful economies chided China over its currency regime.

In a statement, the ministers of Britain, Canada, France, Germany, Italy, Japan and the United States argued yesterday that a "strong global economic expansion continues into its fourth year and the outlook remains favourable.

"Yet risks remain from oil market developments, global imbalances and growing protectionism. We underscored that global economic adjustment is a shared responsibility." The G-7 ministers, meeting as oil prices in New York surpassed $75 a barrel for the first time, called for greater investment in oil consuming and producing countries, and for more conservation and energy efficiency.

They issued their statement before heading into dinner talks with China and crude producers Russia, Saudi Arabia and the United Arab Emirates.

Among the potentially dangerous global imbalances they identified were the massive trade surplus being run up by China — which Beijing's critics argue is the product of a distorted currency regime.

IMF urged to tighten surveillance

WASHINGTON, April 22. — The Group of Seven finance ministers have urged the IMF to tighten its surveillance of economic policies in member countries, particularly those affecting exchange rates.

"We supported the strengthening of IMF surveillance, including through increased emphasis on the consistency of exchange rate policies with domestic policies and a market-based international monetary system and on the spillover effects of domestic policies on other countries," the G7 said in a statement following a meeting here.

"We support a new remit for bilateral and multilateral surveillance by the IMF." The United States has long argued for the International Monetary Fund to pay closer attention to exchange rate practices in member countries, notably those that could have a destabilising influence on the global economy. **AFP**

washingtonpost.com

G-8 'Disappointed' With Iran Over Nuclear Offer

Tehran Rejects Call for Response to Nuclear Incentives by Next Week

By Glenn Kessler
Washington Post Staff Writer
Friday, June 30, 2006; A24

MOSCOW, June 29 -- Iran should give a "clear and substantive" response next Wednesday to an offer for economic and other incentives as part of negotiations on its nuclear program, the United States, Russia and other industrial nations said Thursday.

Foreign ministers of the Group of Eight countries said in a statement that they were "disappointed" Iran had not yet provided a formal response to the offer, made on June 1 in Vienna by the five permanent members of the Security Council and Germany.

A top Iranian official is to meet with the European Union's foreign policy chief, Javier Solana, on Wednesday to discuss the offer. U.S. officials indicated that more than one meeting might be necessary to get a full answer from the Iranians.

Putting pressure on Iran, U.S. officials said the foreign ministers of the countries that made the offer -- the United States, Russia, China, Britain, France and Germany -- will meet on July 12 to assess the Iranian response and decide whether it is adequate to begin negotiations -- or warrants bringing the issue back to the U.N. Security Council for possible sanctions.

Iranian Foreign Minister Manouchehr Mottaki, at a news conference at the United Nations, rejected the demand for an answer in July, saying it would not come before August because of "questions and ambiguities" in the proposal.

The offer was made after the Bush administration shifted course and decided to join talks on Iran's program if the Tehran government agreed to suspend its uranium enrichment activities. Enriching uranium is a key step toward the possible development of nuclear weapons. The offer is intended to sharpen the choice facing Iran, giving it a clear reason to choose cooperation over confrontation on its nuclear program, which Iranian officials say is intended solely for generating electricity.

"An agreement of this sort would allow the Iranian people to enjoy the benefits of modern civil nuclear power and would bring Iran many other long-term political and economic advantages," the G-8 statement said.

The statement made no mention of possible sanctions. When Solana formally presented the offer to the Iranian government on June 6, he provided a written copy of incentives but only orally mentioned a list of sanctions, known among diplomats as "disincentives," that might be considered if Iran does not suspend its nuclear program.

Although the six countries agreed on the list of possible sanctions, choosing which ones to impose if Iran refuses to negotiate would likely be a diplomatic challenge.

China and Russia have said they oppose sanctions. Russian President Vladimir Putin, in a speech Tuesday that did not directly refer to Iran, said: "We have no intention of joining in any kinds of ultimatums that only drive the situation into a dead end and deal a blow to the U.N. Security Council's authority." He added that crises cannot be settled by isolating countries but by drawing them into dialogue.

During a news conference here, Secretary of State Condoleezza Rice and Russian Foreign Minister Sergei Lavrov sidestepped a question about whether they were unified on using sanctions if Iran did not respond positively. "We did not discuss anything beyond the offer which we all made in good faith to Iran, which is a positive offer," Lavrov said.

On Wednesday, Solana met with senior officials from the six countries for five hours to discuss strategies for dealing with the Iranian response. A senior U.S. official, speaking on condition of anonymity, told reporters that there was firm agreement on the need for a timely Iranian answer.

He also said the six countries agreed that Iran would not be allowed to provide some halfway response to the request to end its enrichment activities. He said that a suspension would have to include no more spinning of centrifuges, no introduction of uranium gas, no more activities at Iran's facility in Nantanz and no new construction of centrifuge arrays known as cascades.

In the statement, which covered a long list of foreign policy issues, the foreign ministers also called on Israel to "exercise utmost restraint" in the Gaza Strip, where it is conducting a major military operation in an attempt to free a soldier held by Palestinian gunmen. The ministers also expressed concern over the detention of about one-third of the Hamas-led cabinet.

"We believe that the political process cannot be restored by way of violence on either side," said French Foreign Minister Philippe Douste-Blazy.

FRIDAY, MAY 19, 2006

Equality of priestly opportunity

The decision of the Tamil Nadu Government to allow all qualified persons irrespective of their caste to work as temple priests is an important victory in the continuing fight against the social curse that is India's caste system. In keeping with a 2002 Supreme Court ruling that non-Brahmins (including Dalits, of course) can function as temple priests if they are "well-versed and properly trained" in temple rituals, the Dravida Munnetra Kazhagam Government has expressly provided for the appointment of persons from all communities as archakas. Customs and hereditary rights, including those dating back several centuries, cannot form the basis for continuing practices that violate fundamental rights guaranteed in the Constitution. Any discrimination in the choice of priests militates against Article 15 of the Constitution, which guarantees the right of equality to all citizens, and Article 17, which prohibits untouchability. The 2002 verdict, which the State Government now cites, clarifies the position in the context of a 1972 judgment of the Supreme Court that held the appointment of archakas not authorised by the agamas as violative of Article 25, which grants the right to freedom of religion. According to the 2002 ruling, even if traditionally a Brahmin alone conducted the pujas, this did not mean a person other than a Brahmin was prohibited from doing so. This has now provided sufficient ground for the Government to make another attempt – after the 1970 amendment to the Hindu Religious and Charitable Endowments Act – to end the discrimination on the basis of caste.

But if the decision is not to end up as symbolism, the Government must actively promote the participation of people from different castes in the rites and ceremonies of the temples administered by the HR and CE department. Among the 38,000 temples that come under the department, many traditionally employ non-Brahmin archakas. But most of such temples are in the low-income category; and there is little incentive for qualified persons to work there. Traditionally, the recruitment of priests has been left to the local temple authorities. Without a new mode of selection and placement of archakas, the order "allowing" people from all castes to serve as archakas is unlikely to go far enough. Besides, there are several temples run by hereditary trustees that do not come under the department. It will be a challenge for the Government to bring about the radical change it envisages in these temples. It is important to emphasise that an earnest effort to end caste discrimination in priestly functions must involve a proper training process for those interested in taking up the profession. Although an informal system of training in agamas exists in some temples, equality of opportunity cannot be ensured in the absence of a recognised institute for training archakas. Clearly, the Government needs to follow up its socially progressive move with other practical steps.

1 9 MAY 2006

CENTRE GIVEN 8 WEEKS' TIME

SC seeks quota details

Indo-Asian News Service

NEW DELHI, May 29: The Supreme Court today asked the Centre to explain the basis on which it would extend the proposed 27 percent reservation to Other Backward Classes (OBCs) in institutions of higher education.

Issuing a notice to the government, a two-judge Bench comprising judges Arijit Pasayat and LS Panta also appealed to the protesting students to call off their stir against the caste-based reservation policy since the court had taken up the issue.

Hearing a petition filed by advocate Ashok Thakur, the Supreme Court asked the government to explain the basis of identifying OBCs and respond within eight weeks.

Mr Thakur has appealed for a regular review of the reservation policy and the definition of the term "creamy layer" - the affluent section among the OBCs whom the government wants to exclude from the purview of quotas.

The court order came even as the government announced a 13-member "oversight committee" headed by senior Congress party leader Mr M Veerappa Moily to look into ways to press ahead with the new affirmative action policy from June 2007.

The committee - which has got a go-ahead from Prime Minister Dr Manmohan Singh- includes secretaries of the ministries of health, agriculture, human resource development and the department of expenditure.

Mr Thakur told reporters that his petition had expressed concern that the new quota policy will split the country on the basis of caste and that the Supreme Court had taken cognisance of this issue during the hearing.

The petition also referred to the confusion over the percentage population of OBCs in the country and contradictory figures that were floating around. It also underlined that the current statistics on OBCs were outdated as the last caste-based survey was conducted in 1931.

The petitioner pointed out that there must be a fresh survey to assess the actual percentage of OBCs in the country's population and mentioned that the country's first Prime Minister Jawaharlal Nehru was also against quotas.

■ See also pages 4, 10 and Kolkata Plus I, III

30 MAY 2008

THE STATESMAN

TUESDAY, MAY 16, 2006

Tackling global imbalances

Prime Minister Manmohan Singh's recent exhortation to the Asian Development Bank and other multilateral institutions to devise appropriate strategies for the world economy to cope with increased unpredictability and volatility is timely. The issues raised pertain to what are broadly called global imbalances and have occupied centre stage in the monetary and other economic policies of developing and developed countries alike for quite some time now. Global imbalances refer to a well-entrenched asymmetry between global savings and investment, with the phenomenon of excess savings in some countries feeding the deficits of others. The U.S. runs a current account of deficit of $805 billion, around 6.4 per cent of its GDP. In contrast, Japan has a surplus of nearly $164 billion and China $158.billion. The record rise in oil prices and – the dim prospects of their coming down soon – have certainly exacerbated the problem. One of the largest transfers of resources in recent history is taking place from the petroleum-consuming nations to the oil producers. Gulf countries have collectively accumulated a surplus of $196 billion in their current accounts. The oil producers have thus emerged as a significant source for financing the U.S. deficit. Many attribute the mismatch between savings and investment to the forces of globalisation. Integration of financial markets across the globe, focussed attempts to spur economic growth through exports – such as in China, Japan, and South Korea – and the propensity of some countries to import more have been some of the causes.

Just as the reasons for the imbalances are many and varied, the remedial measures too are complex and obviously involve coordinated action by many countries which is difficult to bring about. It has not been easy to speed up the Doha round of trade talks despite all countries accepting the multilateral framework as set out by the WTO. There is no unanimity among individual countries on what needs to be done. Yet the consequences of not doing anything are certain to be serious. Piecemeal measures such as the attempts by the U.S. to persuade China and Japan to revalue their currencies and hence make their exports costlier at best address the symptom. India, which until last year had a surplus but now has a growing deficit in the current account, cannot escape the consequences of an abrupt winding down of imbalances. Extreme volatility in currency and interest rate movements, a sharp increase in the domestic nominal interest rates, shrinking export opportunities, and some slackening of the fast growing IT-based sectors are on the cards. One positive factor however is that India might be much better prepared than many other emerging market economies. The spectacular fall of 462 points in the Sensex on Monday has followed major declines in Asian stock markets and is said to be among the first signs of global imbalances asserting themselves.

Cross country obstacles

A rapid growth in cross-country investments and global trade in goods and services has been a defining feature of the globalisation era. As countries enter into treaties with one another, multilateral institutions such as the World Trade Organisation have overseen the framing of ground rules for such engagement and thereafter ensured their compliance. Practically all countries are now open to foreign trade and investment although the emphasis tended to vary, depending on their overall economic and other perspectives. Globalisation has been given a further push by the conscious decision of most countries to do away with the types of control that confined investments within national boundaries. India, no exception to this trend, has benefited by increasing its share in world trade. Among emerging economies, India has been a major beneficiary of capital inflows. Foreign institutional investors (FIIs) have been by far the largest players in the domestic stock markets. The country has received a reasonable share of global foreign direct investment (FDI) and has been making efforts to attract much more. There is near unanimity that globalisation on these lines will proceed apace conferring larger benefits to all. However, a few recent episodes from the developed world concerning transnational investments suggest that the rules of the game are becoming more complex and are driven by non-economic forces.

A UAE government company, DP World, among the world's largest port operators, which had acquired the right to manage six American ports, has chosen to divest its stake in the face of growing political opposition to the deal from American legislators. Security concerns that were cited to thwart the deal were not expressed when the same ports were managed by the British shipping icon, P&O, whose takeover by the Dubai Company caused this fracas. Last summer a Chinese government company, CNOOC, had to back away from an attempt to takeover an American energy company, Unocal, although it had offered a better deal than what the eventual acquirer, the American giant Chevron did. Political opposition then centred on factors affecting the energy security of the U.S. Within the developed world itself, there have been a number of instances of otherwise attractive cross-border transactions being stymied by politicians and interested parties. Economic patriotism is among the rallying cries in France as the politicians there and in Luxembourg try to frustrate Mittal's attempts to take over Arcelor. In the more recent period, the main driving forces for FDI have been mergers and acquisitions and not a motivation to set up Greenfield projects. Another complicating factor is that large multinational companies can no longer be identified with specific nationalities as their shareholding patterns have become diffused. For India, the lessons to be learnt lie in the direction of imparting greater transparency to the existing FDI rules, while paying heed to genuine security concerns.

30 MAR 2006 THE HINDU

Double standards over FDI in developed countries

FDI inflows, mostly in the form of acquisitions, can cause concerns in host countries

THE COMPLEXITIES that accompany foreign direct investment as indeed most types of foreign, non-trade inflows into a country have been in evidence recently. For countries such as India, FDI is considered a superior form of investment to, say, portfolio flows, although it is the latter type, coming under the broad category of foreign institutional investors (FII), that has underpinned the stock markets' phenomenal rise.

It is also well known that the country's external account is critically dependent on these capital flows to bridge the widening current account deficit. Invisibles and workers' remittances have been the other consistent performers but it is the FII flows – and through their role in forex reserves accretion

FINANCIAL SCENE

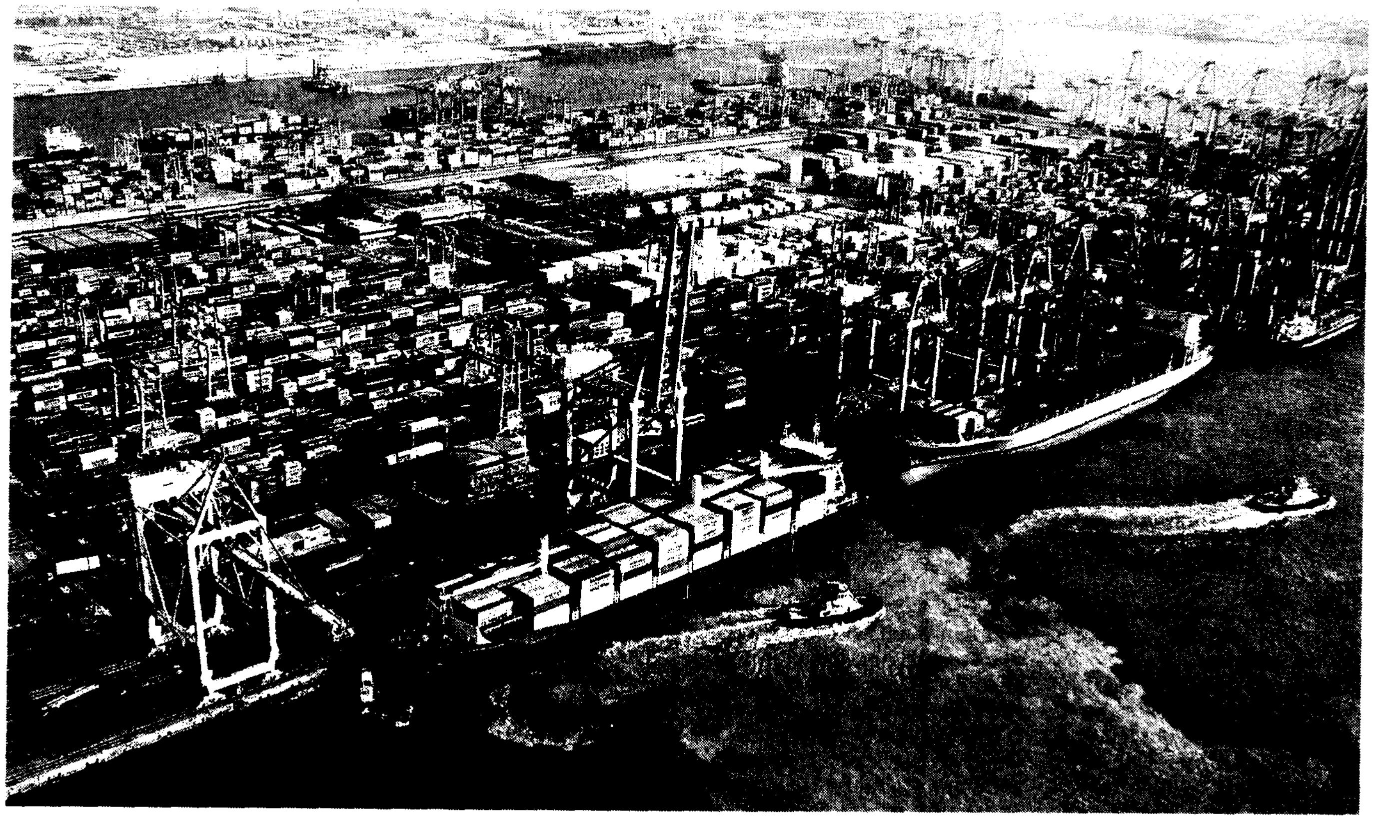
– that have given policy makers confidence in the face of a mounting oil import bill.

FII flows are, however, less stable than FDI. Besides, FDI is supposed to bring in technology and better management practices and generate employment in the recipient country.

Naive assumption

However, these routine assumptions on the relative merits and demerits of different types of capital inflows have proved wrong in many cases.

Part of the misconception on FDI arises from a lack of understanding of the form they take. It is naïve to think that they come in only to set up large, greenfield ventures. A greater proportion of total FDI flows is in the form of mergers and acquisitions (M&As). In a globalising world, this is only to be expected. But M&As often involve change in ownership, result in hostile takeovers and more generally strain existing regulations in many countries. Besides, technology has made it possible for funds to flow instantaneously across national borders.



TAKEOVER OPPOSED: *Jebel Ali port, a harbour with 67 berths south of Dubai and the world's largest manmade port. The state-owned DP World of Dubai has met with opposition to its plans to take over management of six U.S. ports earlier run by P&O.* – PHOTO: AFP

Diffused MNC structures

Today's large multinationals, which spearhead FDI flows, have diffused ownership structures with shareholders from many countries. This suggests that they can no longer be regarded as belonging to a specific country though they may retain their corporate headquarters in one country. For recipient countries such as India (although it is beginning to emerge as a major investor abroad as well), it is no longer a simple matter of giving an unqualified welcome to all types of FDI.

Recent takeover episodes

The reality is that there are sectoral caps in India for FDI.

EVEN THE MOST ADVANCED ECONOMIES WEAR BLINKERS AS FAR AS FDI IS CONCERNED. AT ANOTHER LEVEL, ISSUES OF SECURITY CAN NEVER BE WISHED AWAY IN COUNTRIES SUCH AS INDIA.

Other countries have their own reasons for restraining if not discouraging certain forms of foreign investment. Not all those reasons have an economic logic but it will be naïve to ignore them. A few recent episodes will help in a better understanding of the issues.

On March 9, DP World, an entity owned by the UAE Government and engaged in the management of ports world-wide, decided to sell its stakes in six American ports rather than face growing political opposition within the U.S. The company had acquired the rights to manage those ports following its earlier takeover of P & O, a major British shipping and port management company.

As long as P&O was managing those ports nobody raised any concerns over security or for that matter over anything else. Even the Dubai company's takeover of P&O had hardly created any ripples. But substitute British ownership and management with Arab control and you have a huge problem. The U.S. Congress was poised to legislate against the deal and although the U.S. President had argued in favour of DP World, the company decided to divest rather than confront the politicians.

The DP World episode has other messages too. Thanks largely to M&As, ownership of companies is constantly changing. Governments have very little say on deals that take place in some other country but impact their national interests. A large majority of cross-border M&As involving American companies originate from western democracies and are seldom subject to a similar degree of scrutiny. There has been of course a glaring display of double standards.

Apart from the obvious one of U.S. politicians opposing a deal simply because the new owner is from the Arab world (even if from a friendly country) there is the other matter of being selective: it is well known that the U.S. cannot do without the huge investments other countries including cash rich Arab countries are making everyday.

Economic patriotism

Lakshmi Mittal's bid for Arcelor, Europe's biggest steel maker, has met with opposition, not entirely for economic reasons. Top political leaders of France and Luxembourg are mobilising opposition to the deal citing economic patriotism. The real reason is the supposed "lack of a cultural fit" between the takeover target and the would-be acquirer.

Last summer, a Chinese oil company CNOOC was thwarted in its bid to buy Unocal, an American petroleum company that had put itself on the auction block. Despite the better terms offered by the Chinese company, Unocal was pressured by American politicians and others to accept an inferior bid from the local Chevron. Here again, a fear of letting strategic energy assets get into foreign, more specifically Chinese, hands had weighed with the politicians.

Right now in India, security concerns have been raised over the sale of a 10 per cent equity stake in the telecom joint venture Hutchison-Essar by the holding company Hutchison-Telecom International. The buyer, an Egyptian company Orascom, has a large presence in Pakistan and Bangladesh.

Security issues ought to dominate FDI policies especially if sensitive sectors such as telecom are involved. However, policies once framed must be made transparent.

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20 MAR 2006

Changing the face of global security

M.K. Bhadrakumar

The underlying theme, promoted by the U.S. and Germany, of the 42nd Munich Conference of Security Policy was that NATO must have the pivotal role in the 21st century's world order.

THE FIRST week of February was a heady time for a handful of Indians. They gyrated to the rhythms of the extravagant branding exercise called "India Everywhere" in the Swiss ski resort of Davos. The "economic dream team of India," Finance Minister P. Chidambaram, Commerce Minister Kamal Nath, and Deputy Chairman of the Planning Commission Montek Singh Ahluwalia, led this "mother of gab fests, of networking, of aggregation of economic and intellectual power" in Davos, according to media reports.

Unfortunately, the United Progressive Alliance stalwarts headed back to Delhi from Davos. Had they taken a drive down the Alpine slopes *via* the sleepy villages of Germany's fabled Black Forest to Baden-Baden, and turning east sped along the splendid Bavarian autobahns to reach Munich, their foreign tour would have been well rounded.

The 42nd Munich Conference of Security Policy was commencing. The Indian VIPs would have noted that India was not exactly "everywhere" – certainly not in Munich. A vague sense of unease, a shadow of doubt, might have crossed their mind about the world of tomorrow.

The annual Munich conference has come to be a useful forum for statesmen and diplomats to take a clinical look at the international system. This year's conference from February 3 to 5 with more than 250 participants from over 50 countries, including 40 Foreign and Defence Ministers, was somewhat exceptional.

As the French Defence Minister Michele Alliot-Marie put it, the year gone by had witnessed "a few spectacular moments." She explained: "The year 2005 has reinforced the strategic analyses that highlighted the rise of China, India and Brazil, the Russian ambitions, the international competition about energy and raw materials, the development of political Islam, the risks linked to terrorism and the proliferation of the weapons of mass destruction, the African crises, social protests in South America. Our previous references have faded away."

New risks have emerged, the search for new balances has become imperative, interests and values have entangled, and discrepancies have appeared in terms of culture, development, and history. In a brilliant speech, the French leader said that in the international system, "diversity is richness and must be safeguarded," and any "vision of uniformity" is untenable. This means "international lawfulness" must be upheld and, the "UN is the only holder of international legitimacy." Secondly, counter-terrorism is undoubtedly a priority, but "we must also tackle the reasons for terrorism, which hide a feeling of injustice against unacceptable political or economic situations."

Thirdly, settling regional crises is a *sine qua non* of security. In Africa, states are failing, the Arab-Muslim world is confronted with an identity crisis, Latin America is "searching its own way." In Asia, in particular, the region's "traditional balance is shattered by the upsurge of new power poles."

But, sidestepping this Gaullist vision, the underlying theme of the Munich conference was that in countering all the challenges, the North Atlantic Treaty Alliance (NATO) must have the pivotal role in the 21st century's world order. Surprisingly, the most emphatic assertion of NATO's role and the attendant imperative of invigorating Europe's trans-Atlantic partnership with the United States came from Germany, France's special ally till recently. The 42nd Munich conference will stand out for Germany's unequivocal return, with enthusiastic American backing, to the centre stage of world politics after a hiatus of some 60 years – ready, indeed eager, to reclaim its due place at the high table of great powers.

Thus, German Defence Minister Franz-Josef Jung asserted that NATO had already become "a globally operating alliance." Not only that, "the old NATO as a purely defensive alliance is history." NATO should now aspire to hold the first position for consultation by the Western powers on security issues, "in other words, it must be used as a political instrument for shaping the security environment."

But NATO cannot afford to get overstretched. Hence, the need for a strategic partnership with the European Union. The two should coordinate their capabilities ranging from intelligence sharing to force planning to joint training of rapid reaction forces. To quote British Foreign Secretary John Reid, "Together, we [Europe and America] form a community of values. Together, we are the greatest force for prosperity and stability in our world. The core of this relationship is NATO."

With overt encouragement from U.S. Defence Secretary Donald Rumsfeld (who participated in the Munich conference), the German Minister went on to make an astounding claim: "NATO can take action within the framework of the United Nations peace-keeping system ... but the Alliance is more than just a regional organisation. *NATO must also be in the position to act autonomously in order to ward off threats to world peace* [emphasis added] ... NATO is the only trans-continental alliance, committed to the values and principles of the United Nations, a unique political and military instrument."

German Chancellor Angela Merkel set the bottom line for the coming world order. NATO, she said, "must be the place where political consultations take place on new conflicts arising around the world, and it should in my opinion be the place where political and military actions are coordinated... In other words, I feel that the situations in the Middle East or Iran must be discussed at NATO. For this we need the political will, and to take action we then of course need the right military capabilities."

NATO Secretary General Jaap de Hoop Scheffer and several other speakers underlined that NATO must build closer links with other "like-minded nations beyond Europe – nations such as Australia, New Zealand, South Korea and Japan." Such "global partnerships" will enable bringing to the NATO table even more issues of concern to global security.

In this context, NATO will also establish "dense partnerships" with other regional organisations. As Ms. Merkel put it, regional organisations henceforth should assume greater responsibility for security, while NATO would help them develop skills and capabilities. Of course, the countries involved would need to switch to NATO-standard military equipment.

The Munich conference listed out a daunting agenda for NATO ranging from Afghanistan, Palestine, Iraq, Iran, Belarus, the southern Caucasus and Central Asia, to "many other regions." Mr. Reid also listed non-traditional threats facing NATO such as terrorism and nuclear proliferation, consequences of climate change, migration and "resource pressures" (food and water), energy security, and, curiously, "how the development of key states around the globe will play out," especially in Asia.

He emphasised that the Atlantic Alliance must have the will and the resolution to deploy forces in addressing these challenges. For, "preparedness to use military power is often a necessary precondition of stability and security."

The Chinese intervention

It was left to the Chinese delegate, Zhang Zhijun of the Central Committee of the Chinese Communist Party, to point out that other opportunities also exist for a harmonious world order. Mr. Zhang touched on the potential of enhancing multilateralism, international cooperation, the role of the U.N. and other regional and international organisations, democratising international life in general, and establishing a fair and just international economic and political order. He advanced an alternative "new security concept" based on "mutual trust, mutual benefit, equality and collaboration," by resolving conflicts through consultation and seeking stability through cooperation.

NATO has undoubtedly entered another phase of transformation. The first phase in the post-Cold War era saw its eastward expansion; the post-9/11 phase saw NATO crossing its traditional European defence zone to "out of region" operations under the "war on terror." With the resuscitation of the German-American axis within the trans-Atlantic alliance after Ms. Merkel's election victory in Berlin, NATO is seeking a phenomenal transformation, possibly overtaking the stalled U.N. reforms.

The American strategy visualises NATO expanding into other Eurasian areas under the garb of promoting democracy and stability. Each outreach of military might automatically promotes new waves of integration. (Niall Ferguson would argue that was how ancient Rome advanced its empire.)

The former German Chancellor Gerhard Schroeder had a spat with Mr. Rumsfeld during last year's Munich conference on the efficacy of NATO being the main framework of trans-Atlantic partnership. Things have changed dramatically since then.

Several factors contributed: the Bush administration's realisation about the limits to unilateralism; Washington's estimation of NATO being a key instrument in establishing world hegemony; the European project's derailment; Europe's desire to heal the trans-Atlantic rift over the Iraq war; the U.N.'s vastly diminished role; China's and India's rise; Russia's growing profile; the Middle East's uncertainties (and hopes); and, the world's energy security.

The NATO summit meeting in the Baltic capital of Riga end-2006 should reveal how the alliance proposed to handle the conflicts and "implement solutions within global structures and institutions" in the post-Soviet space. Russia will be watching. The Riga venue is itself hugely symbolic, being the first NATO summit to be held on the territory of the former Soviet Union.

The visiting Indian VIPs from Davos would have realised that evidently India couldn't be "everywhere." The Munich conference did not offer any "global partnerships" to India. Perhaps, the foreign and security policy situation in Asia is not considered a "serious problem," as Mr. Zhang reportedly stated with a smile. Or, perhaps, unfinished business in the Black Sea happens to be NATO's focus so that Euro-Atlantic influence comes closer to the greater Middle East region.

CARTOONSCAPE

G-8 Ministers agree to diversify energy output

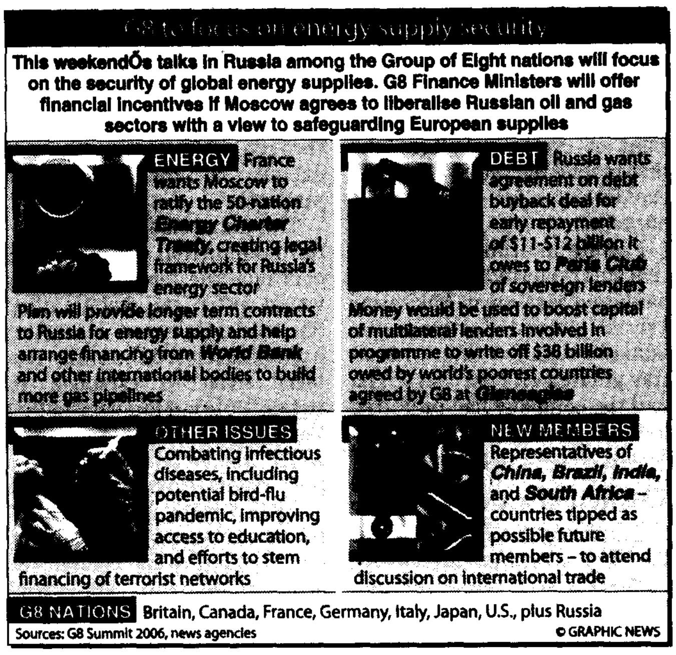
Focus on alternative sources, environment protection

MOSCOW: Finance Ministers of the Group of Eight (G-8) countries on Saturday agreed to diversify the production and consumption of energy for their respective countries.

Energy security would be high on the agenda of the summit of the leaders of the G-8 countries, in St. Petersburg, next July, to be held for the first time under Russia's rotating presidency.

Finance Minister P. Chidambaram represented India, along with his counterparts from Brazil, China and South Africa, at the breakfast meeting, in the format of "G-8 plus 4."

A joint statement issued at the end of the meeting, highlighted the importance of increasing the transparency, punctuality and reliability of data on supply and demand of energy resources and ensuring a continuous flow of investment into prospecting, production, transportation and refining of energy resources, the RIA Novosti news agency reported. "This would also help to diversify production and consumption of energy, while developing alternative sources of energy and protecting the environment," the statement said. It added that to improve the smooth financing of markets and increase their stability, the Finance Ministers agreed to augment work in strengthening the dialogue on global energy policy between producer and consumer countries and the private sector.



"Market principals are of key importance for the efficient functioning of the global energy system," the statement said.

The Ministers expressed the hope that world economy will continue showing fair growth rates this year, stressing the importance of further progress in the steps that might help level out the imbalances still existing in global economy and facilitate steady economic growth.

Bird flu

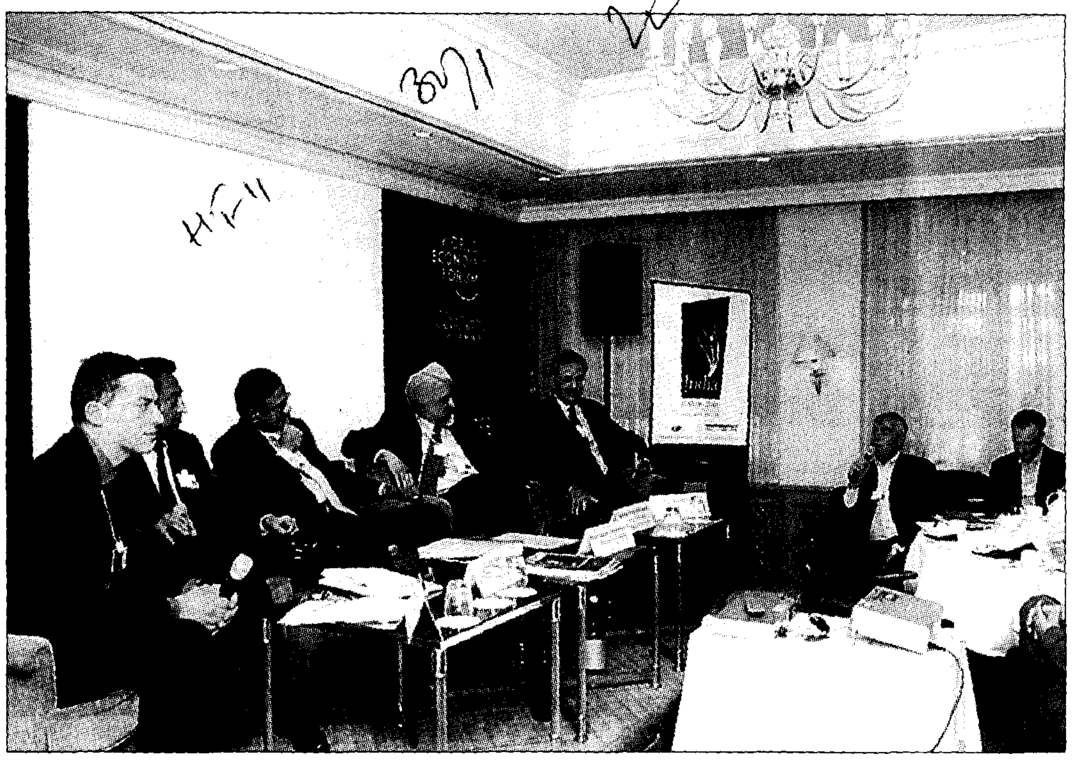
The Ministers warned of the risk of a bird flu pandemic, moments before news broke that the deadly H5N1 virus had spread to Greece and Italy.

"We acknowledge the risk of a possible avian flu pandemic and its potential economic and financial impacts," said the statement. Within hours, Greece and Italy separately confirmed the first infections of the virus within the European Union. — UNI

2006 THE HINDU

'Correct capital flows'

PRERNA K. Mishra
Davos, January 29



Indian dream team (from right) CII chief Y.C. Deveshwar, Planning Commission Dy chairman Montek Singh Ahluwalia, finance minister P. Chidambaram and commerce minister Kamal Nath at World Economic Forum at Davos on Sunday.

IF THE diagnosis of the global economy at the World Economic Forum (WEF) is any indication, all is not well with the emerging world financing the industrialised world. Ideally, the capital must flow from the developed nations to fuel development in the emerging markets but currently it's the other way round.

And the situation will get no better unless the world reworks both sides of the coin. While the US will have to curtail the lack of saving and stop having a domestic demand-driven growth, the emerging world must move away from an export-led growth and create domestic demand. In a nutshell, US saving must increase and the surplus of other countries must shrink.

But first things first. How did the imbalances crop up? Two quick takes on that: Capital typically flows into a country that offers political stability, open market access, free trade, lower tax rates on capital and labour, good banking system and the like. The second factor, of course, is that the emerging markets have been building up foreign exchange reserves beyond the limit required to insulate themselves against crisis. And obviously, in the absence of a sound Asian investment opportunity, the forex reserves are being invested in the US. Plain vanilla logic that New York Stock Exchange USA CEO John A. Thian sold at the forum. Point well-taken, given that the net purchase of US stocks last year by the international community touched $75 billion.

But, being a foghorn for the developing region, India, which is domestically walking the tightrope of reducing the fiscal deficit, curbing expenditure and stepping up growth rates to over seven per cent, is sure concerned about the imbalance internationally. As Finance Minister P. Chidambaram puts it: "All this talk about the Millenium Development Goals are meaningless if we do not reverse the flow of capital. And the moot point is that the issue is not being addressed by countries responsible for it." Not that there are no other areas of concern accentuating the imbalance — the southward movement of the dollar, unexpected increase in the US interest rates, spiraling energy prices, emerging protectionism and slow movement of the Doha rounds. All these put together are enough to cast a spell of pessimism on the global spirit.

So do we want a backward flow of capital? Partly yes, but not without a word of caution. Harvard University president Lawrence H. Summers likes to debate this point. Can the world financial system allow large inflows of capital into the developing markets without being followed by a crisis. After all, we have seen the worst Asian crisis of our times thanks to hot money flowing into developing markets. There sure is a need to work around it.

Finally, as European Central Bank president Jean-Claude Trichet likes to believe, there is a consensus on the fact that the US current account deficit cannot be seen in isolation. With it, the emerging economic landscape will have to take into account the lack of domestic demand in the developing nations. With a saving of about 40 per cent, China is surpassing domestic demand to fuel export-led growth. That will have to change too. Though not a developing nation, Japan has had problems of its own. But with the disposal of the non-performing loans that have come down from 8.4 per cent three years ago to 2.4 per cent last year, and the privatisation of the Japan Post that earlier locked about 26 per cent of the country's savings, resources are being freed up for development and investment.

Closer home, the "Indian Dream Team" at Davos has been propounding a domestic demand-led growth for the country and is sitting cushy with an India that has turned into a marginal current account deficit economy. But, there certainly are those fiscal deficit miles to go before we sleep.

THE HIDUSTAN TIMES
30 JAN 2006

Kamal Nath upbeat over deal on agro-subsidy

PRERNA K. Mishra
Davos, January 28

EUROPEAN UNION'S trade commissioner Peter Mandelson's assertion that no deal is better than having a bad deal at WTO notwithstanding, commerce & industry minister Kamal Nath is hopeful that the two sides can come to a consensus in solving issues surrounding the agriculture subsidies.

Speaking at an interaction organised by the Confederation of Indian Industry at the WEF, Nath said, "We've had only two rounds on agriculture which has the greatest number of structural flaws. One needs to remember that while nearly 100 countries had called the Uruguay Round a suicidal round, here we have 149 countries willing to engage to arrive at a deal. They haven't yet written off the negotiation process."

Nath added that while subsidies may make good sense in domestic politics, when it comes to trade they are a distortion and have to be tackled. "The EU and US must understand that the structural flaws in global trade will have to be corrected. In a scenario, where 42 per cent of the cotton prices in US are subsidies, agricultural tariffs are our only defence against the subsidy regime."

Commenting on the bilateral trade agreements that India is pursuing, Nath added, "While we're committed to the multilateral trade agreement, we don't see an inherent contradiction between bilateral and multilateral trade agreements."

EPA

Kamal Nath with WTO director-general Pascal Lamy in Davos on Saturday.

Addressing the CII forum, finance minister P. Chidambaram said: "We'd like to assure the investor community and corporates that all kind of investment is welcome as long as it adds jobs and adds value to the economy. We are not concerned about if it is replacing existing FDI as that will find its way into other areas."

Chidambaram was reacting to Merrill Lynch International UK Chairman Kevan V. Watts' concern over whether government would allow the company to raise its stake in the Indian subsidiary from the existing 40 per cent to 90 per cent as that would involve buying out the Indian partner.

WORLD ECONOMIC FORUM

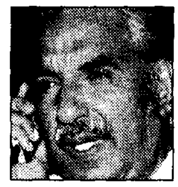
'Pak peace process on track'

Finance minister P. Chidambaram assured global trade and analyst community that India would continue the peace-process with Pakistan. Speaking at the CII forum in WEF, he said "It's not to any ones advantage to keep the Kashmir issue on the boil. We've signed the Safta and have also gone a step further by giving Pakistan a most favoured nation status. But we are certainly looking forward to some news from the Pakistan side that would reinforce the trade ties."

The trade between the two countries has already touched $1.5 billion out of which one billion is through routes like Dubai. "We expect Safta to give a fillip to the trade ties between the two countries," the minister added.

Chandy hospitalised

KERALA CHIEF minister Oommen Chandy injured his hip after a fall in the snow at Davos.



Later, he underwent a surgery and was recuperating well. Chandy, who had gone to the world economic summit, slipped and fell while moving out of the the venue late on Saturday.

HTC, Thiruvananthapuram

2 6 JAN 2006

THE HIDUSTAN TIMES

India Everywhere as Davos meet opens

PRERNA K. Mishra
Davos, January 25

THE SNOW-CLAD sleepy hamlet of Davos may be a small spec on the global map but between January 25 and 29, it will host the most formidable conglomeration of people from politics, business, media and art. Given that this year the emergence of India and China forms one of the six sub-themes for the World Economic Forum, the India flavour is quiet in the air.

With Indian cuisine and wines teasing the foreign palates courtesy the India Everywhere Project under the aegis of the CII and the umpteen billboards announcing the Indian success story dotting the venue, the message from the world's largest free market economy is emerging loud and clear. The event is being attended by 115-odd Indian delegates which is double the number of delegates who attended it last year. Nearly 57 out of the 210-odd sessions have either India as the theme or have speakers from India.

Says Infosys chief and India Everywhere Project chairman Nandan Nilekani, "Our objective here is not just to raise expectations about India as a business and tourism destination but we are simply trying to highlight what already exists in our country. It is our intent to invite the global business community to partner and benefit from India's development."

WORLD ECONOMIC FORUM

However, Bajaj Auto Ltd Chairman Rahul Bajaj, who has been attending the event every year since 1979, has a word of caution. "Everything that we are saying about India is all too fine, but we have to remember that if we are making promises about the free market economy called India, we will be judged on the basis of the progress made in Indian reforms the next time we meet at this forum. If this year we paint aspirations, next year we will have to show the deliverables."

But the spirit of Indian glory, driven by Indian dream team including FM P. Chidambaram, Commerce and Industry Minister Kamal Nath, chief ministers of four states and corporate honchos, has not deterred delegates from evaluating the challenges facing the country. Says ITC Chairman and CII President Y.C. Deveshwar, "Our demographic dividend may become a demographic disaster if millions of people joining the job market are bereft of special skill sets. The focus will have to be not just on growth and reforms but also the sustainability of the growth." Annual Meeting 2006 is being co-chaired by Reliance Industries Chairman and MD Mukesh Ambani.

'Learn to live with outsourcing'

PRERNA K. Mishra
Davos, January 25

IN A world where nearly one billion workers from the emerging economies joined the labour market over the last five years, outsourcing is a reality that has brought with it opportunities. And the developed world will have to live with and work around the related disruptions.

India or no India, jobs will shift to places that offer more value and cost advantage: This was clearly the consensus that emerged at the WEF session on Jobs of the Future held on Wednesday.

The session, in fact, destroyed the myth that outsourcing has destroyed jobs. "If anything, outsourcing has created higher value jobs in the US. Only four million jobs are likely to be shifted out of the US in the next five years. That is not the end of the world. What the US needs to concentrate on is an institutional structure that will retrain people and add the relevant skill sets to the people joining the workforce," according to Manpower USA executive board member David Arkless. He was seconded by none less than the US Secretary of Labour, Elaine L Chao. "When we talk about outsourcing, we also need to take into consideration insourcing. If the US has outsourced 300,000 jobs, it has also insourced about 24,000 jobs. If the country decides to close its borders to the shifting of jobs, then it will have to do without the foreigners working with American companies and adding value there."

Commenting from the Indian side, TCS MD and chief executive S. Ramadorai said, "Even India will have to compete with other countries in outsourcing. Commoditised services will find their way to countries that will offer them the cheapest. But when it comes to high-end, high-value services, jobs will keep flowing to where the skill sets are."

washingtonpost.com

Globalization's Deficit

Monday, January 9, 2006; A18

FIFTEEN YEARS ago it was fashionable to pronounce the eclipse of the nation-state. In a globalized world, power would flow to supranational bodies: to the North American Free Trade Agreement, the World Trade Organization and the European Commission, and even to a United Nations freed from the paralyzing divisions of the Cold War. Today this trend appears exhausted. Supranational institutions are not exactly retreating, but they have run out of forward momentum.

Start with economic institutions. The latest round of tariff-cutting talks under the auspices of the WTO is stalling, not because countries oppose trade but because they do not want to make concessions in this multilateral forum. Ambitions to deepen the WTO's power to settle disputes beyond trade into labor and environmental issues have (fortunately) fizzled, while WTO rulings against protectionist European food regulation or American cotton subsidies don't (unfortunately) cause those policies to be reformed quickly. The same story holds for NAFTA. In the 1990s there was talk of building NAFTA tribunals on labor and the environment into influential voices. It hasn't happened.

The International Monetary Fund is even more diminished. In the 1980s and 1990s, it had a place at the top table, leading the charge for economic reform in developing countries during the years of the debt crisis, then struggling to manage financial crises from East Asia to Russia to Latin America from 1997 to 2001. But now the East Asians have built up financial reserves, partly to withstand future financial shocks without the IMF's assistance. Russia is high on petrodollars. And Brazil and Argentina recently paid off the IMF early in a gesture of independence. The world still faces big international financial issues, from the vast U.S. trade deficit to China's currency manipulation, but the IMF has chosen to duck them. Meanwhile, the World Bank is struggling to define its role in a world awash with private lenders. 'ts new leader, Paul D. Wolfowitz, wielded power confidently when he was part of the Bush administration, but he is feeling his way along in his new job.

Political institutions are in no better shape. Because of the rise of China and other big middle-income countries, the annual Group of Eight summits have lost their old claim to represent the world's key players; now that Russia has assumed the G-8 presidency, the forum's credibility has shrunk further still. Far from being reinvigorated by the end of the Cold War, the United Nations is in crisis: It is unable to respond decisively even to extreme moral affronts such as the Darfur genocide. It is tarnished by the oil-for-food scandal. And a laudable effort to modernize its institutions and doctrine petered out last year. The European Union has suffered the rejection of its new constitution at the hands of its voters, and NATO has been irrelevant in Iraq and has moved with imperfect unity and uncertain commitment into Afghanistan. The Bush administration makes no secret of the fact that its strategy in foreign policy is not to build international support through international institutions, but rather to forge coalitions of the willing on an ad hoc basis.

No doubt the pendulum will swing back again. Some day another global trade round may be completed; Argentina's leaders may trip over their own populism and return begging to the IMF. But for the moment the stalling of international institutions is striking -- and troubling. Yes, democratic nation-states have more legitimacy and capability than international organizations; yes, they should remain the key units of international relations. But in a world knitted together by modern travel and communications, so many policy challenges cross national borders that institutionalized cooperation among nation-states must grow eventually. Financial crises, state failure, global warming, bird flu, terrorism: In the end there must be more than ad hoc answers to this constant succession of problems.