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Kaul calls for urgent action to address global food crisis

"Escalating food costs present a greater problem with far reaching consequences than the soaring oil prices, It is wreaking havoc on the poor and to address this challenges of food security, what is needed is an effective partnership between the governments and private sector including investing in rural infrastructure and marketing institutions in developing countries" said EICC Director Dr. Mohan Kaul during his interview with the BBC on 2 April 2008. Global wheat prices have jumped 181 percent over the last three years, with overall food prices up by 83 percent, and a total of 37 countries currently face food crises. "The soaring prices of rice is putting leaders under intense pressure as strikes and demands for pay hikes are mounting to keep up with the rising costs of living" added Dr. Kaul, who is also the Director General of the Commonwealth Business Council. He said that rising food prices are posing a threat to stability and growth in many parts of the world. Dr. Kaul added that to deal with this crisis, the government of India has followed the steps taken in other Asian countries like Vietnam and China and has imposed export restrictions on non-basmati rice, pulses, scrapping of import taxes for edible oil and maize, etc. (a move also prompted by the 13-month-high inflation), Developed countries too are feeling the pinch as prices of bread and rice are rising rapidly. According to Dr. Kaul, some of the reasons behind the current problems are: rising crude oil prices, natural calamities, increasing production of bio fuels, rising prosperous population in India and China and a 10-year drought in Australia. With crude oil soaring above US$110 a barrel, higher fuel prices have driven up the cost of production and transportation costs for all foods. "Especially distressing for developing countries are the consequences of a shift in the farming paradigm in North America and Europe's in the quest for alternative fuels. Billed originally as a boon for the hungry of the earth, bio-fuels have actually spelled crop preferences that have proven cruel to the intended or imaginary beneficiaries", Dr. Kaul added. About 16% of U.S. agricultural land formerly planted with soybeans and wheat is now growing corn intended as bio fuel.

Dr. Kaul also said that millions of people in China and India enjoying a higher quality of life are changing their eating habits, consuming more meat and chicken and placing a huge demand on cereal stocks. Dr. Kaul suggested that in order to deal with the present crisis, countries should focus more on producing food and less on giving incentives to produce bio fuels and hoped that governments will take urgent steps to deal with this situation. According to Dr. Kaul, African countries should seize the opportunity and take lead in becoming the breadbasket of the world and, where needed, government should intervene by offering fertilizer vouchers to farmers, such as in Malawi to help boost crop production.

Indian Herbal Revolution waiting to happen, but EU remains a highly 'protected' market

Endowed with rich resources of medicinal and aromatic plants, "herbal revolution" is waiting to happen in India. India's share of the global herbal market of US$62 billion is a mere US$1 billion. However, according to a recent study commissioned by India's trade body, the ***Assocham***, Indian herbal market is registering an extremely significant growth and is likely to reach Euro 2.5 billion by 2012. The study, however, said that the major hurdle for cultivating medicinal and aromatic plants as a sustainable agricultural profession was the lack of organized and regulated markets in India.

The herbal medicines market in the EU is currently worth about US $3 billion and growing. The challenges facing the Indian herbal industry in the European Union include the stringent quality norms being enforced in the EU through the Traditional Herbal Medical Products Directives (THMPD), Food Supplements Directive (FSD) and Pharmaceutical Legislative Review. In 2004, the EU issued a directive stating that companies wanting to export traditional herbal medicines to the EU must submit evidence to prove that the product has been in "medicinal" use for at least 30 years preceding the date of application, including 15 years within Europe. The directive was issued in an attempt to ensure only products that met stringent quality parameters would be sold in EU countries. Given that the EU did not allow the import of herbal products (except supplies to individual patients following face-to-face consultation) prior to this directive, herbal drug producers are unable to meet this requirement of "15 years in use within the EU". The EICC wonders if the Commission is aware or is ready to accept that herbal products have been in use in India over thousands of years as the country has been a pioneer in the development of health products for various ailments by natural means. However, driven by interest of some EU countries, the EC takes shelter behind the "Directives" and remains a very protective market for Indian herbal products. Sometime ago Mr. Sanjay Dalmia, EICC Co-Chairman had met several Members of European Parliament and had made case for changes in the EU's policy.

Foreign-controlled enterprises in the EU account for 18 per cent of value added

Foreign-controlled enterprises (FCE) accounted for more than 18 % of the value added in the 17 Member States of the European Union for which data are available with the ***'eurostat'*.** These enterprises were most important within the manufacturing sector where they provided more than one quarter (28%) of sectoral value added. More than 60 % of their value added could be attributed to enterprises in other Member States (principally Germany, the UK, the Netherlands and France), while enterprises from the US accounted for 23 %. The report states that while these enterprises contributed 18.2 % of the value added generated in the non-financial business economies, their contribution to employment was lower at 13.0 %, suggesting that the labour productivity of enterprises was higher than that of nationally-controlled enterprises. And, this may be a reflection of the average size of foreign-controlled enterprises, which is considerably larger than the average for nationally controlled enterprises. Size can potentially play an important role in determining productivity due to minimum efficient scales of production, especially in some industrial activities, where relatively high proportions of foreign-controlled enterprises are found. The relative weight of foreign-controlled enterprises was highest within manufacturing, where more than a quarter (28.2 %) of the value added and slightly more than a fifth (21.2 %) of employment could be attributed to enterprises whose controlling interest resided in another country.

India sets an export target of USD 200 billion for 2008-09 budget

The supplement to the Foreign Trade Policy 2008-09 announced on 11 April by India's Commerce and Industry Minister Mr. Kamal Nath has set an export target of USD 200 billion for 2008-09 to boost the country's economy. It also addresses major issues impacting industry such as inflation and rupee appreciation, and at the same time provides sustained focus on export-led economic growth and employment generation. India's total merchandise trade (both exports and imports) will be 400 billion USD during 2007-08, accounting for nearly 1.5 per cent of world trade and if trade in services was added. India's commercial engagement with the world would be to the tune of USD 525 billion and the new FTP (2004-09) has helped export grow more than double in four years. The country's exports in 2007-08 has exceeded USD 155 billion from USD 63 billion in 2004, registering a cumulative annual growth rate of 23 per cent, year on year, way ahead of the average growth rate of international trade.

The 'innovative steps' announced under the FTP included extension of the 'Duty Entitlement Passbook' scheme till May 2009; extension of the interest subvention scheme where exporters are given bank credit at a reduced rate of 6 per cent; reduction of customs duty payable under the 'Export Promotion Capital Goods' scheme from 5 per cent to 3 per cent; and lowering of average export obligation under the EPCG scheme. The policy has also extended income-tax exemption to 100 per cent Export Oriented Units beyond 2009. Similarly, an additional credit of 5 per cent for sports and goods industries under the 'focus product scheme'; special focus initiative for the information technology sector; inclusion of IT and IT-enabled services and research and design in natural sciences under the 'industrial park scheme'; and establishment of 'Export Promotion Council' for telecom; and extension of re-import of branded jewellery to one year were also announced. Recognizing the growth potentials of the Indian telecom sector, the Minister announced the setting up of a telecom EPC in partnership with the private sector to boost exports. Exports from the telecom sector were likely to more than double to US$ 1 billion this year. The FTP initiatives in the last four years have resulted in generating an additional 13.6 million jobs.

India top recipient of remittances in 2007 from Indians abroad

India received a whopping USD 27 billion in remittances from overseas Indians, beating China and Mexico to become the top country for such inflows, according to the World Bank. The WB says that an estimated 5.7 million Indian workers abroad sent home $27 billion in 2007 to make India the top receiver of migrant remittances while the US was the main remittance source. The EICC research reveals that the volume of remittance is growing at over 20 per cent an annum and the growth in remittance is far higher than the corresponding growth in foreign direct investment in the country. However, India's dominant position in remittance receipts is a relatively recent one. In 1990-1991, for instance, the remittances from overseas Indians were a modest $2.1 billion. They rose steadily in the last 15 years, and rather dramatically in the last 12 years. The figures rose to $12.3 billion in 1996-1997, and then jumped to almost $22 billion in 2003-2004. Indians living abroad transferred $24.6 billion to India in the fiscal year 2005-2006. India, thus, continues to retain its position as the leading recipient of remittances in the world.

Within the past decade, the government of India has moved from a position of somewhat disapproving indifference toward the worldwide Indian Diaspora to one of actively seeking their involvement in India's development. It has followed a multi-prong strategy, pursuing portfolio investment, direct investment, technology transfer and trade links through the Diaspora. The importance of the NRI remittance was reflected in 2007 when the government launched a "Remittance Gateway" to channel and promote these funds. Developed by the Ministry of Overseas Indian Affairs in partnership with Unit Trust of India Bank, the RG enables NRIs to send money to India within 24 hours to any (Real Time Gross Settlement) RTGS-enabled banks. While the Indian government welcomes inward remittances, it remains wary of NRIs investing in India. The NRIs/PIOs number more than 25 million; one of the largest in the world, and are spread across 110 countries. The *Global Organization of People of Indian Origin* ***(GOPIO)*** has played an important role in influencing India's policy towards its Diaspora including motivating the Diaspora to use its strong resources to economic development of India.

EU proposes allowing antitrust victims to sue for damages

The European Commission plans to give consumers and businesses in the European Union greater powers to sue companies caught running illegal cartels or abusing their market power. This was unveiled by the European Commission on 3 April 2008 in Brussels. Until now, consumers and businesses in most EU countries have had little legal recourse against companies that participate in illegal antitrust activities, unlike their counterparts in the United States. The initiative has won a warm welcome from the BEUC European consumers association, which said it was long overdue. EU Competition Commissioner Neelie Kroes has said that she wants consumers and businesses to join regulators in the fight against companies that conspire to illegally squash competition. Under the proposals, consumers and businesses could seek compensation for either the higher price they paid or the loss of profit they suffered due to antitrust activity, plus interest on the amount. However, compensation would not be allowed to exceed the value of the loss and interest as in the United States, where double and even triple damages can be awarded as punitive measures against companies that breach antitrust rules. The EU Commissioner has also opened the door to the possibility of collective action suits against companies that participate in antitrust activity by either forming a group to make a claim or through a representative body like a consumer association. While collective action is common in the United States, in Europe its use is limited to Britain and Germany only. The proposals also aimed to make getting compensation easier by requiring the disclosure of evidence so that damage seekers can prepare their case better. Although the proposals would bring Europe a big step closer to practices common in the United States, the Commissioner insisted that they would not reproduce perceived excesses of the US system, where a culture of suing and big class action suits are common.

EICC member promotes use of Oxo-Biodegradable plastic as alternative to environment issues

"Recycled plastics are fine but they are not degradable and will lie around in the environment for decades. However, ordinary plastic and recycled plastic can now be made oxo-biodegradable", this was the theme of the presentation by the EICC member Michael Stephen in a conference of Plastec 2008 in India recently. The Conference was attended by about 200 manufacturers, traders, journalists, and students. Although Biodegradable plastic is an eminently eco-friendly alternative but it is yet to make its presence significant, and is yet to take off in India with a good speed. Oxo-biodegradable Plastics (OBP's) are plastic materials, generally traditional polyolefins that undergo two steps degradation, initially by an oxidative process that is promoted by the inclusion of catalytic additives and subsequently by biodegradation. Products made from these materials degrade under conditions of sunlight (UV) heat, and/or mechanical stress to complete the cycle of resource utilization and return otherwise intractable plastics to their natural origins.

Videocon all set to say *Bonjour* Moto!

Indian electronics Consumer durables heavyweight Videocon has put in a bid to acquire the loss-making handset business of Motorola as part of its attempt to shore up its planned wireless services business in India. One of the fastest-growing mobile markets, India adds over 8 million subscribers every month - the Indian market for mobile phones is around 120 million units a year. With a tele-density of 25% in a country of 1.13 billion people, there remains immense room for growth. The acquisition, if it comes through, will give a boost to Videocon's plans to become a pan-India player. Merrill Lynch estimates that Motorola's global handset business is at $3.8 billion. Industry estimates place Motorola's market share in India at 14% in December 2006 which has now slipped to 6.5%. Its worldwide market share has also dropped from 22% to 12%. Videocon's telecom subsidiary Datacom has already received licences to offer mobile services throughout India and is awaiting allotment of spectrum to launch commercial operations. Videocon already has a strong distribution network that will help the company in garnering a good share of the market in a short time.

Motorola has a handset manufacturing facility in Chennai that makes both CDMA and GSM mobile phones. Last year, the company sold over 159 million mobile phones globally. If Dhoot is able to pull through the deal, he will become the world's third largest mobile player with around 14.3 per cent market share - just behind Nokia and Samsung. Videocon has already announced an initial investment of Euros 1 billion (Rs. 6,000 crore) for its telecom operations in 23 circles of the country. They are eyeing 25 million customers in the next three years and handset business will be an added advantage as the company can bundle attractive offers with mobiles.

Belgium loses "Diamonds", and Indian entrepreneurship

A vast river of diamonds flows through Antwerp. More than 80% of crude diamonds and 50% of processed diamonds in the globe are traded here. Currently, more than 1800 registered companies dealing with diamonds and over 4000 professional diamond dealers are in Antwerp. In 2006, the diamond industry in Antwerp saw sales revenues of US$ 39 billion, accounting for 8% of GDP of Belgium. But all that glitters is not gold. A large number of international diamond dealers, led by Indian NRI/PIO businessmen, have begun a mass migration from Antwerp to Dubai. The tax-free and friendly business environment of Dubai is credited with luring the Indian diamond traders who have complained of heavy taxes and alleged police raids in Antwerp. Dubai's rough diamond trade totaled $4.8 billion in 2007. About 350 firms specializing in diamond trade are now part of the Dubai Diamond Exchange (DDE), compared to about 300 in 2006. Therefore it looks very likely that Antwerp could be passé! In the diamond cutting and polishing, India is the world's largest processing centre, with a million processors handling over 57% of the world's rough diamonds by value. Diamonds constituted 64% of $17.1 billion worth exports by the Indian gems and jewellery industry in 2006-07. Cut and polished diamonds formed 10.5% of the total exports from India. From dominating the market for moderately big diamonds, India is now moving into the market for big diamonds. The former was earlier Israel's forte and the latter is Belgium's playground with India making deep inroads in this segment. However, India's diamond industry already affected by competitive processing found itself in another quandary in March when the London based Diamond Trading Company (DTC), the marketing and distribution arm of the Johannesburg based De Beers Group, dropped a number of Indian companies from its coveted '*sightholder'* list for there years beginning 31 March 2008.

Indian government too has decided to look at Africa for direct sourcing of rough diamonds. Now diamonds are adding shine to India's ties with Angola and Namibia. Recently, India's Minister of state for commerce lead a delegation of country's top diamond buyers to Namibia and Angola to establish a system of direct imports from the continent which would reduce India's dependence on European middlemen for sourcing diamonds. India's estimates imports of rough diamonds in 2007-08 was worth about $10 billion, while exports are estimated at $14 billion. Government has been working on a strategy that will allow it to offer itself as a technology partner while also leveraging the new global presence of Indian private sector. The shifts in India's thinking have become urgent, with African nations also chafing at their role as being mere suppliers of raw material. Indian government has entered into an agreement with Endiama, Angola's state-owned diamond trading company, to facilitate direct sale of diamonds to India by mid-2009.