



- Forum for the 21st Century calls for quick finalization of the Doha Development Round. With the agriculture sector being one of the most problematic issues on the worldwide scale as well as in the Doha Development Agenda, the Forum sees the earliest possible agreement highly essential. By the year 2015, the tariff restrictions on agricultural products import from the developing countries should be lifted so that even the countries not being in the WTO's Generalized System of Preferences will have the access to the world agricultural markets without the current disadvantages. Already benefiting from extensive subsidies, agricultural production from developed countries holds twice the advantage on the world markets. As the world food prices soar, the suspension of subsidies and removing tariff restrictions must be gradually adopted in order to stop the steep increase in food price levels that endangers the already troublesome access to nutrition in the poorest regions of the world. Such an action would provide developing countries with vital incomes to spur their progress and at the same time cheaper food in developed countries. Moreover, according to research from organizations such as OECD, suspension of subsidies would greatly contribute to increase the world's GNP output.

Besides withdrawing from using free market-deforming instruments, the Forum calls for research activities to be carried out by participating countries in order to identify new means of aid to the countries suffering from the lack of food. The Forum expects the reports to be presented by the end of year 2013. Until the policies resulting from the research are adopted, participating countries should direct the development aid into the technical assistance, mainly the irrigation facilities that will enable developing countries to raise their food sovereignty.

India's resolve to complete Doha Development Round is strengthened by crisis. India considers the agriculture sector being one of the most important problematic issue and now with its increasing economic importance became India together with other emerging economics such as Brazil or Argentina more significant player in Doha Development Round. India also thinks that tariffs in developed countries should be reduced or lifted but together





with subsidies. Tariff peaks, tariff escalation, domestic support and export subsidies continue to restrict effective market access of Indian agricultural products to developed country markets. India's condition for its own tariff reduction is reduction of subsidies by developed countries, because India's tariffs are still high by international standards, and many quantitative restrictions on imports still exist. Beside this fact India's export is likely to increase by 13% if trade distorting domestic support in developed countries is reduced. Main sectors which would gain would be cereals, sugar, dairy products, cotton, cocoa.

Foreign aid – mainly technical has made a significant contribution to the agricultural progress in rural India. For example quality control for exports, trainings for farmers, sharing agricultural technology. But there is still critical need to safeguard millions of small farmers in India with 65% of population depending on agriculture, that's why propose of The Forum to provide technical assistance in developing countries is very essential.

- Of the main imbalances present in the world economy, the Forum finds China's long-term trade surpluses and, on the other hand, US trade deficits the most pressing one. Yuan, China's national currency is still considerably undervalued compared to US dollar as well as other ones. Taking this into consideration, it is apparent that China's exports hold unfair advantage in the world trade. Moreover, the amount of Chinese monetary reserves in US dollars creates the unprecedented situation when the exchange rate of the main world reserve currency, that US dollar still remains, could be significantly influenced by the economic policy of China. Therefore, the Forum recommends that China, as well as other countries, namely Japan and South Korea; stop intervening in favour of keeping the exchange rates at artificially low levels and gradually level their present value with the real ones. This process should be finalized by the end of the year 2015 so that the domestic exporters will be given sufficient time for accommodation.

India thinks that global demand has to get to the equilibrium. There is the need to get away from rich countries in debt and get to bigger spendings in developing countries. One way how to help can be by structural reforms, which can be engine of consumption in the economics of surpluses, but there is also need to appreciate their currencies. India agrees with propose of the Forum but maybe the countries could focus on stricter action toward China trough capital regulations or trade sanctions. Central bank of India should give a facility of fixed exchange rate. This would enable exporters to focus on managing their business and save them from the trouble of managing currency movements. An overwhelming





88 per cent of the 278 exporting firms participating in the survey, said the sudden appreciation in rupee has affected their margins. They lost on account of forward contracts that were booked to hedge currency risk.¹

- With its value falling due to its long-term depreciation, the unique position of US dollar slowly but steadily deteriorates. The Forum proposes that the use of the International Monetary Fund reserve currency shall be augmented. The Forum recommends the SDR currency basket to be composed of five to six currencies based on the respective countries' share in the world trade as well as the amount of their currency reserves that would provide stability in the times of general monetary instability. Both these prerequisites would amount to 50% of SDR's value (based on the weighted average). At the same time, it should be revaluated every two years in order to reflect the economic reality with no currency being granted an automatic share. It is clear that even the augmented use of SDR cannot completely replace traditional currency reserves. Taking this into account, the Forum suggests that the currencies of regional economic leaders were to be used more on the intra-regional level. Besides diversifying monetary reserves themselves, this would lower foreign exchange losses.

India began together with China, Russian federation and states of Persian gulf with a campaign oriented to change currency relations IMF and World Bank. It was suggested that american dollar should be replaced by SDR. The purpose of these proposals is to eliminate the emission of USD as first world reserve currency and to ensure the control of USD on the basis of international agreements. The SDR could replace USD as the world reserve currency. SDR which consists of dollar, euro, pound and yen, would limit the extent, in which International Monetary Fund depends on policy and conditions of one dominant country. India agrees with the propose that the currency basket should be revaluated every two years in order to reflect the economic reality and economic changes.

- As the examples from the past showed, countries' currencies, and thus countries themselves, can become victims to speculative capital originating from uncontrolled sources, such as hedge funds. As means of protection, the Forum advises countries to adopt legal provisions limiting the flow of their currencies. The amount of currency that could be bought and sold by a single investor, with the exception of national banks and Greenfield investments, should be restricted to 0.5% of a country's

¹ <http://greenworldinvestor.com/2010/06/20/indian-exporters-want-a-fixed-currency-exchange-rate-but-central-bank-wont-oblige/>





monetary base per month and 4% per year. This kind of precaution will prevent the speculative attacks on currencies and so protect countries' economies on the whole.

Speculative capital is problem in India. Indian stock markets have witnessed an inflow of 25 billion USD in 2010 so far. Capital flows of currency appreciate rupee which erodes export competitiveness. India believes that legal provisions limiting the flow of their currencies would be very essential. There is a need to impose new legislation, which will be against quick and speculative operations on the market.

- To counterbalance drawbacks caused by the “brain drain” phenomenon, the Forum recommends the adoption of measures that would guarantee the return of funds invested in education of individuals who do not contribute to the gross domestic product. As a possible solution, the Forum proposes using remittances to help the least developed countries in their progress. Remittances frequently represent the key component of income for people living in the least developed countries. On the other hand, gathering resources for the improvement or construction of infrastructure presents a difficult challenge for countries. Utilizing remittances as a source of funds provides a unique option to hasten the development. As income from remittances is mostly used for consumption and not supplementing much-needed investments. Imposing a 12% tax on them could be an adequate way to gather required financial resources. New funds under the supervision of the World Bank would be created to guarantee effective use of money, with each country being in possession of one. Funds could be used only for projects improving country's infrastructure (road network, construction of schools, sanitary facilities, research facilities etc.) that would create healthy and sustainable basis for future growth.

Brain drain phenomenon is problem because for the country it means human capital flight, which refers to the same movement of financial capital. Indian government tried to make an experiment to attract young science researchers back from abroad. Government wants to attract young foreign – trained Indian scientists to return by establishing grant programmes to support postdoctoral work and new independent laboratories. Government offers higher compensation for researchers and science awards for school students, which are the strategies to ensure technological innovation. Multinational R&D centers in India foster innovation and help reverse „brain gain“. The main reasons for brain drain some years back were the lack of attractive jobs and growth opportunities. However, over the years, Multinational R&D centers have played a crucial role in creating an ecosystem conducive to growth of individuals which has helped India control





the problem of brain drain. In fact, due to the availability of better opportunities in countries like India and China, a reverse brain drain has kick started. Indians in America feel that they are missing the cultural experiences of India and that there are currently better economic opportunities in India, as well. Its also advantageous wise for other developing countries how to bring their educated capacities back. Doctors may be asked to stay on for two years after their training to 'pay back' what they 'owe' to society. Another solution is to create jobs in the country by encouraging business and industries, because lots of people want to go abroad because of lack of job opportunities. The government and the private sector should be working together to ensure they are making adequate investment in country in terms of research and development and creating an environment with attractive opportunities for graduates and researchers. India thinks that imposing of 12% tax on remittances is not propriate solution to the problem because of double taxation. Countries should focus on attracting residents to stay in the country, to look for job opportunities there and attracting foreign educated people to come to the country.

- Forum for the 21st Century recommends that, in the global dispute over the sources of energy, greater space is given to scientists who oppose pessimistic scenarios concerning the depletion of conventional sources of energy. Existing scientific studies, which question the pessimistic scenario accepted worldwide without contradicting voices being heard, provide us with a different perspective regarding the future use of energy resources. Using financial resources and scientific capacities to further improve efficiency of already existing facilities is substantial. Funding the development of alternative sources of energy should be done based on both environmental and economic arguments.

India thinks that we cannot rely on conventional sources of energy. The primary source of energy is fossil fuel, however the finiteness of fossil fuel reserves and large scale environment degradation caused by their widespread use, particularly global warming, urban air pollution, and acid rain, strongly suggests that harnessing of non – conventional, renewable and environment friendly energy resources is vital for steering the global energy supplies towards a sustainable path. The pessimists predict a peak for conventional gas production between 2010 and 2020. Present attention is to go in for natural, clean and renewable energy sources. India is a country with an area of over 3,2 milion sq km. Most





*parts of the country have about 250 – 300 sunny days. Thus there is a tremendous solar potential. Another potential is in biofuel. It is any fuel that derives from biomass. India is the largest producer of cane sugar, that's why for the country would be appropriate to extent programme of sugar mills. India has also tremendous potential for biogas plants because of India's world's largest cattle population. Currently it starts to be very popular in India to cultivate a plant with name *Jatropha curcas*. *Jatropha curcas* is perennial crop which easily establish, grows relatively quickly and lives for 50 years. The seeds of *jatropha* containing an oil content 32-35%. The Oil from *jatropha* can be used as biodiesel blend upto 20% without refining. However, the refined oil is a qualified neat biodiesel. The oil burns with clear smoke-free flame, and was tested successfully as fuel for simple diesel engine.*

- The Forum suggests that the countries re-evaluate their spending on the economically ineffective energy sources and, by the end of the year 2012, prepare reports measuring the efficiency of the particular sources in their respective conditions. Based on these reports, the countries ought to ensure that the share of the most efficient energy source, except the ones producing greenhouse gases, will rise by at least 10% by the end of the year 2020. The Forum regards reopening the debate on the use of nuclear energy highly essential. To make nuclear energy even safer, creating a scientific team consisting of the world's best experts is advised to be done by the end of the year 2011 with its focus being to find environment-friendly way of disposal of the nuclear waste which remains one of the few negative sides to the nuclear energy

India agrees with the suggestion to re-evaluate spending on the economically ineffective energy sources and prepare reports. Debate on the use of nuclear energy is very important because India has a flourishing and indigenous nuclear power program and expects to have 20,000 MWe nuclear capacity on line by 2020 and 63,000 MWe by 2032. It aims to supply 25% of electricity from nuclear power by 2050. It is important to find solution to nuclear waste. India thinks that solution is to store the waste in a place so that the environment won't be contaminated. But there is a much dispute as to where radioactive waste should be stored. The low-level (not extremely radioactive) waste can often be buried near the surface of the earth. For the high level waste the promising option so far is burying waste in the ground.





The Model Conference Global Economic Issues

Faculty of International Relations, University of Economics in Bratislava



Modelová konferencia Hospodárska sekcia

Fakulta medzinárodných vzťahov, Ekonomická univerzita v Bratislave

