

In Brief

Sex workers arrested in Sierra Leone

Fifty commercial sex workers in the Sierra Leonean city of Kenema were arrested last week, reports the Concord Times. The police also closed their residence at a lorry park.

No agreement on tropical wood

No decision was reached last week among the fifty-nine nations discussing a revision of the International Tropical Timber Agreement (AIT), which will expire in 2005. AIT governs trade and protection of tropical woods.

Nigerian waters most dangerous

Half of all deaths due to pirates in the first six months of 2004 occurred in Nigerian seas and waters, announced the International Maritime Bureau on Monday.

Central African diamond producers to meet

Representatives of diamond producing countries in Central Africa are to meet in Congo, reported AFP last week. The meeting follows Congo's exclusion from the worldwide Kimberley diamond trading arrangement.

Niger local elections

The ruling National Movement for the Development of Society won 40% of the 3,500 seats available in Niger's first local elections held on July 25. The opposition Party for Democracy and Socialism gained 23% of the seats.

IMF chief visits Africa

The IMF Managing Director Rodrigo Rato is to visit Nigeria, Gabon, and Uganda, in a tour starting on August 2. He will later visit Burkina Faso and South Africa.

WTO trade breakthrough in Geneva

Trade representatives in Geneva took a major step on Sunday towards resolving the difficulties that have dogged recent World Trade Organization talks. The agreement which emerged after extended weekend sessions lays the plans for the next stages of discussions, and was accepted by developed and developing nations, including WTO newcomer China. A large part of the agreement is about agriculture, which had proved to be a major concern for developing countries at the failed discussions in Mexico last year.

Link: The full text of the agreement:
http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm

Naturally decaffeinated coffee found in Ethiopia

A naturally occurring type of decaffeinated Arabica coffee has been found in a plant growing in Ethiopia, says a new study by a team of Brazilian scientists. The study, published in the journal *Nature*, says that it should be possible to transfer the trait of low caffeine content to commercial varieties of coffee. The goal is to allow the resulting plant to capture part of the decaffeinated coffee market, which accounts for 10% of all coffee sold worldwide.

Previous attempts at mixing caffeine-free plants with commercial coffee have produced low-quality plants.

Sierra Leone Diamond Company funds growth plan

The Sierra Leone Diamond Company has raised US\$2.6 million in new capital, by selling new shares and share options to Timis Diamond Corporation, one of its main shareholders. It said that it intends to use the revenue to fund infrastructure, prospecting, and other general purposes in Sierra Leone. The company is particularly active in the east of the country.

Bird flu network covers ten countries

The first of three Asian veterinary networks opened last week, to combat the spread of avian influenza. It covers the Southeast Asia region, and takes in Cambodia, East Timor, Laos, Indonesia, Malaysia, Myanmar, Papua New Guinea, Philippines, Thailand and Vietnam.



A dead duck...

Scientists examine a bird (160277/FAO Photo)

The other two networks will cover the East Asia and South Asia regions. They will receive US\$1.2 million in support from the UN Food and Agricultural Organization, and will provide training and information exchange.

What the agreement says...

Much of the Geneva agreement concerns the subject and approach which would be followed at later talks. So representatives agree that "members should work on ... issues of development multilaterally" in respect of the cotton trade, and they also agree that they will not discuss transparency in government procurement at subsequent talks.

There are some parts of the agreement more directly related to trade itself. The agricultural section, for example, lays out a formula for reduction in domestic support under which countries with the highest support must reduce by a greater amount. Representatives have committed themselves to removing export credits and other government export insurance with repayment periods beyond 180 days, and subsequent talks will decide on the date they will end.

...and what was said about the agreement

Opinions on the Geneva agreement were very mixed. Predictably, the European Union Trade Commissioner Pascal Lamy was very positive, announcing that world trade discussions are "back on track". United States Trade Representative Robert Zoellick was similarly optimistic, saying that it was "a crucial step for world trade". The Chinese Ambassador Sun Zhenyu saw the results as a "victory", although "developing members are not fully satisfied".

South Africa's Business Day thought that "rich states give way in trade talks", a view supported in Nigeria's *The Guardian*, which said the outcome was "a historic decision". For Celine Charveriat, the head of Oxfam's Geneva office, "the text on agriculture does little to address the problem of export dumping, instead introducing dangerous loopholes for yet more subsidies from the US". Friends of the Earth's Alexandra Wandel was clear: "Corporate lobby groups will be the big winners, the environment and the poor the big losers".

ARV drugs to be manufactured in Nigeria

A new factory to manufacture generic anti-retroviral drugs for people living with HIV and AIDS was opened just outside the Nigerian commercial capital, Lagos, last Wednesday. The factory was built using funds provided by Nigerians living in the United States, following calls by the Nigerian President for expatriate investment. Archy Pharmaceuticals' plant is the second anti-retroviral factory to open in the country, after India's Ranbaxy Industries opened one last year. Demand for anti-retroviral drugs is expected to grow strongly over the next decade.

1.2 million foreign workers register in Thailand

1.2 million illegal migrant workers in Thailand registered with the authorities on Saturday, just ahead of a deadline that threatened them with arrest and deportation. 850,000 of the workers are from Myanmar, 180,000 from Laos, and 170,000 from Cambodia. The workers had to pay around US\$93 to obtain a work permit, and health insurance. The living conditions of the workers had previously come in for severe criticism from human rights organisations.

African bankers talk money laundering

The Cameroonian capital Yaounde was the venue last week for a conference on money-laundering which brought together central bank governors from throughout Africa, as well as representatives from the IMF and African Union. The conference theme was cooperation and information exchange, in order to prevent an activity that participants said was one of the most serious problems in the international economy today.

Market Watch

(Week ending 30/7/2004)

Equity market leading indices and (increase in week)

Casablanca MASI	4,515 (0.0%)
Bombay SENSEX	5,170 (1.9%)
Cairo CASE 30	1,577 (-1.0%)
Mauritius SEMDEX	649 (-0.1%)
Nairobi NSE 20	2,708 (3.6%)
Lahore LSE-25	2,731 (-2.7%)
Indian National NIFTY	1,632 (1.9%)

Selected currencies value to US\$1 and (strengthening in week)

Ethiopia Birr	9.0 (-0.1%)
Gambia Dalasi	30.2 (0.0%)
Ghana Cedi	8,901 (2.2%)
India Rupee	46.5 (-0.3%)
Indonesia Rupiah	9,201 (-1.6%)
Kenya Shilling	80.8 (0.1%)
Malawi Kwacha	109.7 (0.4%)
Nigeria Naira	130.0 (4.6%)
Pakistan Rupee	60.4 (-0.2%)
Tanzania Shilling	1,120 (0.6%)

Emerging markets provide risky excitement for disillusioned investors

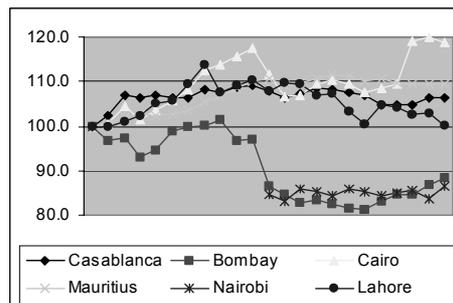
While the London and New York Stock Exchanges have declined this year, many of the stock exchanges in emerging markets have presented opportunities for large gains for adventurous investors. Ghana's stock exchange has almost doubled in value in 2004, and other exchanges like Cairo and Mauritius have also registered strong double digit growth. The high returns are not without risks, however – some of the world's worst performing exchanges are also in the developing world. The Indian exchanges have notably suffered throughout the year, on the basis of underlying difficulties, as well as the shock of Congress victory in the general election.

Rwandan growth slows due to heavy rains

Rwanda's economy grew 3.4% last year, down from 9% in 2002, according to figures released by the Rwandan Government in their Annual Economic Report. The Report, released on the Government's website last week, says that the decline was due in large part to late and heavy rains which resulted in a drop in agricultural growth from 15% in 2002 to 1% in 2003. Industrial growth remained stable, while the services sector had the best performance, growing 7%.

The economy was affected by the Rwandan currency weakening against the US dollar, and the resulting inflationary impact of rising prices of intermediate goods and fuel. Together with an export performance which the Report calls weak, it resulted in a worsening of the trade balance. The Government's own fiscal performance was strong, with expenditure remaining at its 2002 level, and a widening of the tax base from 12.7% to 13.4% of GDP over the year.

Stock exchange leading index growth between 20/02/04 and 30/07/04.



Rebased value at 20/02/04 is 100.

Exchange	Return	Annualised return	High - low
Casablanca	6.5%	15.3%	9.0%
Bombay	-11.6%	-24.4%	20.0%
Cairo	18.9%	48.0%	20.1%
Mauritius	9.4%	22.7%	11.7%
Nairobi	-13.4%	-27.8%	N/A
Lahore	0.1%	0.3%	13.9%
London	-2.3%	-5.0%	6.6%
New York	-3.7%	-8.2%	6.7%

Returns are on the leading market index over the period 20/02/04 to 30/07/04. High – low means the highest return achievable over the period minus the lowest.

1.3 million babies a year could be saved by breastfeeding: UNICEF

World Breastfeeding Week commenced on August 1, with the aim of promoting breastfeeding as the exclusive source of food for the first six months of babies' lives. The United Nations Children's Fund (UNICEF) and its partners are taking a leading role in the events, with UNICEF reporting that 3,600 babies die every day because they are not breastfed. Whilst companies selling synthetic baby milk are not explicitly targeted in this year's campaign, the major lobby group World Alliance for Breastfeeding Action (WABA) continues to refuse to accept any sponsorship from them.

Link:

http://www.unicef.org/nutrition/index_breastfeeding.html

South Asia meets Southeast Asia

Leaders of the Asian economic grouping BIMSTEC met in Bangkok last week, the first time they have gathered together since the grouping was established in 1997. The summit aimed to accelerate progress to free trade between BIMSTEC's members: Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka, and Thailand. It was a first foreign trip for the newly elected Indian Prime Minister, Manmohan Singh, and he actively proposed new ways of promoting economic integration, including further high-level conferences on energy and tourism.

Comment: Imperfect markets

The review of stock market performances shown in this newsletter gives the familiar result that emerging markets offer high risks and returns. The short term analysis doesn't fully capture the volatility in stock exchanges, as a market crash may only happen once in a decade - and wipe out an investor's wealth. In fact, the measures of risks which can be taken from published prices only assess a proportion of the uncertainty facing an investor in emerging markets, even if they restrict themselves to stock market investment. For example, one commonly used measure, the standard deviation of returns, would be an imperfect way of assessing political risks which are better modelled as jumps over longer time periods than many stock exchanges have existed. Or alternatively, an investor would have great difficulties in assessing the risk that the stock exchange itself could be closed. Such a scenario was not unthinkable in Cote d'Ivoire in recent years. Some economists would go even further and challenge the idea that any model could adequately reflect a situation so evidently more complex than the assumptions underlying perfect markets. Whether or not such a pessimistic view is justified, low-income country stock exchange investment retains many of the characteristics of foreign direct investment.