'Wake-up call' to UK industry

Trade Secretary Peter Mandelson has told UK industry to innovate or face a further decline in competitiveness.

Presenting his ministry's White Paper on Competitiveness, he called on scientists and business people in the UK to develop an enterprise culture that merges the best of British science with business excellence.

Mr Mandelson said the UK needed to boost its economic success by fostering research and development, entrepreneurial flair and business over the Internet. If Britain's industry fails to deliver, the country's prosperity would be at stake.

The White Paper is part of a government drive to improve productivity of British industry and technology is seen as a key factor in boosting the performance of British companies.

Mr Mandelson described the White Paper as a "wake-up call" to the nation, saying the government wanted to help business by improving the country's knowledge base.

"We will only win by developing innovative goods and services that customers want to buy and that use world-class production systems and the most sophisticated technology to keep us ahead of our rivals.Ó

The Shadow Trade and Industry Secretary, John Redwood, dismissed the White Paper as being "without any content" and called Mr Mandelson an emperor without clothes. He accused the Trade Secretary of failing to address the country's real problems: "All we get from you is endless criticisms of management and workers when you make their tasks all but impossible.Ó

The British Chambers of Commerce welcomed the White Paper, saying that some of the government's initiatives had a "great potential to help create tomorrowÕs success stories.Ó

Science and success

Announcing the White Paper in the House of Commons, Mr Mandelson stressed the need to bridge the gulf between scientific advance and business application. He said that more UK research had to be transferred into commercial success.

Mr Mandelson said past shortcomings were caused by university research being the "victim of longstanding under-investment" and promised that the government would try to boost academic progress with a combination of public and private money.

The government and business should work together to reverse Britain's decline in competitiveness: ""For too long, a dignified retreat from economic success has satisfied us. Britain has played on half the pitch - inventing but not selling, competing but not working enough with others.Ó

There will be no new government money, only a redistribution of the existing £1bn budget. The DTI's innovation budget will be increased by 20% to £220m and a new £20m fund will promote the commercialisation of university research.

He said the Wellcome Trust had promised to support research in the UK with £1.4bn, and announced that small businesses would soon receive a tax credit for investing in research and development.

"Technology champions" from British universities are supposed to work together with small companies to develop their innovative products. Trying to emulate a Silicon Valley approach, Mr Mandelson promised help for emerging "clusters of high-technology companiesÓ.

He said he had "no magic wand to create an enterprise cultureÓ, but promised that a combination of support for academic research, better links between schools and businesses and an improved enterprise culture might help innovative companies to grow.

Enterprise fund

As an incentive for investors to take risks, an Enterprise fund worth £150m will bring together money from public and private sources and a Competitiveness Council will advise the government on strategies to boost the performance of UK companies.

The government will produce an annual ÒCompetitiveness IndexÓ with a check-list of 75 measures to monitor progress against the worldÕs best.

E-commerce

Mr Mandelson put particular emphasis on the "digital economy", saying access to new digital technologies had to be improved.

His said his ministry would support Internet advisory services for e-commerce with £10m in the hope of making the UK a benchmark for the digital economy.

But the productivity of British industry is the White Papers main target as it lags behind levels achieved by international competitors.

A recent report from management consultants McKinsey concluded that the UK was 40% less productive than the US.

Ahead of the announcement, Mr Mandelson told UK businesses it was now impossible to ignore technological developments.

"There're no such things as low-tech industries, only low-tech businesses," he told BBC Radio 4's Today programme.

"You don't stand a chance if you don't innovate, if you don't apply knowledge and smartness in every aspect of your product.

Acrimonious debate

During the debate in the House of Commons, Mr Redwood and Mr Mandelson traded scoffing remarks.

Mr Redwood called the White Paper "as much use to a redundant industrial worker in (Mr Mandelson's constituency) Hartlepool as an umbrella in a hurricane. This is a wake-up call for you and not for the rest of the country."

The trade secretary called Mr Redwood's remarks "characteristically ritual, ungenerous, extra-planetary".

— BBC Internet

Tobacco giants win European hearing on ad ban

Four tobacco giants have been given permission to challenge a European Union directive banning tobacco advertising and sponsorship.

A High Court judge referred the case, brought by British American Tobacco Investments Ltd, Gallaher, Imperial and Rothmans, to the European Court of Justice.

He said there were "clear advantages" for the government as well as the tobacco companies in clarifying that restrictions on advertising and sponsorship were legal before the directive was implemented.

Health Secretary Frank Dobson had challenged whether the courts had the power to refer the case when the directive had not yet been implemented.

The government is expected to bring in the directive as soon as next year - well before the European Court of Justice is likely to begin hearing the case.

Pleased

The High Court ruling was welcomed by the tobacco companies.

Ian Birks, head of corporate affairs at Gallaher, said: ÒWe are very pleased. We believe we have a strong case and look with confidence to having it heard at the European Court of Justice.

"Our message to the UK government today is to take note of the fact that this has got to be resolved and to consider again the basis of any actions it proposes to take."

The German government is also challenging the directive's legal basis.

Blatant disregard

But anti-smoking campaigners were angry that the case was continuing.

Bill O'Neill, Science and Research Adviser at the British Medical Association, said it showed the tobacco companies' "blatant disregard" for public health.

"They are under siege and continue to refuse to acknowledge the serious effect of tobacco advertising," he said.

And Clive Bates from Action on Smoking and Health (ASH) said he was not surprised by the ruling, but was "appalled" the tobacco companies were continuing to fight.

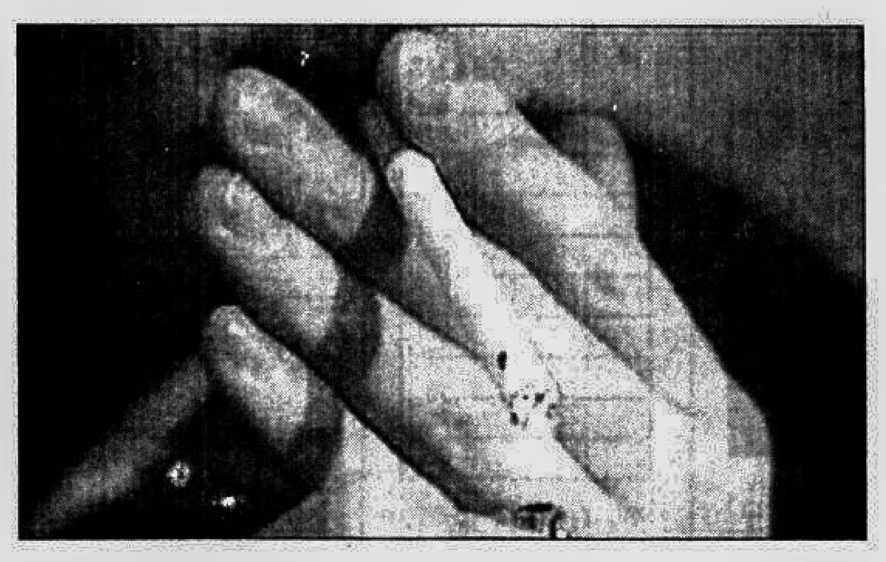
"We are very dismayed by the tobacco industry wasting the time of the civil service and wasting tax payersÕ money on what was an election manifesto promise and what has been agreed by the European Parliament and the European Council of Ministers,Ó he said.

He was confident the European Court would reject the companies' case and said it had never before reversed an EU directive which had been agreed by the European Parliament and Council of Ministers.

"But these are desperate people. To be a successful tobacco company you have to recruit teenagers and keep adults hooked," he said.

"If you do not, the industry dies and smoking is nothing but what the marketing people make of it. It is culturally constructed," he added.

"If you remove the glamorous and sophisticated associations and imagery attached to it, it becomes just another banal consumer product."



Court battles

Tobacco companies have been increasingly under threat from legal actions by cancer sufferers who claim that the companies should have reduced the amount of nicotine in cigarettes.

Seven lung cancer sufferers in the UK have mounted a legal challenge to sue both Imperial and Gallaher for compensation for not reducing nicotine levels in cigarettes despite medical evidence showing a link to the disease.

In the US, a similar case has been going on for several years and could lead to billions of dollars being paid in compensation.

EU's last ditch appeal to US to avoid banana trade war

The European Union (EU) has issued a last-ditch appeal to the United States to pull back from the brink of a trade war over bananas.

The appeal came just hours before the US was due to publish a list of European products on which it intends to slap a 100 per cent duty - unless the EU modifies its banana import policy. The publication of a list has now been delayed until early next week.

Trade Commissioner Sir Leon Brittan warned that publication of an 'entirely arbitrary' list threatening European jobs and investment would be met with an immediate legal challenge.

He urged the US to turn back from "unnecessary confrontation".

"Our message is: Join us in seeking a speedy, definitive determination as soon as possible, Ò Sir Leon added.

The World Trade Organisation ruled in 1997 that the EU's banana import rules favoured Caribbean growers at the expense of Latin American producers and US marketing companies.

The EU insists its reformed banana rules, due to take effect on January 1, comply with the ruling, but Washington disagrees.

It has threatened to slap 100% duties on a wide range of EU imports - ranging from sweaters to ballpoint pens.

Trade wrangles

The EU wants the United States to let the WTO decide rather than resorting to sanctions and has asked the trade watchdog to set up a panel to resolve the dispute.

However US ambassador Rita Hayes reacted strongly to the EU's latest move, saying it made a mockery of the WTO and its rules.

"If you look at what they are proposing, it's a mockery of the (WTO) system."

Asked what retaliatory measures the EU could take if the United States went ahead with sanctions, Sir Leon said: "No decisions have been taken.Ó

He said that if the United States or any other country does not challenge the EU's banana rules before the WTO panel, the EU's policies would be considered legal.

Timetable row

The United States, has been reluctant to get involved in a new WTO procedure because it fears it may drag on for months.

Earlier this month, both sides accepted in principle that the issue should be reviewed by the WTO, but remained divided over how long it should take.

The EU said it had offered a timetable of about 170 days, but the United States insisted on 90 days.

Sir Leon said the EU remained ready to discuss a quick WTO review.

"We are prepared to discuss maximum possible acceleration compatible with legal proceedings if the Americans play ball," he said.

--BBC Internet

Banana plantation

Change of heart signals new direction for WB

Jeremy Scott-Joynt writes from London

In a new report, the World Bank has sketched the outlook for developing countries and the global economy. As Gemini News Service reports, within the doom-laden figures lies a significant shift in the Bank's attitudes towards managing the world's finances.

A year and a half after the Asian currency meltdown heralded the current crisis in global financial management, the World Bank says it is learning the lessons.

For the countries which bore the brunt, they are hard indeed.

In 1997, 7 per cent of the world's population lived in countries with shrinking per capita GDP. In 1998, the figure will be more than a quarter: over a billion people, living in 36 countries including Brazil, Indonesia and Russia.

Global output growth this year will halve from the 1997 figure of 3.2 per cent, to just 1.8 per cent.

In Indonesia, one of the countries worst hit, real wages fell by more than half, as the number of people classed as living in poverty climbed by nearly 20 per cent.

Few disagree that the massive capital inflows in the years leading up to the crisis, and the subsequent rush for the financial exits, were among the major causes of the plummeting Hong Kong dollar, Korean won, Indonesia rupiah and Thai baht, among others.

Till now, though, anything approaching real, practical criticism of the way the pieces of equity and capital markets fit together has been firmly off the agenda of the world financial system's barons.

No longer. According to the Bank's annual "Global Economic Prospects and the Developing Countries" (GEP) report, it's always too much of a risk to rely on short-term money in the manner of the Southeast Asian and Latin American countries caught in the currency crisis.

Systemic crises, the report explains, have become both more common, and much more serious, in the last 10 to 15 years — which, although the Bank makes no explicit connection, is roughly the period during which the "Washington Consensus" of open markets and minimal regulation as the cure for all ills has held sway.

"The central conclusion [of the Report] is that it's difficult to deal with these crises when they erupt," said Uri Dadush, the director of the Bank's development prospects group.

And, he went on, that means trying to fix the problems in retrospect is no substitute for admitting the design flaws that helped bring them about, and redesigning the systems accordingly.

In a significant change of mood from two decades of pure laisser-faire nostrums, the report urges caution in liberalising a country's capital and financial accounts. If you jump feet first into the global economy, it says, you are highly unlikely to float.

And it doesn't matter what preparations you make. "With large inflows, you are going to have a terrible time whatever system you have," said Dadush.

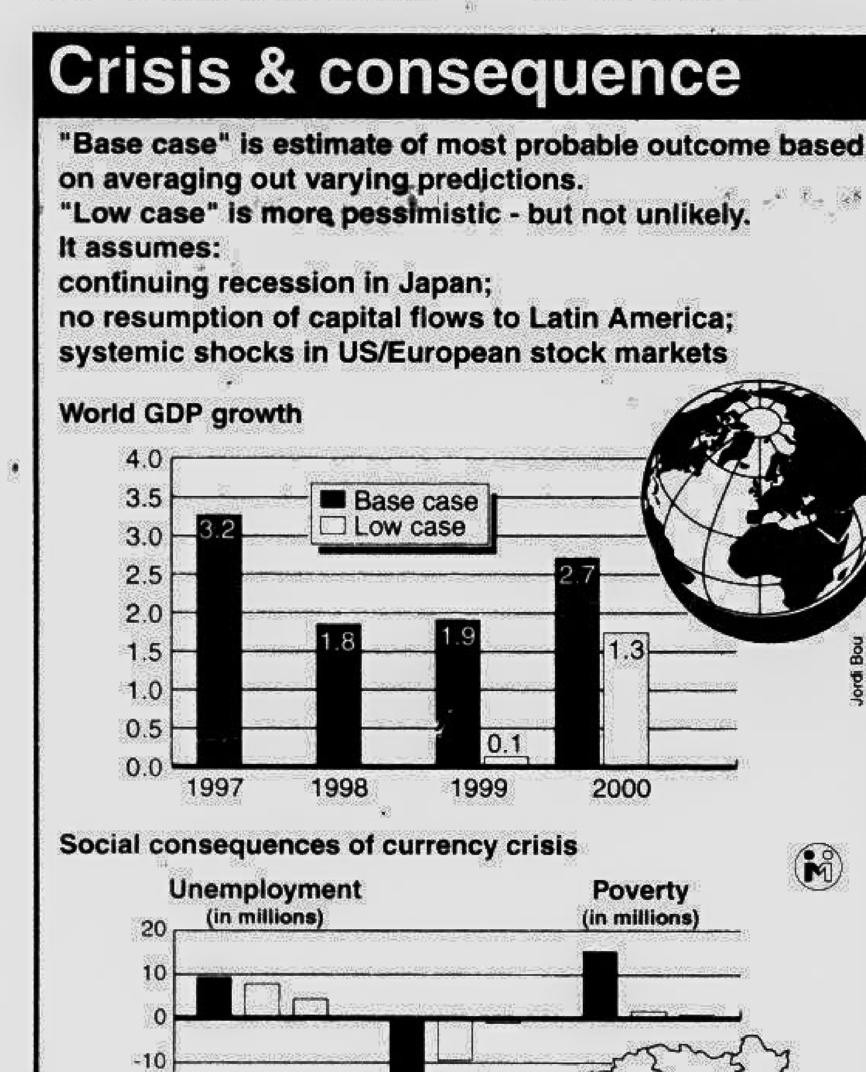
In other words, the tribulations that both East Asia — and now the world — are facing cannot simply be pinned on "crony capitalism", the favoured whipping-boy of recent analyses of the crisis, or inadequate domestic systems of regulation and transparency.

Instead, the blame has to be laid at the door of "the interplay of weak domestic systems with imperfect international financial markets."

Which means that the much-derided "herd mentality" of players in the global finance arena — the tendency to follow the pack, so when one institution flees the rest follow — and the abysmal record on accurate risk assessment are just as much at fault as anything a single country has done.

This has led the Bank to rethink its policies on two main fronts.

On one hand, the Bank's "caution" about financial liberalisation — not trade liberalisation, which is still seen widely as an unalloyed good — now means that it supports the concept of controls on short-term capital.



"We need better mechanisms to dampen volatility," said Masood Ahmed, the Bank's vice president for economic policy. That means taxes and capital controls. "They may have costs," he continued, "but they are outweighed by the benefits."

Time is up, in the Bank's view, for the excuse that liberalisation and the natural workings of the global economy are natural forces before which we must all bow down.

"People are going beyond accepting things as a fact of life, and actually doing something about them," said Ahmed of international market "imperfections".

More than that, though, the Bank has now fully accepted that social welfare is not something that can be left out of the equation when drawing up plans for the developing countries.

"Given that you can't avoid crises, you need better social protection mechanisms," Ahmed said. And even though the report speaks of social protection "during crises" for "the poor and other vulnerable groups", Ahmed went on to confirm that such measures could not be retrofitted.

"Social safety nets have to be in place beforehand," he said. "In Indonesia this year, the money was there. The mechanisms were the problem."

Along with market reforms and domestic regulation, these are the yardsticks by which the Bank will judge itself in future. "We have more to do than we have been doing in the past," Ahmed said.

The Bank's change of heart — signalled in recent speeches by its president, James Wolfensohn, in which he stressed that the human cost of economic development could not be simply written off as "part of the cure" — is a welcome one.

But the Bank is only part of the story. It works in concert with the other international financial institutions, particularly the International Monetary Fund.

And the GEP was released in a week when it became clear that the IMF's prescription for Brazil's bailout package — $41.5 billion in new loans — involved swingeing cuts in social programmes and in sustainable development projects within the Amazonian rainforest which, ironically, are backed by World Bank money.

Clearly, any shift within the IFIs towards a more realistic, and less quasi-religious, view of global markets is a welcome change from the norm.

But the Bank should add a fourth priority to the three listed above: convincing its colleagues that they, too, need to learn the tough lessons of the present crisis. Otherwise the increasing propensity of the world economy regularly to fall apart at the seams will continue to be seen as a fact of life, a law of nature — not an artifact of human frailty and human folly. — GEMINI NEWS

Jeremy Scott-Joynt is the editor of Gemini News Service.

Green tea can kill tumour cells

WASHINGTON, Dec 17: Green tea contains substances that can kill tumour cells, which may explain why the drink, popular in Asia, seems to protect people from cancer, researchers say, reports Reuters.

Green tea is much richer in these compounds than other kinds of tea, the husband-and-wife team at Purdue University found.

"Our research shows that green tea leaves are rich in this anti-cancer compound, with concentrations high enough to induce anti-cancer effects in the body," Dorothy Morre, a Professor of Foods and Nutrition at Purdue, said in a statement.

She and her husband James Morre, a chemist and pharmacologist at Purdue, had heard reports of green tea's purported effects and set out to see if there was a mechanism.

Speaking at a meeting this week of the American Society of Cell Biology San Francisco, they said they found green tea affects an enzyme known as nox.

"Normal cells express the nox enzyme only when they are dividing in response to growth hormone signals," Dorothy Morre said in a statement.

"In contrast, cancer cells have somehow gained the ability to express nox activity at all times." This tumour-associated nox activity is called Tnox.

The Morres set out to see if there was something in tea that affects nox.

They found epigallocatechin gallate, or EGCG for short, interfered with Tnox but not with normal nox.

"This is one of the first studies to directly link the EGCG in green tea to anti-cancer activity," Morre said.

The EGCG limits the activity of breast cancer tumour cells grown in the laboratory, but does not seem to affect normal, healthy breast cells, the Morres reported.

Green tea and black tea both come from the same bush in the Camellia family. But black tea has been allowed to ferment, which may interfere with compounds such as EGCG, the Morres said.

Indian diamond survives global business collapse

By Sanjay Suri

LONDON, Dec 17: Indian diamonds kept their sparkle through what De Beers admitted was the biggest collapse in world business in a decade.

A report by De Beers, which controls 75 per cent of the business in rough diamonds across the world, revealed a dramatic fall of 28 per cent in business this year over 1997. Sale of rough diamonds this year was $3.34 billion, down from $4.64 billion last year.

But the Indian business, which cuts and polishes seven out of ten diamonds in the world, remained "largely unaffected," Dilip Mehta, chairman of Rosy Blue, the largest diamond company in the world, told IANS on telephone from Antwerp, Belgium.

The decline in the world business might have affected profit margins, but India has had a "by and large reasonable year," Mehta said.

The Indian business stayed up because production centres, largely around Mumbai and Surat, cut and polish small diamonds. "The demand for these small diamonds rose in America this year," Mehta said. The demand for small diamonds used in jewellery remained high in Europe as well.

"The Indian centres produce mostly for such American kind of goods," Mehta said. So long as the West buys and gifts diamonds, India is in business. The production centres affected most have been those in Israel and Belgium which specialise in cutting diamonds at the larger end of the market, Mehta said.

Sales have dropped largely in Asia following the financial crisis. "Expectations that second half sales would be higher than the first half sales failed to materialise," the report from De Beers, released yesterday, says. Second half sales were, in fact, three per cent lower than the first half. De Beers has consequently reduced diamond sales. It routinely sells rough diamonds to wholesalers through ten sales through a year. De Beers is saddled with a stockpile of about $5 billion worth of diamonds that it is not releasing for fear of precipitating a crash in prices.

"While confidence throughout the diamond industry remains fragile, the Central Selling Organisation (official name for De Beers) will continue to hold back sales of rough gem diamonds in the interest of stability," the report says. De Beers says "good levels of retail sales of diamond jewellery in the United States and to a lesser extent in Europe have been insufficient to compensate for lower sales in Japan and East Asia." Early indications are that sales during the important Christmas season will be higher.

— India Abroad News Service

Workers at a British plant

British employers may win union concessions

The UK government is expected to make substantial concessions to employers over the controversial question of union recognition.

The government has made a manifesto commitment to give unions more clout by allowing them to negotiate with employers, if most employees in a workplace want them to do so.

However its original proposals have been watered down after intense lobbying from business leaders.

Employers will be given the right to appeal against union recognition if they feel it harms industrial relations, under controversial government proposals to be announced today following months of negotiations with unions and employers.

The concessions will please the Confederation of British Industry (CBI) which has been lobbying hard for union recognition proposals to be amended.

However any concessions to employers will dismay trade union leaders. Trades Union Congress general secretary John Monks, has previously warned the government against watering down proposed new workersÕ rights.

Union rights

Unions are expecting new rights giving them automatic recognition if 50% of a workforce are union members.

Unions will also be granted recognition to deal with employers if they can secure 40% support from those eligible to vote.

The ceiling on compensation in unfair dismissal cases will also be raised from the present £12,000 to an expected £50,000.

However this news has also disappointed unions who had hoped for the upper limit to be scrapped completely.

Unions want to use the new proposals to boost their membership and give workers more power in the workplace.

-- BBC Internet