

INTERNATIONAL WORKSHOP  
The current global economic crisis: challenges and responses in Asia and in the EU  
February 1 and 2, 2010

**ABSTRACT**

**Long-term food price changes: how important is the speculative element?**

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Whereas over the period 1974-2005 food prices on world markets fell by three-quarters in real terms, the sudden increase of food prices since 2005 seems to have started a new era of 'agflation'. Although the changing food patterns in large emerging economies such as China and India and the increased land requirements for growing non-food crops aimed at the transport sector in developed economies explain part of this increase, the speculation in physical commodities market (such as corn, coffee, cocoa and wheat) also have a role to play. The diminishing arbitrage prospects by investors in the currency markets (with the advent of the euro and the decline in the dollar), combined with the credit crunch and the housing crash, have caused a flight to food and energy commodities.

Using regression analysis tools and based on data drawn from datastream, this article will decompose the agricultural price increases into its structural and non-structural (speculative) components. It will give an insight into the extent of speculation and it will conclude with policy recommendations in the area of agricultural and commodity markets.

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**ABSTRACT**

**Strategic posture of Indian economy under global recession-challenges and responses**

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Indian Economy has sustained itself in spite of global recession. This is because of domestic savings and corporate earnings which are financing investments. There is low export dependence, a large consumption based and high employment which has helped sustained consumption. Banks also have sustained themselves in spite of global recession. The savings rate in India is around 35% and the demand is consumer driven not state driven unlike China. With political stability and constant, but slow, reforms have also helped the Indian economy to sustain positive growth rate. Being an agrarian economy and good monsoons also added the economy to sustain its growth. Massive government spending in infrastructure and rural sector (with government funded schemes) has made the Indian Economy to sustain its growth rate. Also contributed to other factors were the tendencies of Indians to save for the rainy day has also helped the individual to better handle the recession period.

Despite slowing from highs of 8% to 9% growth, India's economy will grow close to 6% in 2010. Amid domestic and global liquidity crunch, large domestic savings and corporate retained earnings are financing investment. But low export dependence, a large consumption base and the high share of employment (two-thirds) and income (one-half) coming from rural areas has helped sustain consumption. Timely monetary and credit measures have played a key role in improving private demand, liquidity and short-term rates and reducing the risk of loan losses. Credit is largely channeled by domestic banks, especially state-controlled ones, which have low loan-to-deposit ratios and special focus on real estate and infrastructure projects enabled India to sustain a positive growth.

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**ABSTRACT**

**While the Euro still floats, the Renminbi is pegged again to the US dollar**

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While the call made by the Governor of the PBC in early 2009 for the adoption of a super-sovereign reserve currency attracted a great deal of attention, the return of the PBC to a pegged exchange rate to the US dollar made in July 2008 was less noticed, but no less important. The new peg was decided before the deepening of the crisis and marked the end of a three-year appreciation of the RMB (CHY) over the US dollar, and a new appreciation vis-à-vis the euro. It obviously delivered immediate effects and may trigger a follow-up in other East Asian countries. Japan, for example, which has avoided any intervention since 2004, could start limiting the appreciation of the yen. The paper focuses on some of the many causes and effects of the Chinese move.

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**ABSTRACT**

**China's developing infrastructure: the impact of globalisation**

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Infrastructure in China, as in other countries, is a key service provider, and the current priority accorded to it by the Chinese leaders reflects both the nation's role as a global player and the commitments entered into under the terms of accession to the World Trade Organization(WTO) in 2001. Here opportunities abound for foreign investors.

In the Eleventh Five Year Plan(2006-2010) China's leaders have called for the creation of a harmonious society, involving increased domestic consumption, both to reduce growing regional and income inequalities and curb export related production, the latter in response to incipient protectionism against China's growing trade surpluses, especially with the United States and the European Union(EU).

To date the creation of a Chinese nationwide market has been impeded by poor transportation infrastructure and provincial particularism. Additionally, the control of separate transportation modes by different ministerial hierarchies has been a barrier to instituting a comprehensive system.

In fact, it is well known that countries with extensive territory like China are economically less driven by exports than domestic consumption. In 2008, in the wake of the global recession, the Chinese leaders introduced an economic stimulus package to stimulate domestic demand and prioritise spending on infrastructure. There are nevertheless countervailing forces; in early 2010 the Chinese government moved to reduce excessive growth and investment by increasing the reserves the banks must hold. Accordingly, this paper will examine the development and shares of different transport modes since the beginning of economic reform in the 1980s as well as projections and forecasts for the period ending in 2050. Issues influencing such plans include the need to open up the Central and Western regions, for instance, through electrified and double track railways, given rising East coast wage rates, and the costs of economic growth impacting on sustainable development. Thus it is in the above context that the Chinese leaders' objective of creating a comprehensive transportation system will be discussed. In view of China's domestic consumption aims and continuing, through changing, foreign trade priorities, there must be better coordination between different transport modes, each having advantage, whether in passenger or freight movement.. Road transport provides door to door distribution; private car use, heavily polluting, is increasing exponentially. Road, waterway and air freight will take market share from railways. The growing role of containers, together with deep water ports and berths, will reduce bottlenecks in both domestic and foreign trade, as will the use of information technology software. Finally, the potential for foreign direct investment (FDI) participation, through intense competition, in the extension of China's transportation infrastructure, for example via financing and managing railways as well as helping to build urban metro systems, reflects WTO commitments and the globalization of Chinese business. In summary, the institution of a coordinated comprehensive transportation system is crucial for China's sustainable economic growth.

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**ABSTRACT**

**The challenge of agricultural sustainability for Asia and Europe**

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It is expected that climate change, growing population, increasing urbanization and improving living standards are amongst the major drivers influencing future agricultural development needs.

Under conventional agricultural systems, the main sources of growth in crop production are: expansion of the agricultural land area and intensification; this latter encompasses increasing multiple cropping with shorter fallow periods, and boosting crops yields. In the future, some 80% of increased crop production in developing countries is expected to come from crop intensification. In east and south-east Asia there is still a lot of water that could be used for irrigation but the agricultural land resources are becoming scarce.

Beyond suffering the consequences of CC, agriculture has been shown to also act as CC driver, primarily through the production and release of about 15% of the atmospheric greenhouse gases but also by altering the resilience of the agro-ecosystems.

Conventional agriculture is based on soil tillage, a very energy-consuming process, whose emissions should be added up with those from SOM oxidative breakdown through intensive mechanical tillage. Methane is principally released by cultivation of flooded rice and cattle's enteric fermentation, while nitrogen added to most soils can be converted to N<sub>2</sub>O.

To mitigate GHG from agriculture, a virtuous circle should be established in this sector. The main criterion for the production systems called Conservation Agriculture is the provision of an optimum environment in the root-zone to maximum possible depth. Under CA the water-holding capacity of the soil increases, and water losses are reduced. CA combined with other complementary techniques can also help reduce the emissions for methane and nitrous oxides.

We believe that sustainable agriculture based on CA offers adaptability to CC as well as contributing the most to mitigation and can do so most cost-effectively. At the same time it can improve rural and socio-economic development.

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**Michele Pisante** is full Professor of Agronomy and Crop Production at the University of Teramo, Coordinator of the MSc in chain management in cereal-based production systems. His application areas include crop production, land use and various developments in conservation and sustainable agriculture. In 2007 he founded the Agronomy and Crop Sciences Research and Education Centre.

**Sandra Corsi** holds an MSc in Tropical Agriculture and is currently pursuing a PhD in Food Sciences at the University of Teramo while working as a consultant for the Food and Agriculture Organization of the United Nations on sustainable agricultural systems -with major focus on conservation agriculture practices- and GIS analysis.

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**Business models and marketing strategies for the Italian companies entering the Chinese market**

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The aim of the research is to define new business models and market strategy to allow Italian companies, especially the Small and Medium Enterprises, to enter into the Chinese market. The research program is based on two main areas of study that will be developed in a coordinated and integrated way, in order to end up in a unique explanatory framework.

There are four Italian Universities (University Ca' Foscari Venice, University of Florence, University of Trieste, University of Macerata) involved in this research, led by professor Tiziano Vescovi of the Ca' Foscari University Venice.

A first area of study will be focused on the analysis of the business models to enter in the Asian markets while the other area will deal with the better marketing strategy to develop Italian companies activities, especially as far as SMEs activities are concerned. The role of the research unit of Ca' Foscari University Venice is to identify marketing, communication and product strategy for the Italian companies that wish to develop their market activities in China. The research unit has also the function to coordinate the Chinese consumers' survey and to understand the social and cultural differences about the business models that Italian companies should take into account to succeed in the oriental markets. The research unit will analyse the Chinese consumers' and industrial users' perception of the image of Italian products, in order to collect a set of best practices developed by Italian companies in that market, to understand the possible causes of failure in marketing strategies and the cultural differences in business activities.

In the development of the research project, whose main objective is the determination of the key success factors and the business models which could be more suitable for Italian companies which want to increase their penetration in the Chinese market, the research unit of the University of Trieste will focus its research on the strategic and operative distribution decisions. Within the limits determined by the characteristics of the Small and Medium Enterprises (SME), the goal is the identification of distribution methodologies and tools necessary to improve those processes of value creation which represent the starting point for a proactive development of the companies in this market. The research unit of the University of Macerata is focused on a deep analysis of how Italian SMEs approach the Chinese market, seeing China more like a competitive challenge and a market opportunity than like a threat. Such opportunity can be translated into the entry of new markets, advantages in export, or into a bundle of activities that are related to the entire value chain of the company. Internationalizing means then for Italian companies dealing with distribution systems, localization of business units in different countries, opening of research centres in different geographic contexts. The information gathered about relationships and activities of SMEs will be used to outline their business model.

The general objective of the project proposed by the University of Florence is to investigate COO and Brand impact on customers perception and purchasing decisions both in the consumer markets than in the business one. This to give useful insights to guide the Italian companies strategies and policies of marketing penetration into emerging markets, with particular reference to China.

Due to the peculiarities of Chinese market, specific marketing strategies are required to be developed.

Thus the main question regards the necessity to shift from a defensive strategy, into a proactive one, by which Italian products are traded in that market as well the products coming from China are allowed to enter the national and European markets without any restrictions. Small and Medium Italian Enterprises are often unprepared to enter Asian markets because they lack information concerning the marketing processes and the way value is created and perceived over there by customers.

Thereby the purpose of the research is to understand the real opportunities in terms of demand and profits for the Italian goods, especially for those selling luxury, durable and high quality food products and electronic and mechanical industrial components.

Then we will try to elaborate a business model that could be useful in order to develop business relations in the Far East markets, by identifying the better marketing strategy to be adopted by a single company or by alliances among a number of SMEs.

The research program extends its domain by mean of some surveys on Chinese consumers, managers and European experts and scholars to verify the real perception of the Italian products and of the country image in buying behaviour. The surveys should enable to identify the most effective business path alternatives and the marketing strategies for the Italian companies, assigning more attention to SMEs.

The purpose of the work that the research unit will make is to analyse and Chinese consumers' and industrial users' perception of the country image of Italy and of Italian products, in order to collect a set of best practices developed by Italian companies in that market, to understand the possible causes of failure in marketing strategies and the cultural differences in business activities, aiming to reduce the weight of stereotypes in perceiving the idea of "made in Italy" by Italian managers, to identify successful marketing frameworks and practices, particularly concerning product, brand, and communication marketing strategies for the Italian companies intending to enter Chinese markets.

A further objective is to investigate what business models are adopted by the Italian companies developing their activities on the Chinese market. The way small and medium-sized companies operate, export, make alliances, produce and organize themselves for the Chinese market will be taken into account. It is really useful to investigate COO and Brand impact on customers perception and purchasing decisions both in the consumer markets than in the business one. This to give useful insights to guide the Italian companies strategies and policies of marketing penetration into emerging markets, with particular reference to China.

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**Tiziano Vescovi** is professor of *Business Management and Marketing*, Ca' Foscari University, Venice. He writes in the area of *Web marketing, branding and communication strategies*. He is in charge of a PRIN (Research Project of National Interest) on *Business Models and Marketing Strategies for the Italian Companies Entering the Chinese Market*.

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**Emerging Country Multinationals in Asia: Which Competitive Advantages?**

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Why and how do companies based in emerging countries, like China and India, go multinational? This contribution, based on empirical evidence on the automotive and the pharmaceutical industries, explore what kind of competitive advantages (both firm-specific and country-specific) explain the multinational growth of these new actors. It discusses the role of external linkages with foreign firms and research institutions, as well as the impact of development policies and the issue of labour cost differentials.

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**ABSTRACT**

**East Asia's regional response to the global economic crisis**

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Ten years after the so-called Asian financial crisis, East Asian economies have been seriously, and to some extent unexpectedly, affected by the global economic crisis. The objective of the paper is to examine how East Asian economies as a group have responded to this new challenge. The paper starts with an overview of the pre-crisis financial cooperation in East Asia. As a next step it seeks to examine whether and how the current crisis has rekindled interest in regional cooperative schemes and what may be the outcome of these initiatives.

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**Françoise Nicolas** is a Senior Researcher at the Centre Asie of the French Institute of International Relations (IFRI), Paris, and an Assistant Professor in Economics at Paris-Est University (Marne-la-Vallée). Her main research interests relate to development strategies in East Asia, EU-Asia trade relations, FDI and growth, regional economic integration, and emerging economies and globalization.

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**ABSTRACT**

**Lessons for Asian Integration from Europe**

Andrea Mairate

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A retrospective analysis of European integration shows the interplay of political and economic factors in the progressive design of an unprecedented form of (quasi) federalism: reconciliation between France and Germany, first steps of economic integration with a market for steel and coal, then of manufactured goods, with an extension to agricultural goods; creation of an institution in charge of defending the common market and the European general interest; strengthening of the European single market and monetary integration (from EMS to euro), pursuit of a cohesion policy at the supranational level, progressive building of political institutions in order to increase legitimacy of the European construction among citizens (European Parliament).

The paper discusses whether such a strategy and similar criteria should be applied for contemporary economic integration processes, as observed in Asia as well as in America (Nafta versus Mercosur). It highlights the limits of Asian integration – mainly driven by multinational firms and discusses whether it is possible to build new supranational coordinating mechanisms in the era of financial globalization. Furthermore, the question is whether these regional free trade agreements – along the lines of the recently created free trade area between China and Asean- will be sustainable and successful once completed, given the unequal levels of development of the economies involved, hence the need for funding mechanisms similar to those of the EU regional policy. The paper concludes that, given the current crisis of global finance, the promotion of regional monetary stability appears as a key objective for Asian integration.

**Key words:** Economic integration- Europe – Euro - Internal Market – financial globalization – monetary stability

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**Andrea Mairate** is currently Head of unit in charge of audit matters within Directorate for Regional Policy, European Commission. Formerly, he was Head of the Evaluation unit, where he dealt extensively with the impact of cohesion policy, macroeconomic and budgetary issues as well as the development of evaluation methodologies and tools. He has published several studies, chapters and articles on regional policy and evaluation issues. He was also co-author of the Commission reports on economic and social cohesion. He holds a doctorate in economics from the University of Grenoble (1987). He worked in Paris as researcher in ISMEA (Institut de Sciences Economiques et Economie Appliquée, founded by Prof. François PERROUX), and then as research director in CENSIS, Rome.

From 1999 to 2001, he has been Visiting Professor at Bocconi University (Milan) on regional economics and evaluation of public policies. In 2002-2004, he has been Associate Professor at the University of Padua, Faculty of Political Science, Department "European Integration" (Jean Monnet Chair). Since 2007, he is Professor at the Free University of Brussels (VUB) where he teaches a Master course on 'Economics of European Integration and Regional Development'.

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***Europe best global performing world region: economics, politics and social implications***

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In defense of Europe. One or the not openly revealed and analyzed aspects of the two years crisis affecting the world economy, financial system, labour market, welfare and development around the world is the fact that impact had not been a wave affecting all the main areas and region at the same way. The emerging countries were not hit as we were supposing, Europe managed quite well the governance of the macroeconomic and financial impact of the heart quake coming from the USA, Russia had shown to be very vulnerable to the external negative factors, innovative countries had reached the highest developments of R&D and ranking worldwide.

The Great European world region (EU 27 plus almost other 20 neighboring countries) had shown the capability to operate, via the European Central Bank, in a counter negative financial cycle policy more than expected. FDIs were lagging but M&A were still quite robust. Eastern countries, by the way, showed capabilities to overcome unbalances and worst fall out of the real economy recession. Social implications were quite severe but even so not as much as predicted on January 2009. The paper intend to demonstrate that Europe is now becoming the main international player and competitor to the 2020 worldwide.

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