

*The South Bulletin wishes its readers peace and prosperity in the new year 2007.
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In this Issue

Ten-Pronged Strategy to Upgrade India-China Relations..... 564

The four-day visit by China's President Hu Jintao to India took the bilateral relations between the two Asian giants to a new high. The 'Joint Declaration', signed in New Delhi on 21 November, 2006, testifies to the deeper all-round cooperation that is envisaged between the two countries – ranging from cultural to the frontier areas of science and technology.

India China Commercial Ties to Receive Particular Attention..... 568

"President Hu and I have agreed that comprehensive economic and commercial engagement between India and China will receive our urgent and particular attention," said India's Prime Minister Dr. Manmohan Singh at a joint press conference with the Chinese President Hu Jintao. The two way trade volume is estimated to rise to a level of 40 billion US dollars by the year 2010.

The Rise of Asia Need Not Worry the West – Manmohan..... 570

The rise of Asian economies will alter the balance of income distribution at the global level. But this need not worry the West, since a dynamic Asia can power global growth and provide new opportunities for growth for Europe as well as for North America. A view expressed by Dr. Manmohan Singh, the Prime Minister of India while addressing the third Asia Forum of the London School of Economics and Political Science (LSE).

Put Poverty in the Museums - Muhammad Yunus..... 572

"Globalization is like a hundred-lane highway criss-crossing the world. If it is a free-for-all highway, its lanes will be taken over by the giant trucks from powerful economies. Bangladeshi rickshaw will be thrown off the highway." That was the view expressed by the Nobel Peace Prize recipient for 2006, Mohammad Yunus, who pioneered micro-credit for the benefit of the rural poor in Bangladesh. Extracts from his Nobel lecture.

A Chequered Decade for Development - Annan..... 577

"Development is never a gift bestowed on any country from outside. It has to be achieved by the hard work and enterprise of the country's own people." That was the view expressed by the outgoing Secretary-General of the United Nations, Kofi A. Annan, who now plans to work out of Geneva to devote considerable time and effort to the cause of development of the African continent.

More in this Issue

The Eclipse of the Neo-Liberal Agenda?.....	579
Richest Two Percent Own Half World Wealth.....	581
WTO: In Search of 'Viable' Resumption for 'Real' Results.....	583
WTO: 'Soft Resumption' A Non Starter.....	584
South Centre News.....	590

TEN-PRONGED STRATEGY TO UPGRADE INDIA-CHINA RELATIONS

The four-day visit by China's President Hu Jintao to India took the bilateral relations between the two Asian giants to a new high. The 'Joint Declaration', signed in New Delhi on 21 November, 2006, testifies to the deeper all-round cooperation that is envisaged between the two countries – ranging from cultural to the frontier areas of science and technology. Reproduced below is the text of the joint declaration.

"H.E. Mr. Hu Jintao, President of the People's Republic of China, is currently paying a State visit to the Republic of India from 20 to 23 November 2006 at the invitation of H.E. Dr. A.P.J. Abdul Kalam, President of the Republic of India.

2. President Hu Jintao held talks with Prime Minister Dr. Manmohan Singh, earlier today. He will call on President Dr. A. P. J. Abdul Kalam later in the day. Vice President Shri Bhairon Singh Shekhawat, Speaker, Lok Sabha Shri Somnath Chatterjee, and Leader of the Opposition in Lok Sabha Shri L. K. Advani will pay courtesy calls on President Hu Jintao. Smt. Sonia Gandhi, Chairperson, United Progressive Alliance, will meet him. Earlier today, Minister of External Affairs Shri Pranab Mukherjee called on the visiting Chinese President. President Hu Jintao will deliver a policy address at the Vigyan Bhawan and attend the India-China Friendship Year commemorative function. He will also visit Agra and address a business summit in Mumbai, among other engagements.

3. The leaders of the two countries have noted with satisfaction the all-round progress made over recent years in India-China relations and their regional and multilateral cooperation. They reiterate the shared vision and fundamental principles for the future development of India-China relations, as embodied in the Declaration on Principles for Relations and Comprehensive Cooperation of 23 June 2003 and the Joint Statement of 11 April 2005 signed between the Prime Ministers of the two countries.

4. Both sides agree that the relationship between India and China, the two biggest developing countries in the world, is of global and strategic significance. Both countries are seeking to avail themselves of historic opportunities for development. Each side

welcomes and takes a positive view of the development of the other, and considers the development of either side as a positive contribution to peace, stability and prosperity of Asia and the world. Both sides hold the view that there exist bright prospects for their common development, that they are not rivals or competitors but are partners for mutual benefit. They agree that there is enough space for them to grow together, achieve a higher scale of development, and play their respective roles in the region and beyond, while remaining sensitive to each other's concerns and aspirations. Strategic partnership between the two countries with a similar worldview is consistent with their roles as two major developing countries. With the growing participation and role of the two countries in all key issues in today's globalising world, their partnership is vital for international efforts to deal with global challenges and threats. As two major countries in the emerging multipolar global order, the simultaneous development of India and China will have a positive influence on the future international system.

5. In order to promote the sustainable socio-economic development of India and China, to fully realise the substantial potential for their cooperation in a wide range of areas, to upgrade India-China relations to a qualitatively new level, and to further substantiate and reinforce their Strategic and Cooperative Partnership, the leaders of the two countries have committed themselves to pursuing the following "ten-pronged strategy":

I. Ensuring Comprehensive Development of Bilateral Relations:

6. Both sides are committed to making the positive development and diversification of India-China relations in recent years an irreversible trend.

7. The two sides agree to hold regular Summit-level meetings, in each other's country and in multilateral forums. They agree that high-level exchanges between Governments, Parliaments and political parties play an important role in expanding overall bilateral cooperation.

8. In order to sustain, facilitate and promote greater engagement between the two countries, an additional Consulate General shall be opened in each other's country. The Indian side shall open a new Consulate General in Guangzhou, while the Chinese side shall open a new Consulate General in Kolkata. In this context, the mutually satisfactory resolution of the long-pending issue of the property of the Consulate General of India in Shanghai is a positive development.

II. Strengthening Institutional Linkages and Dialogue Mechanisms:

9. The two sides shall strengthen institutional linkages between their Governments in different areas and levels with a view to foster synergy and cooperation and promote greater understanding of each other's policies and positions on important national, regional and international issues. The concerned ministries and organisations of the two countries shall intensify exchanges under the existing dialogue mechanisms and revitalise those that have not been regularly used. The signing of the Protocol of Cooperation between the Ministry of External Affairs of India and the Ministry of Foreign Affairs of China during the visit is an important step in this direction.

III. Consolidating Commercial and Economic Exchanges:

10. Both sides believe that comprehensive economic and commercial

engagement between India and China is a core component of their Strategic and Cooperative Partnership. They will endeavour to raise the volume of their bilateral trade to US\$ 40 billion by 2010. They shall make joint efforts to diversify their trade basket, remove existing impediments, and optimally utilise the present and potential complementarities in their economies, in order to sustain and further strengthen bilateral commercial and economic cooperation. Towards this end, both sides will attach utmost priority to an early implementation of the decisions taken in March 2006 by the Ministerial-level Joint Economic Group, including the recommendations of the Joint Study Group, through mechanisms already created for this purpose. The Joint Task Force set up to study the feasibility and benefits of an India-China Regional Trading Arrangement shall complete its work by October 2007.

11. The conclusion of the Bilateral Investment Promotion and Protection Agreement during the visit is a welcome development that will provide the institutional and legal basis to encourage and promote greater investment flows between the two countries.

12. The Chinese side has invited India to participate in the World Exposition Shanghai 2010. The Indian side expressed its appreciation and stated that it will actively support and participate in the event.

IV. Expanding All-Round Mutually Beneficial Cooperation:

13. The two sides agree to further strengthen positive trends in the all-round development of relations and fully realize the substantial potential of cooperation, including in trade, industry, finance, agriculture, water resources, energy, environment, transportation, infrastructure, information technology, health, education, media, culture, tourism, youth affairs and other fields.

14. Both sides agree to fully implement the provisions of the Memorandum on Cooperation in the field of Oil and Natural Gas signed in January 2006 and encourage collaboration between

their enterprises, including through joint exploration and development of hydrocarbon resources in third countries.

15. Given the complementarities that India and China enjoy in the area of information and communication technology, the two sides agreed to strengthen mutually beneficial cooperation in this sector, through closer policy dialogue and enhanced collaboration among their enterprises, including in third countries.

16. The two sides shall fully implement the Memorandum of Understanding on Agricultural Cooperation, step up the exchange of experience in the field of agriculture and rural development, including food security, and hold discussions and consultations on the standards for agricultural goods at an early date in order to facilitate trade in such goods.

17. The two sides will set up an expert-level mechanism to discuss interaction and cooperation on the provision of flood season hydrological data, emergency management and other issues regarding trans-border rivers as agreed between them. The on-going provision of hydrological data for the Brahmaputra/Yarlung Zangbo and the Sutlej/Langqen Zangbo Rivers by the Chinese side to the Indian side has proved valuable in flood forecasting and mitigation. The two sides agree to continue bilateral discussions to finalise at an early date similar arrangements for the Parlung Zangbo and Lohit/Zayu Qu Rivers.

18. Both sides shall intensify their consultations, bilaterally and in multilateral fora, on sustainable development, biodiversity, climate change and other related environmental issues of common concern. The cooperation in wildlife conservation, particularly in tiger conservation, shall be stepped up.

V. Instilling Mutual Trust and Confidence through Defence Cooperation:

19. The exchange of visits in the field of defence has resulted in building of mutual trust and enhancement of mutual understanding between the defence establishments of the two countries.

Both sides shall fully implement the provisions of the Memorandum of Understanding for Exchanges and Cooperation in the field of Defence signed on 29 May 2006, which provides a sound foundation and institutional framework for further development of defence cooperation.

VI. Seeking Early Settlement of Outstanding Issues:

20. Both sides are committed to resolving outstanding differences, including on the boundary question, through peaceful means and in a fair, reasonable, mutually acceptable and proactive manner, while ensuring that such differences are not allowed to affect the positive development of bilateral relations.

21. The Special Representatives of India and China on the boundary question have taken steps and shall continue to strive to arrive at a boundary settlement on the basis of the Agreement on Political Parameters and Guiding Principles for the Settlement of India-China Boundary Question signed on 11 April 2005. An early settlement of the boundary question will advance the basic interests of the two countries and shall, therefore, be pursued as a strategic objective. The Special Representatives shall complete at an early date the task of finalising an appropriate framework for a final package settlement covering all sectors of the India-China boundary. Pending the resolution of the boundary question, both sides shall maintain peace and tranquillity in the border areas in accordance with the agreements of 1993, 1996 and 2005.

22. Along with the talks between the Special Representatives, the Joint Working Group on the India-China Boundary Question shall expedite their work, including on the clarification and confirmation of the line of actual control and the implementation of confidence building measures. It was agreed to complete the process of exchanging maps indicating their respective perceptions of the entire alignment of the LAC on the basis of already agreed parameters as soon as possible.

VII. Promoting Trans-border Connectivity and Cooperation:

23. Both sides shall promote greater trans-border cooperation at mutually agreed sites in India-China border areas with the objective of transforming their border from being a dividing line into a bridge that unites them in cooperative pursuits. In this context, border trade between India and China, including the recent resumption of border trade through the Nathula La Pass, is of significant importance. The two sides shall strengthen border trade through the existing locations, while continuing to explore the possibility of opening additional trading routes in India-China border areas.

24. The two sides welcome the organisation of a car rally, recommended by the BCIM Forum, between Kolkata and Kunming via Bangladesh and Myanmar.

25. The Chinese side shall provide greater facilitation to Indian pilgrims for the Kailash Mansarovar Yatra. Both sides shall explore the possibility of opening an additional route for the Yatra.

VIII. Boosting Cooperation in Science and Technology:

26. Bearing in mind the priority attached by India and China to scientific and technological development and innovation as a cornerstone of their efforts towards sustainable socio-economic development, the two sides shall establish an India-China Partnership in Science and Technology. The two sides welcome the establishment of the Ministerial-level Committee on Science and Technology Cooperation as a positive step in guiding, coordinating and facilitating cooperative activities. They agree to launch joint projects in the areas of (i) earthquake engineering, (ii) climate change and weather forecasting, (iii) nano-technology with focus on advanced materials, and (iv) biotechnology and medicines with focus on bio-nano. The cooperation framework shall include entrepreneurs on both sides, besides the two Governments and their respective institutions.

27. Considering that for both India and China, expansion of civilian nuclear energy programme is an essential and important component of their national energy plans to ensure energy security, the two sides agree to promote cooperation in the field of nuclear energy, consistent with their respective international commitments. As two countries with advanced scientific capabilities, they stress the importance of further deepening cooperation bilaterally as well as through multilateral projects such as ITER, and enhance exchanges in the related academic fields.

28. As countries, which have made advances in space technologies, both sides reiterate their commitment to the use of outer space for peaceful purposes. They agree to strengthen their cooperation in the use of space-based technologies for peaceful and developmental applications, including through satellite remote sensing, satellite communications, satellite meteorology and satellite launch services. Cooperation in practical applications of space technology, such as those related to disaster management and distance education, shall also be actively explored. Towards this end, both sides shall fully implement the provisions of the Memoranda of Understanding on the peaceful use of outer space signed between India and China in December 1991 and January 2002.

IX. Revitalising Cultural Ties and Nurturing People-to-People Exchanges:

29. The centuries-old cultural contacts between the two peoples provide a strong foundation for enduring friendship between India and China. The initiatives to rediscover these historical linkages and revitalise them in the present day context, including through an early completion of the Xuanzang Memorial in Nalanda and the Indian-style Buddhist Shrine in Luoyang, will further strengthen these bonds. The two sides agree to strengthen cooperation in the area of spiritual and civilizational heritage, discuss collaboration in the digitisation of Buddhist manuscripts available in China as well as the re-development

of Nalanda as a major centre of learning with the establishment of an international university on the basis of regional cooperation. In order to promote greater awareness of each other's culture, the two sides shall organise a "Festival of India" in China and a "Festival of China" in India, with a joint logo. Detailed modalities in this regard will be decided by the concerned authorities through mutual consultations.

30. In order to promote greater academic exchanges between India and China, the two sides agree to work towards the establishment of an "India-China Exchange Foundation". Detailed modalities of the Foundation will be worked out through mutual consultations.

31. India-China relations in the field of education will be further strengthened through a new Educational Exchange Programme concluded during the visit.

32. The two sides also agree to launch a five-year programme for mutual exchange of youth delegations. In this context, the Chinese side invites five hundred youth from India over the next five years.

33. With a view to vigorously promoting tourism between India and China, the two sides shall organise the "India-China Year of Friendship Through Tourism" in 2007 with a joint logo and take other initiatives, such as opening of the office of the China National Tourism Administration in India and an Indian Tourism Office in China, improved air connectivity, and continued liberalisation of the visa regime.

34. The two sides welcome cooperation linkages between the Indian States and the Chinese provinces in order to promote greater people-to-people exchanges.

X. Expanding Cooperation on Regional and International Stage:

35. The two sides shall hold regular exchange of views on the emerging security environment in the Asia-Pacific and in the world, and undertake

proactive consultations on issues of immediate and emerging concern, so as to coordinate their positions and to make positive contribution towards peaceful resolution of such issues. They shall also have regular consultations on issues pertaining to regional peace, security and stability, such as regional maritime security, proliferation of weapons of mass destruction and related materials and their means of delivery, pandemics, natural disasters, illegal trafficking in arms, narcotics and people, and environmental degradation.

36. The two sides positively assess the trilateral dialogue mechanism among India, China and Russia and agree that exchanges and cooperation under it should be further substantiated.

37. Recognising that terrorism constitutes a crime against humanity that cannot be justified on any ground and condemning it in all forms and manifestations, the two sides agree to revitalise and broaden the India-China Dialogue Mechanism on Counter-Terrorism. They shall strengthen their efforts, bilaterally as also in the international fora, to fight against terrorism, separatism and extremism, and the linkages between terrorism and organized crime and illicit arms and drugs trafficking.

38. Recognising the central role of the United Nations in promoting international peace, security and development, both sides reiterate their determination to strengthen the UN system. The reform of the UN should be comprehensive, ensure balanced representation of developing and developed countries in the UN Security Council, and add to the efficiency and efficacy of the UN and its Security Council. The two sides shall conduct consultations on the question of UN reform, including the reform of the UN Security Council. The Indian side reiterates its aspirations for permanent membership of the UN Security Council. China attaches great importance to the status of India in international affairs. It understands and supports India's aspirations to play a greater role in the United Nations.

39. Energy security constitutes a vital and strategic issue for producing and consuming countries alike. It is con-

sistent with the common interest of the two sides to establish an international energy order, which is fair, equitable, secure and stable, and to the benefit of the entire international community. Both sides shall also make joint efforts, bilaterally as well as in multilateral fora, to diversify the global energy mix and to increase the share in it of renewable energy sources. Global energy systems should take into account and meet the energy needs of both countries, as part and parcel of a stable, predictable, secure and clean energy future. In this context, international civilian nuclear cooperation should be advanced through innovative and forward-looking approaches, while safeguarding the effectiveness of international non-proliferation principles.

40. Both countries are committed to non-proliferation objectives and agree to expand their dialogue on the related issues, in bilateral and international fora.

41. As two large developing countries with relatively successful developmental experiences, India and China share unique responsibilities to protect and promote the interests of the developing world in the emerging international order and to help them benefit from the positive forces of globalisation. In this context, the two sides shall hold a two-part international seminar in Beijing and New Delhi, co-hosted by their Ministries of Finance, to share their developmental experience with other developing countries and the international community at large.

42. The two sides agree to strengthen their cooperation in the World Trade Organisation. They support the establishment of an open, fair, equitable, transparent and rule-based multilateral trading system, early resumption of Doha negotiations, and are determined to safeguard the legitimate rights and interests of the developing countries. As founder Members of the G-20 and the G-33, they are determined to strengthen their cooperation and to coordinate with other members of the WTO, especially the developing countries, in order to secure an early resumption of the negotiations on the Doha Work Programme, placing the development dimension at its heart.

43. Recognising that regional integration is an important feature of the emerging international economic order, the two sides agree to expand their coordination within regional organisations and explore a new architecture for closer regional cooperation in Asia. They positively view each other's participation in Asian inter-regional, regional and sub-regional cooperation process, including in the progress towards the East Asian Community. In this context, the two sides agree to cooperate closely in the East Asia Summit. The Indian side welcomes China's attainment of observer status in the South Asian Association for Regional Cooperation. The Chinese side welcomes India's membership of the Asia-Europe Meeting. The two sides agree to expand their cooperation on issues on common interest under the Shanghai Cooperation Organisation.

44. The Indian side recalls that India was among the first countries to recognize that there is one China and that its one China policy has remained unaltered. The Indian side states that it would continue to abide by its one China policy. The Chinese side expresses its appreciation for the Indian position.

45. The Indian side reiterates that it has recognized the Tibet Autonomous Region as part of the territory of the People's Republic of China, and that it does not allow Tibetans to engage in anti-China political activities in India. The Chinese side expresses its appreciation for the Indian position.

46. The following agreements were signed during the visit:

- i) Protocol on the Establishment of Consulates-General at Guangzhou and Kolkata;
- ii) Protocol on Cooperation between the Ministry of External Affairs of India and the Ministry of Foreign Affairs of China;
- iii) Agreement on the Issue of Property of the Consulate General of India in Shanghai;
- iv) Agreement on Bilateral Investment Protection and Promotion;
- v) Memorandum of Understanding on Inspection of Export Cargo (Iron Ore);

- vi) Protocol on Phytosanitary Requirements for Exporting Rice from India to China;
- vii) Memorandum of Understanding between Forward Markets Commission of India and China Securities Regulatory Commission regarding Commodity Futures Regulatory Cooperation;
- viii) Memorandum of Understanding on Cooperation between the Indian Institute of Public Administration and the Central Party School of the Communist Party of China;
- ix) Agreement on Forestry Cooperation;
- x) Memorandum of Understanding between the Indian Council

- of Agricultural Research and the Chinese Academy of Agricultural Sciences;
- xi) Exchange Programme on Cooperation in the Field of Education;
- xii) Memorandum of Understanding on Cooperation in the Conservation of Cultural Heritage; and
- xiii) Agreement on Preventing Theft, Clandestine Excavation and Illicit Import and Export of Cultural Property.

47. The two sides believe that the highly successful visit of President Hu Jintao to India marks the high point of the India-China Friendship Year in 2006, promotes mutual understanding

and trust, helps in substantiating the Strategic and Cooperative Partnership between the two countries and leads to a qualitative and quantum improvement in bilateral relations. They also agree that this Joint Statement provides a valuable blueprint for enduring development and diversification of the relations between India and China and sustained enrichment of their strategic partnership.

48. President Hu Jintao extended invitations to President Dr. A.P.J. Abdul Kalam and Prime Minister Dr. Manmohan Singh to visit China. The invitations were accepted with appreciation. The timing of the visits will be decided through diplomatic channels."

INDIA CHINA COMMERCIAL TIES TO RECEIVE PARTICULAR ATTENTION

"President Hu and I have agreed that comprehensive economic and commercial engagement between India and China will receive our urgent and particular attention," said India's Prime Minister Dr. Manmohan Singh at a joint press conference with the Chinese President Hu Jintao in Delhi on 21 November, 2006. The two way trade volume is estimated to rise to a level of 40 billion US dollars by the year 2010. The two sides have also decided to speed up the joint feasibility study conducted by the two countries together on regional trade arrangements. Following is the text of the statements by the leaders of China and India.

Prime Minister Dr. Manmohan Singh: Good afternoon, Ladies and Gentlemen.

President Hu Jintao and I have had cordial, open and constructive talks focusing on our bilateral relations and cooperation on regional and multilateral issues. The Joint Declaration we have agreed on reflects the understandings arrived at in our talks. It puts in place a ten pronged strategy to intensify cooperation in all areas and to give greater content to our strategic partnership. The nature and range of agreements signed today point to the consolidation and diversification of our bilateral relations. President Hu and I have agreed that the positive development of India China relations in recent years must be made irreversible.

Our two Governments have agreed to hold regular summit level meetings and intensify high level exchanges. We will strengthen institutional link-

ages and inter ministerial dialogue mechanisms. Additional Consulates General will be opened in each country, one in Kolkata for China and one in Guangzhou for India, to facilitate our growing interaction in trade and tourism. We are happy that the long pending issue of the property of the Indian Consulate in Shanghai has been resolved.

President Hu and I have agreed that comprehensive economic and commercial engagement between India and China will receive our urgent and particular attention. We will endeavour to raise the volume of bilateral trade to US\$ 40 billion by 2010 and encourage two way investment flows. We have instructed the Joint Task Force to expedite its study of the feasibility and benefits of the India China Regional Trading Arrangement and submit its report by October 2007. It has been decided to boost trans-border connectivity and

cooperation. We have endorsed a major initiative on science and technology, which will involve launching of several joint projects. Cooperation in the field of civilian nuclear energy will be promoted. We are also convinced of the imperative need to broad base the relationship through enhanced people to people contacts and cultural ties. There will be several initiatives in this regard, including the launching of an 'India China Year of Friendship through Tourism' in 2007 and a five year programme for exchange of youth delegations.

At the fulcrum of our efforts is our collective political will to enrich and reinforce our strategic and cooperative partnership for peace and prosperity and to resolve outstanding issues in a focused, sincere and problem solving manner.

President Hu and I appreciate the progress the two Special Representa-

tives have made in their discussions on the boundary question. We are asking them to accelerate their efforts to arrive at a boundary settlement on the basis of the Agreement on Political Parameters and Guiding Principles signed in April last year. We agree that an early boundary settlement will advance the basic interests of the two countries and must therefore be pursued as a strategic objective. Such a settlement will invest our strategic partnership with further strength and dynamism.

As two large Asian states and as two of the fastest growing emerging economies of the world, cooperation between India and China transcends the bilateral and has global significance. Jointly, our two countries can make effective contributions in dealing with global issues of sustainable and equitable development, energy security, peace and prosperity in Asia and in the world, environment protection and the fight against terrorism and cross border crimes.

I am reassured following my talks with President Hu today that as India and China move forward towards all-round national progress, friendship will be the underlying theme of our cooperation. We will take strength from our cooperative endeavours. President Hu and I are in full agreement that the prospects are bright for the simultaneous development of India and China.

There is enough space for the two countries to develop together in a mutually supportive manner while remaining sensitive to each other's concerns and aspirations, as befits good neighbours and partners for mutual benefit.

President Hu Jintao: His Excellency Prime Minister Dr. Manmohan Singh, dear friends, ladies and gentlemen, I am very happy to visit the beautiful country of India.

To begin with, please allow me to take this opportunity to express our heartfelt gratitude to the Indian Government and people for the warm reception and protocol arrangements.

My friend Prime Minister Singh has already made a detailed interaction about the achievements that we have scored during the talks. So, what I need to do now is just to add a few more things. Just now, Prime Minister Singh and I have had friendly and candid talks and we had an in-depth exchange of views on the bilateral relationship and other regional and international matters of mutual interest. Both Prime Minister Singh and I are satisfied with the growth momentum in our relationship.

We both believe that both China and India are major developing countries and our relationship is of global significance with bilateral, regional and international dimensions. China and India share broad and sustained common interests. China and India are true friends and cooperation partners. Our two countries need to carry forward our friendship in the long run, work hand in hand for cooperation and common development and work together to promote peace and development in Asia and the world at large.

We have decided to further expand and deepen our cooperation in economics, trade, finance, information, energy, science, technology, agriculture, human resources development, education and other fields.

The two countries will sign agreements on the investment promotion and protection, and the two sides have also started a new objective to raise the two way trade volume to a level of 40 billion US dollars in the year 2010. The two sides have also decided to speed up the joint feasibility study conducted by the two countries together on our regional trade arrangements.

The two sides have agreed to set up additional Consulates General in each other's countries - one in Kolkata for China and the other in Guangzhou for India. The two sides have agreed to hold jointly a "China-India Year of Friendship through Tourism" in the year 2007.

I also announce on behalf of the Chinese Government our decision to invite five hundred young people from India in the next five years for a visit to China. We both believe that an early settlement to the boundary question serves the fundamental interests of our two countries and represents the common strategic objectives for the two countries. The two sides agreed to continue their efforts, intensify their work and follow the spirit enshrined in the agreement on the political guiding principles for settlement of the boundary question and explore and find such framework that is fair, reasonable and mutually acceptable. For any eventual solution to the boundary question the two sides need to continue their efforts to work together to maintain peace and tranquility in the border areas.

Both China and India are fully confident of the future of this relationship and we are willing to work together to facilitate the all-round and in-depth development of the strategic and cooperative partnership between our two countries. Thank you."

IBSA HEADS OF REVENUE ADMINISTRATIONS MEET

New Delhi, Nov -- The Heads of the Revenue Administrations of India, Brazil and South Africa had their first meeting in Pretoria, South Africa from 20 to 21 November 2006 to promote closer cooperation in both tax and customs matters and contribute to the India-Brazil-South Africa Dialogue Forum.

It was noted that increased economic activities between these countries and the growing trade and investment relationships necessitate closer Customs and tax cooperation.

The meeting was attended by Revenue Secretary of India, Mr. K.

M. Chandrasekhar, the Federal Revenue Secretary of Brazil, Mr Jorge Rachid, and the Commissioner of the South African Revenue Service, Mr Pravin Gordhan. The three Heads of Revenue Administrations agreed to increase and formalise cooperation in specific areas .

THE RISE OF ASIA NEED NOT WORRY THE WEST – MANMOHAN

The rise of Asian economies will alter the balance of income distribution at the global level. But this need not worry the West, since a dynamic Asia can power global growth and provide new opportunities for growth for Europe as well as for North America. That was the view expressed by Dr. Manmohan Singh, the Prime Minister of India while addressing the third Asia Forum of the London School of Economics and Political Science (LSE) in New Delhi on 7 December, 2006. The LSE Asia Forum honoured the late IG Patel, former governor of the Reserve Bank of India and focused on 'Challenging Globalisation – Reform, Governance and Society.' An honorary fellow of LSE, Dr. IG Patel was LSE's ninth director from 1984-90. Presented below is the Prime Minister's address, where he urges academic institutions to ponder over how the world can now accommodate the growth aspirations of the developing world.

"I am delighted to be here today to open a conference in memory of a very dear friend Dr. I.G. Patel. My wife and I have fond memories of a lifetime of friendship with "IG", as we all knew him, and his charming wife Bibi.

I first met IG in 1954 before I went to Cambridge. He had just returned from the IMF and taken over as Deputy Economic Adviser to the Ministry of Finance. He gave me some sound advice for deriving the best possible benefit of my stay at Cambridge. This was the beginning of an association which lasted for over 50 years. When I returned home in 1957 after completing my studies at Cambridge, I was offered a job in the Ministry of Finance. However, I was under an obligation to return to my university in Punjab since I was in England on a scholarship given by that university and which required me to return home and teach at that university. So I could not join the government then. In 1962, when I was at Oxford, I.G. again invited me to join the Ministry of Finance. On this occasion too, I was unable to join the staff of the Ministry of Finance. It was more than a decade later that I finally did join the Government of India. As Economic Adviser to the then Ministry of Commerce, I had frequent interaction with I.G. Patel who was then Secretary, Economic Affairs in the Ministry of Finance. In 1972, I moved to the Ministry of Finance as Chief Economic Adviser. That position gave me an opportunity to work very closely with I.G. Later on when I was Secretary, Economic Affairs and I.G. returned to India, after a tenure with the UNDP, as Governor of the Reserve Bank of India, I worked very closely with him in formulating India's macro economic policies. Because of his profound wisdom, knowledge and

experience, I.G. was the natural leader of economists working in the Government. I, for one, learnt a great deal from him. In many ways, he was for me a friend, philosopher and guide.

The 1950s and the Sixties were a unique period in our developmental history. There was great interaction between officials in government and scholars in the universities, both scholars from India and from abroad.

We had, I recall, several distinguished economists like Nicholas Kaldor, Joan Robinson, Milton Friedman, John Kenneth Galbraith, I.M.D. Little, W.B. Reddaway and Daniel Thorner who spent some time at our Planning Commission. There was always a two-way flow of talent between institutions like the Delhi School of Economics and the Indian Statistical Institute and the various ministries of our government.

This interaction enriched the quality of academic research, making it more policy-oriented, and also contributed, I believe, to creative thinking within government. It has become fashionable of late to deride everything that was done in the realm of economic policy in those days. There are critics both on the Left and the Right. However, to be fair and honest, one must recognize that the early years after India's Independence were truly exciting times in India. Under the inspiring leadership of Jawaharlal Nehru, a new generation of our countrymen tried to write on a blank slate and create a new nation State. The Indian economists were active participants in the national debate to build a new India free from the fear of want and exploitation.

There was much experimentation, since there were no known methodologies available for the construction of a new post-colonial nation. The political and intellectual atmosphere was charged with intense debate and discussion. Bold visions of a brave new world were being created on paper. IG was one of the many idealistic young economists who chose to participate in that great adventure of nation building.

Under the leadership of men like Dr. V.K.R.V. Rao, Sir Chintamani Deshmukh, Prof. P.C. Mahalanobis and Prof. J.J. Anjaria, a new generation of brilliant economists that included K.N. Raj, I.G. Patel, Pitambar Pant, S.R. Sen, V.K. Ramaswami and many others joined government.

Economists, scientists, scholars from various disciplines, worked closely with civil servants and political leaders to chart a new course for the Indian economy. Men like IG, who preferred a career in government to a career in academia, provided that crucial link. It was both an intellectual link and a warm personal link. I confess I miss that environment today. I do hope we can somehow re-create it and facilitate greater lateral mobility, in and out of government, and a freer flow of ideas so that both policy and research are enriched through this process.

In paying tribute to IG, I must also pay tribute to the London School of Economics and Political Science. LSE has always had a strong India link. Some of LSE's faculty, like Vera Anstey and Harold Laski, were extremely close to India and to Indians. Professor Laski had great many followers even among our political leaders at

the time. Many of his students, like P.N. Haksar and our former President K.R. Narayanan, had distinguished careers in our government. Often their appointment to government service was based on a mere note of recommendation from Professor Laski to Jawaharlal Nehru!

Even before Independence, LSE contributed several distinguished economists to India, like Dr. J.J. Anjaria. In the early years after Independence there was a flood of them who returned home from LSE to participate in the great saga of national development. The most prominent of them was K.N. Raj, who was recruited by Jawaharlal Nehru to help draft the First Five Year Plan at the tender age, I believe, of 27!

What I have always appreciated about LSE is the emphasis on inter-disciplinary approaches in its academic programmes. LSE took a holistic view of social sciences and of development. Its faculty appreciated the links between economics, politics, sociology, anthropology and law in the development process. In more recent decades we see excessive specialization in social sciences, and economists fancy themselves to be social engineers and technocrats.

But we must never forget that economics began, after all, as political economy. Economic policy making has always involved political choices since it has political consequences. IG belonged to a generation that recognized this ground reality. He knew that the choices our economists were recommending for adoption by our country had to be marketed in the political marketplace of a functioning democracy. It was not enough that these choices were rational, or that their costs and benefits could be measured. It was not enough that the arguments were intellectually consistent or were mathematically tested. In a democracy such choices had to be also politically defensible and acceptable.

It was a tribute to the holistic education that IG received at Cambridge that he was not only a good Economic Advisor, a good Finance Secretary, a good Central Bank Governor but also a good administrator who excelled in his

understanding of the political economy of development.

In the past century LSE has contributed a great deal to the economics of development, especially in Asia. I am, therefore, pleased that you have today an LSE Asia Forum. Just as LSE focused its intellectual resources on the development challenges facing the post-colonial developing world, it must now study in depth the growth dynamics in Asia and its implications for the world economy and polity at large.

The most important development, I believe, of the 21st century will be the rise of Asia. China has already trebled its share of world GDP over the past two decades and India has doubled it. Both these giant economies of Asia are bound to gain a considerable part of their share of world GDP that they had lost during the two centuries of European colonialism. While Japan will continue to be at the top in the foreseeable future, the newly industrializing economies of East and South East Asia will, I believe, grow even if not at rates we witnessed in the past two decades.

Taken together, the rise of these Asian economies will alter the balance of income distribution at the global level. This need not worry the West, since a dynamic Asia can power global growth and provide new opportunities for growth for Europe as well as for North America.

But, it is essential that the West should come to terms with the consequences of the rise of Asia. In the long run of history, nations rise and fall. This in itself is not a new phenomenon. Regrettably, though, the record of history is found wanting as far as the ability of nations to deal with such ebbs and flows of history is concerned.

One of the re-assuring aspects of the on-going growth process is that it is more orderly. Just as the world accommodated the rejuvenation of Europe in the post-War world, it must now accommodate the rise of new Asian economies in the years that lie ahead.

What this means is that we need global institutions and new global

“rules of the game” that can facilitate the peaceful rise of new nations in Asia. It also means that existing global institutions and frameworks of cooperation must evolve and change to accommodate this new reality. This is as true for the reform and revitalization of the United Nations and the restructuring of the United Nations Security Council, as it is true for the management of multilateral trading system, or for the protection of global environment or for the security of world energy supplies.

Western academic institutions played a leading role in shaping intellectual thinking after the Second World War to facilitate peaceful post-war reconstruction and development of Europe and of Japan. Once again institutions like the LSE must ponder over how the world can now accommodate the growth aspirations of the developing world so that the rise of Asia is peaceful.

We often say that globalization is a reality that we must contend with. We also say that globalization offers opportunities as much as it poses challenges. That people and nations must learn to deal with both. But, there are still many unsettled questions pertaining to globalization. Even the discipline of economics has not addressed the phenomenon in a holistic manner. For example, while there is enormous, and quite longstanding literature on the benefits of free trade in goods and free flow of capital, the literature and policy on the free movement of people remains scanty and patchy.

There are questions pertaining to the globalization of lifestyles, and its consequences for consumption, and their impact on the world environment. Is growth sustainable if development in the developing world merely mirrors the experience of the developed? It is not just that Third World households may not be able to afford western consumption standards, our planet would not be able to do so.

If every consumer in India and in China, totaling up to almost 3 billion, want to live like people in San Francisco, Stockholm or Singapore, can they afford to? Can nature afford it? If not, how do we alter lifestyles and consumption patterns so that

the growth process is sustainable in a more globalized world?

I believe, a new generation of economists and social scientists have to once again write and draw on blank slates, like IG's generation did. There

are, I believe, no textbook solutions. There are no pet answers, no clever models. The rise of Asia, and of the developing world in general, presents us with new challenges – new intellectual challenges, new technological challenges, new organizational and political challenges.

I hope your forum, and forums like yours, will be able to inspire younger scholars to address these questions and seek answers. For the need of the hour is to do so. I wish your conference all success."

PUT POVERTY IN THE MUSEUMS - MUHAMMAD YUNUS

"Globalization is like a hundred-lane highway criss-crossing the world. If it is a free-for-all highway, its lanes will be taken over by the giant trucks from powerful economies. Bangladeshi rickshaw will be thrown off the highway." That was the view expressed by the Nobel Peace Prize recipient for 2006, Mohammad Yunus, who pioneered micro-credit for the benefit of the rural poor in Bangladesh. In order to have a win-win globalization we must have traffic rules, traffic police, and traffic authority for this global highway. Rule of "strongest takes it all" must be replaced by rules that ensure that the poorest have a place and piece of the action, without being elbowed out by the strong. Globalization must not become financial imperialism, says Yunus. Following are extracts from his Nobel lecture, delivered in Oslo on 10 December (© The Nobel Foundation 2006).

"Grameen Bank and I are deeply honoured to receive this most prestigious of awards. We are thrilled and overwhelmed by this honour. Since the Nobel Peace Prize was announced, I have received endless messages from around the world, but what moves me most are the calls I get almost daily, from the borrowers of Grameen Bank in remote Bangladeshi villages, who just want to say how proud they are to have received this recognition.

Nine elected representatives of the 7 million borrowers-cum-owners of Grameen Bank have accompanied me all the way to Oslo to receive the prize. I express thanks on their behalf to the Norwegian Nobel Committee for choosing Grameen Bank for this year's Nobel Peace Prize. By giving their institution the most prestigious prize in the world, you give them unparalleled honour. Thanks to your prize, nine proud women from the villages of Bangladesh are at the ceremony today as Nobel laureates, giving an altogether new meaning to the Nobel Peace Prize.

All borrowers of Grameen Bank are celebrating this day as the greatest day of their lives. They are gathering around the nearest television set in their villages all over Bangladesh, along with other villagers, to watch the proceedings of this ceremony.

This year's prize gives highest honour and dignity to the hundreds of millions of women all around the world who struggle every day to make a living and bring hope for a better life for their children. This is a historic moment for them.

Poverty is a Threat to Peace

By giving us this prize, the Norwegian Nobel Committee has given important support to the proposition that peace is inextricably linked to poverty. Poverty is a threat to peace.

World's income distribution gives a very telling story. Ninety four percent of the world income goes to 40 percent of the population while sixty percent of people live on only 6 per cent of world income. Half of the world population lives on two dollars a day. Over one billion people live on less than a dollar a day. This is no formula for peace.

The new millennium began with a great global dream. World leaders gathered at the United Nations in 2000 and adopted, among others, a historic goal to reduce poverty by half by 2015. Never in human history had such a bold goal been adopted by the entire world in one voice, one that specified time and size. But then came September 11 and the Iraq war, and suddenly the world became derailed

from the pursuit of this dream, with the attention of world leaders shifting from the war on poverty to the war on terrorism. Till now over \$ 530 billion has been spent on the war in Iraq by the USA alone.

I believe terrorism cannot be won over by military action. Terrorism must be condemned in the strongest language. We must stand solidly against it, and find all the means to end it. We must address the root causes of terrorism to end it for all time to come. I believe that putting resources into improving the lives of the poor people is a better strategy than spending it on guns.

Poverty is Denial of All Human Rights

Peace should be understood in a human way – in a broad social, political and economic way. Peace is threatened by unjust economic, social and political order, absence of democracy, environmental degradation and absence of human rights.

Poverty is the absence of all human rights. The frustrations, hostility and anger generated by abject poverty cannot sustain peace in any society. For building stable peace we must find ways to provide opportunities for people to live decent lives.

The creation of opportunities for the majority of people – the poor – is at the heart of the work that we have dedicated ourselves to during the past 30 years.

Grameen Bank

I became involved in the poverty issue not as a policymaker or a researcher. I became involved because poverty was all around me, and I could not turn away from it. In 1974, I found it difficult to teach elegant theories of economics in the university classroom, in the backdrop of a terrible famine in Bangladesh. Suddenly, I felt the emptiness of those theories in the face of crushing hunger and poverty. I wanted to do something immediate to help people around me, even if it was just one human being, to get through another day with a little more ease. That brought me face to face with poor people's struggle to find the tiniest amounts of money to support their efforts to eke out a living. I was shocked to discover a woman in the village, borrowing less than a dollar from the money-lender, on the condition that he would have the exclusive right to buy all she produces at the price he decides. This, to me, was a way of recruiting slave labor.

I decided to make a list of the victims of this money-lending "business" in the village next door to our campus.

When my list was done, it had the names of 42 victims who borrowed a total amount of US \$27. I offered US \$27 from my own pocket to get these victims out of the clutches of those money-lenders. The excitement that was created among the people by this small action got me further involved in it. If I could make so many people so happy with such a tiny amount of money, why not do more of it?

That is what I have been trying to do ever since. The first thing I did was to try to persuade the bank located in the campus to lend money to the poor. But that did not work. The bank said that the poor were not creditworthy. After all my efforts, over several months, failed I offered to become a guarantor for the loans to the poor. I was stunned by the result. The

poor paid back their loans, on time, every time! But still I kept confronting difficulties in expanding the program through the existing banks. That was when I decided to create a separate bank for the poor, and in 1983, I finally succeeded in doing that. I named it Grameen Bank or Village bank.

Today, Grameen Bank gives loans to nearly 7.0 million poor people, 97 per cent of whom are women, in 73,000 villages in Bangladesh. Grameen Bank gives collateral-free income generating, housing, student and micro-enterprise loans to the poor families and offers a host of attractive savings, pension funds and insurance products for its members. Since it introduced them in 1984, housing loans have been used to construct 640,000 houses. The legal ownership of these houses belongs to the women themselves. We focused on women because we found giving loans to women always brought more benefits to the family.

In a cumulative way the bank has given out loans totaling about US \$6.0 billion. The repayment rate is 99%. Grameen Bank routinely makes profit. Financially, it is self-reliant and has not taken donor money since 1995. Deposits and own resources of Grameen Bank today amount to 143 per cent of all outstanding loans. According to Grameen Bank's internal survey, 58 per cent of our borrowers have crossed the poverty line.

Grameen Bank was born as a tiny homegrown project run with the help of several of my students, all local girls and boys. Three of these students are still with me in Grameen Bank, after all these years, as its topmost executives. They are here today to receive this honour you give us.

This idea, which began in Jobra, a small village in Bangladesh, has spread around the world and there are now Grameen type programs in almost every country.

Second Generation

It is 30 years now since we began. We keep looking at the children of our borrowers to see what has been the impact of our work on their lives.

The women who are our borrowers always gave topmost priority to the children. One of the Sixteen Decisions developed and followed by them was to send children to school. Grameen Bank encouraged them, and before long all the children were going to school. Many of these children made it to the top of their class. We wanted to celebrate that, so we introduced scholarships for talented students. Grameen Bank now gives 30,000 scholarships every year.

Many of the children went on to higher education to become doctors, engineers, college teachers and other professionals. We introduced student loans to make it easy for Grameen students to complete higher education. Now some of them have PhD's. There are 13,000 students on student loans. Over 7,000 students are now added to this number annually.

We are creating a completely new generation that will be well equipped to take their families way out of the reach of poverty. We want to make a break in the historical continuation of poverty.

Beggars Can Turn to Business

In Bangladesh 80 percent of the poor families have already been reached with microcredit. We are hoping that by 2010, 100 per cent of the poor families will be reached.

Three years ago we started an exclusive programme focusing on the beggars. None of Grameen Bank's rules apply to them. Loans are interest-free; they can pay whatever amount they wish, whenever they wish. We gave them the idea to carry small merchandise such as snacks, toys or household items, when they went from house to house for begging. The idea worked. There are now 85,000 beggars in the program. About 5,000 of them have already stopped begging completely. Typical loan to a beggar is \$12.

We encourage and support every conceivable intervention to help the poor fight out of poverty. We always advocate microcredit in addition to all other interventions, arguing that microcredit makes those interventions work better.

Information Technology for the Poor

Information and communication technology (ICT) is quickly changing the world, creating distanceless, borderless world of instantaneous communications. Increasingly, it is becoming less and less costly. I saw an opportunity for the poor people to change their lives if this technology could be brought to them to meet their needs.

As a first step to bring ICT to the poor we created a mobile phone company, Grameen Phone. We gave loans from Grameen Bank to the poor women to buy mobile phones to sell phone services in the villages. We saw the synergy between microcredit and ICT.

The phone business was a success and became a coveted enterprise for Grameen borrowers. Telephone-ladies quickly learned and innovated the ropes of the telephone business, and it has become the quickest way to get out of poverty and to earn social respectability. Today there are nearly 300,000 telephone ladies providing telephone service in all the villages of Bangladesh. Grameen Phone has more than 10 million subscribers, and is the largest mobile phone company in the country. Although the number of telephone-ladies is only a small fraction of the total number of subscribers, they generate 19 per cent of the revenue of the company. Out of the nine board members who are attending this grand ceremony today 4 are telephone-ladies.

Grameen Phone is a joint-venture company owned by Telenor of Norway and Grameen Telecom of Bangladesh. Telenor owns 62 per cent share of the company, Grameen Telecom owns 38 per cent. Our vision was to ultimately convert this company into a social business by giving majority ownership to the poor women of Grameen Bank. We are working towards that goal. Someday Grameen Phone will become another example of a big enterprise owned by the poor.

Free Market Economy

Capitalism centers on the free market. It is claimed that the freer the market,

the better is the result of capitalism in solving the questions of what, how, and for whom. It is also claimed that the individual search for personal gains brings collective optimal result.

I am in favor of strengthening the freedom of the market. At the same time, I am very unhappy about the conceptual restrictions imposed on the players in the market. This originates from the assumption that entrepreneurs are one-dimensional human beings, who are dedicated to one mission in their business lives – to maximize profit. This interpretation of capitalism insulates the entrepreneurs from all political, emotional, social, spiritual, environmental dimensions of their lives. This was done perhaps as a reasonable simplification, but it stripped away the very essentials of human life.

Human beings are a wonderful creation embodied with limitless human qualities and capabilities. Our theoretical constructs should make room for the blossoming of those qualities, not assume them away.

Many of the world's problems exist because of this restriction on the players of free-market. The world has not resolved the problem of crushing poverty that half of its population suffers. Healthcare remains out of the reach of the majority of the world population. The country with the richest and freest market fails to provide healthcare for one-fifth of its population.

We have remained so impressed by the success of the free-market that we never dared to express any doubt about our basic assumption. To make it worse, we worked extra hard to transform ourselves, as closely as possible, into the one-dimensional human beings as conceptualized in the theory, to allow smooth functioning of free market mechanism.

By defining "entrepreneur" in a broader way we can change the character of capitalism radically, and solve many of the unresolved social and economic problems within the scope of the free market. Let us suppose an entrepreneur, instead of having a single source of motivation (such as, maximizing profit), now has

two sources of motivation, which are mutually exclusive, but equally compelling – a) maximization of profit and b) doing good to people and the world.

Each type of motivation will lead to a separate kind of business. Let us call the first type of business a profit-maximizing business, and the second type of business as social business.

Social business will be a new kind of business introduced in the market place with the objective of making a difference in the world. Investors in the social business could get back their investment, but will not take any dividend from the company. Profit would be ploughed back into the company to expand its outreach and improve the quality of its product or service. A social business will be a non-loss, non-dividend company.

Once social business is recognized in law, many existing companies will come forward to create social businesses in addition to their foundation activities. Many activists from the non-profit sector will also find this an attractive option. Unlike the non-profit sector where one needs to collect donations to keep activities going, a social business will be self-sustaining and create surplus for expansion since it is a non-loss enterprise. Social business will go into a new type of capital market of its own, to raise capital.

Young people all around the world, particularly in rich countries, will find the concept of social business very appealing since it will give them a challenge to make a difference by using their creative talent. Many young people today feel frustrated because they cannot see any worthy challenge, which excites them, within the present capitalist world. Socialism gave them a dream to fight for. Young people dream about creating a perfect world of their own.

Almost all social and economic problems of the world will be addressed through social businesses. The challenge is to innovate business models and apply them to produce desired social results cost-effectively and efficiently. Healthcare for the

poor, financial services for the poor, information technology for the poor, education and training for the poor, marketing for the poor, renewable energy – these are all exciting areas for social businesses.

Social business is important because it addresses very vital concerns of mankind. It can change the lives of the bottom 60 per cent of world population and help them to get out of poverty.

Grameen's Social Business

Even profit maximizing companies can be designed as social businesses by giving full or majority ownership to the poor. This constitutes a second type of social business. Grameen Bank falls under this category of social business.

The poor could get the shares of these companies as gifts by donors, or they could buy the shares with their own money. The borrowers with their own money buy Grameen Bank shares, which cannot be transferred to non-borrowers. A committed professional team does the day-to-day running of the bank.

Bilateral and multi-lateral donors could easily create this type of social business. When a donor gives a loan or a grant to build a bridge in the recipient country, it could create a "bridge company" owned by the local poor. A committed management company could be given the responsibility of running the company. Profit of the company will go to the local poor as dividend, and towards building more bridges. Many infrastructure projects, like roads, highways, airports, seaports, utility companies could all be built in this manner.

Grameen has created two social businesses of the first type. One is a yogurt factory, to produce fortified yogurt to bring nutrition to malnourished children, in a joint venture with Danone. It will continue to expand until all malnourished children of Bangladesh are reached with this yogurt. Another is a chain of eye-care hospitals. Each hospital will undertake 10,000 cataract surgeries

per year at differentiated prices to the rich and the poor.

Social Stock Market

To connect investors with social businesses, we need to create social stock market where only the shares of social businesses will be traded. An investor will come to this stock-exchange with a clear intention of finding a social business, which has a mission of his liking. Anyone who wants to make money will go to the existing stock-market.

To enable a social stock-exchange to perform properly, we will need to create agencies, standardization of terminology, definitions, impact measurement tools, reporting formats, and new financial publications, such as, *The Social Wall Street Journal*. Business schools will offer courses and business management degrees on social businesses to train young managers how to manage social business enterprises in the most efficient manner, and, most of all, to inspire them to become social business entrepreneurs themselves.

Role of Social Businesses in Globalization

I support globalization and believe it can bring more benefits to the poor than its alternative. But it must be the right kind of globalization. To me, globalization is like a hundred-lane highway criss-crossing the world. If it is a free-for-all highway, its lanes will be taken over by the giant trucks from powerful economies. Bangladeshi rickshaw will be thrown off the highway. In order to have a win-win globalization we must have traffic rules, traffic police, and traffic authority for this global highway. Rule of "strongest takes it all" must be replaced by rules that ensure that the poorest have a place and piece of the action, without being elbowed out by the strong. Globalization must not become financial imperialism.

Powerful multi-national social businesses can be created to retain the benefit of globalization for the poor people and poor countries. Social businesses will either bring

ownership to the poor people, or keep the profit within the poor countries, since taking dividends will not be their objective. Direct foreign investment by foreign social businesses will be exciting news for recipient countries. Building strong economies in the poor countries by protecting their national interest from plundering companies will be a major area of interest for the social businesses.

We Create What We Want

We get what we want, or what we don't refuse. We accept the fact that we will always have poor people around us, and that poverty is part of human destiny. This is precisely why we continue to have poor people around us. If we firmly believe that poverty is unacceptable to us, and that it should not belong to a civilized society, we would have built appropriate institutions and policies to create a poverty-free world.

We wanted to go to the moon, so we went there. We achieve what we want to achieve. If we are not achieving something, it is because we have not put our minds to it. We create what we want.

What we want and how we get to it depends on our mindsets. It is extremely difficult to change mindsets once they are formed. We create the world in accordance with our mindset. We need to invent ways to change our perspective continually and reconfigure our mindset quickly as new knowledge emerges. We can reconfigure our world if we can reconfigure our mindset.

We Can Put Poverty in the Museums

I believe that we can create a poverty-free world because poverty is not created by poor people. It has been created and sustained by the economic and social system that we have designed for ourselves; the institutions and concepts that make up that system; the policies that we pursue.

Poverty is created because we built our theoretical framework on

assumptions which under-estimates human capacity, by designing concepts, which are too narrow (such as concept of business, credit-worthiness, entrepreneurship, employment) or developing institutions, which remain half-done (such as financial institutions, where poor are left out). Poverty is caused by the failure at the conceptual level, rather than any lack of capability on the part of people.

I firmly believe that we can create a poverty-free world if we collectively believe in it. In a poverty-free world, the only place you would be able to see poverty is in the poverty museums. When school children take a tour of the poverty museums, they would be horrified to see the misery and indignity that some human beings had to go through. They would blame their forefathers for tolerating this inhuman condition, which existed for so long, for so many people.

A human being is born into this world fully equipped not only to take care of him or herself, but also to contribute to enlarging the well being of the world as a whole. Some get the chance to explore their potential to some degree, but many others never get any opportunity, during their lifetime, to unwrap the wonderful gift they were born with. They die unexplored and the world remains deprived of their creativity, and their contribution.

Grameen has given me an unshakeable faith in the creativity of human beings. This has led me to believe that human beings are not born to suffer the misery of hunger and poverty.

To me poor people are like bonsai trees. When you plant the best seed of the tallest tree in a flower-pot, you get a replica of the tallest tree, only inches tall. There is nothing wrong with the seed you planted, only the

soil-base that is too inadequate. Poor people are bonsai people. There is nothing wrong in their seeds. Simply, society never gave them the base to grow on. All it needs to get the poor people out of poverty for us to create an enabling environment for them. Once the poor can unleash their energy and creativity, poverty will disappear very quickly.

Let us join hands to give every human being a fair chance to unleash their energy and creativity. Let me conclude by expressing my deep gratitude to the Norwegian Nobel Committee for recognizing that poor people, and especially poor women, have both the potential and the right to live a decent life, and that microcredit helps to unleash that potential.

I believe this honor that you give us will inspire many more bold initiatives around the world to make a historical breakthrough in ending global poverty."

TRADE: A YEAR SINCE HONG KONG – NO PROGRESS ON DEVELOPMENT

Geneva, Dec -- One year on from the inconclusive World Trade Organisation (WTO) Ministerial, which took place in Hong Kong from December 13-18 last year, negotiators have failed to make progress on agreeing trade reforms to promote development, and pressure on poor countries is building, said the international agency Oxfam.

Despite stating their continued commitment to multilateral negotiations, the EU and US have not significantly improved their offers made in Hong Kong. Instead, both have shifted focus to an aggressive regional and bilateral agenda, increasing pressure on developing countries to open their markets, while zealously guarding their agricultural subsidy budgets and tariff protections.

Celine Charveriat, Head of Oxfam International's Make Trade Fair Campaign said: "Progress is elusive because neither of the major powers have shown the willingness to fundamentally change their offers. A development deal, so desperately needed, still seems a long way off."

Oxfam said that trade talks should restart again in earnest, but only if members agreed to re-focus on the original mandate, which was to prioritise reforms that promote development. Poor countries should not be rushed into a bad deal to meet artificial deadlines, such as the expiry of the US Trade Promotion Authority: "Negotiations need to be reoriented to deal with developing countries' priorities and respect their legitimate concerns. The worst result would be a deal pushed through to meet deadlines that entailed damaging sacrifices from poor countries," said Charveriat.

In recent months, the US has put pressure on a group of developing countries, known as the G-33, which seeks the flexibility to use trade policy to promote food security and rural livelihoods. The US has focused on gaining access to India's market for four commodities - rice, corn, wheat and soybeans - all highly subsidised in the US, and important for poor farmers in India.

Oxfam said the US should reduce this pressure and signal its willingness to negotiate by agreeing to reform trade-distorting subsidies in the Farm Bill, due to be revised in 2007. Charveriat: "The 2002 Farm Bill has been a major problem for the trade negotiations. The US Congress could help unblock trade talks by agreeing a pro-development reform of the Farm Bill next year."

The organization has called on Europe to improve its offer at the WTO on agricultural market access, especially for products of interest to developing countries, and reduce its aggressive, anti-development demands in regional trade negotiations, particularly with the African Caribbean and Pacific (ACP) countries.

"If Brazil can offer duty free access to the poorest countries, as it confirmed it would last week, then why can't the US and Japan? Poor countries must not be made to pay for the delays in this round, which are due entirely to rich country intransigence," said Charveriat.

A CHEQUERED DECADE FOR DEVELOPMENT - ANNAN

“Development is never a gift bestowed on any country from outside. It has to be achieved by the hard work and enterprise of the country’s own people.” That was the view expressed by the outgoing Secretary-General of the United Nations, Kofi A. Annan, who now plans to work out of Geneva, will be devoting considerable time and effort to the cause of development of the African continent. Having steered the UN for a decade, Mr. Annan spoke of the increasing involvement of the UN in Africa’s development while addressing the African Development Forum in Addis Ababa on 16 November, 2006 – focusing on the continent’s key challenges. Extracts from his address.

“This has been a chequered decade for development, but an extraordinary one for the UN’s role in development.

When I took office in 1997, official development assistance had been declining for more than a decade. Funding for the UN system had dropped precipitously, amidst fierce ideological debates with the Bretton Woods institutions and other partners about the right approach to development. And the world was falling rapidly behind in tackling new challenges, particularly HIV/AIDS.

Today, thanks largely to the vision and political will that emerged from four UN summits over the past six years – the Millennium Summit in 2000, Monterrey and Johannesburg in 2002, and the World Summit last year – ODA is breaking through the \$100bn barrier; and a set of agreed goals – the Millennium Development Goals – is supported by all major development actors. No less important, we have common strategies for reaching those goals, set out in the Millennium Project report that appeared at the beginning of last year.

On HIV/AIDS too, there is good news amidst the gloom. Five years ago I made the issue a personal priority and called for the creation of a “war-chest” of an additional seven-to-ten billion dollars a year. The Global Fund, which I am proud to be Patron of, has channelled more than \$2.8 billion to programmes across the globe, most of it for AIDS. We have recently seen significant additional funding from bilateral donors, national treasuries, civil society and other sources.

Available annual funding for the response to AIDS in low- and mid-

dle-income countries now stands at over US\$8.3 billion. Much more is needed – by 2010 total needs for a comprehensive HIV/AIDS response will exceed 20 billion dollars a year – but, with the support of UNAIDS and other partners, we have at least made a start on getting the resources and strategies in place to combat the greatest challenge of our generation; and the result can be seen in the success that several African countries have had in containing or reversing the spread of the epidemic.

So we have much to be proud of. But we cannot for one second be complacent. We have laid a foundation for development, but no more than that. We won’t really know whether these achievements count for anything until ten years from now, when we are able to look back and see whether the MDGs have been achieved, whether prosperity is rising equitably within countries, across countries and across regions, whether all girls and boys everywhere are at school, with enough to eat and prospects of a future with jobs, health, housing and other basic needs supplied.

Frankly, the prospects are mixed, at best. Overall the world may meet the poverty goal, thanks to the remarkable progress in Asia. But even there, progress towards other goals – notably Goal 7, ensuring environmental stability – is lagging. Indeed, as we have been hearing from the Nairobi conference where I was yesterday, climate change may make nonsense of all our forecasts, if we don’t take serious preventive action on a global scale within the next few years.

The Intergovernmental Panel on Climate Change has told us that Africa is already, and will be even more,

the continent worst affected by global warming. And while many African countries have made spectacular progress in some areas, this continent as a whole is falling behind in the race to reach the MDGs by 2015.

It is not too late to turn this situation around. But it will take focus, application and commitment. As I said in Montevideo the week before last, it requires action in areas from trade to migration policy. A successful Doha development round, especially, is a sine qua non of success.

But let’s not forget where development has to happen – namely, in the developing countries. Development is never a gift bestowed on any country from outside. It has to be achieved by the hard work and enterprise of the country’s own people.

And that means that what is required most of all, if the MDGs are to be achieved, is that the developing countries themselves live up to the commitment that all States gave at last year’s World Summit, by adopting comprehensive national strategies for reaching the MDGs, and by implementing them in a transparent way that benefits all their citizens.

The Outcome Document committed all developing countries to producing comprehensive strategies by the end of this year. That may sound simple, but in fact it is enormously complex. A national development strategy is not a one-page vision statement. It is a comprehensive, far-ranging blueprint for change, which must be home-grown, nationally owned and nationally delivered, not just by the State but with civil society and with the private sector playing its full part. It must contain clear benchmarks

of progress on every issue. It must provide a real framework for guiding domestic policy and expenditures, while attracting support from donors and sustained support and investments from the private sector – both domestic and foreign.

And the fact is, far too few countries – in Africa or anywhere – have yet done this properly. It absolutely must be done, and done now. Development will simply not happen if we Africans, and citizens of the developing world in general, don't get our own house in order.

When I say this, I do not mean to understate how much is already happening. Africa now understands that development is first and foremost an African priority. Africa also understands that success requires moving forward in a clear, transparent way, through pioneering initiatives like the African Peer Review Mechanism. But I'm afraid that countries actually walking the walk, and not just talking the talk, are still the exception rather than the rule.

All our leaders owe it to their fellow-citizens to turn that around. Their challenge is to make sure all the countries of Africa are working hard, on policies and actions that benefit all their people. And Africa's young people – the theme of this forum, and the hope of this continent – must keep them up to the mark.

But whenever and wherever developing countries have adopted such sound strategies for reaching the MDGs, it is equally vital that the developed countries – and the middle-income countries – live up to their commitment to provide resources to enable those strategies to succeed. We all know there are many developing countries that simply won't be in a position to attract commercial investment without first making a public investment in physical and human infrastructure for which they do not have adequate resources of their own. And all too many of those countries are in Africa. That's why the world has a moral and strategic obligation to address shared concerns of poverty and disease and despair on this continent – an obligation that has been repeatedly acknowledged and

spelt out in specific agreements over the last few years, from Monterrey to the G8 to the World Summit.

In essence, this vision of development is a compact: if developing countries deliver on comprehensive, fleshed-out national strategies, then donors are committed to meeting the needs that cannot be met through domestic resources alone.

But here too, while there are encouraging steps, too much is still not happening. Many donors are already falling short of their commitments to increase aid – and the longer this shortfall persists the harder it will be to correct. They must be held accountable.

Neither side in the compact can escape responsibility for delivering on its commitments. But the developing countries, especially, are entitled to expect help from the UN system. The UN must be there to support their vision and their plans, and to help them build the capacity – the skills, the institutions, the systems – to deliver the jobs, houses, schools and healthcare that their people need.

That is especially true in Africa, which – as we all know – has special needs and special problems. Not only does it include almost all the Least Developed Countries. It is, as I just mentioned, the continent most threatened by global warming. It also suffers from poor governance, weak institutions, and more conflicts than any other continent – many of them a legacy of the cold war. And parts of Africa are afflicted with the world's highest incidence of HIV/AIDS – with a terrifying increase in infection rates among women. All these scourges tend to perpetuate poverty and impede development.

For all these reasons, the UN System has a special relationship with, and special responsibility for, Africa. I am glad to note that the new head of the World Health Organization, Margaret Chan, has recognized this, by announcing that she will make the health of Africans and women key indicators for WHO in the future.

Over the past 10 years, I, as an African Secretary-General, have

done my best to nurture and build up the relationship between Africa and the UN. That decade, of course, has also seen the birth of the African Union – an immensely hopeful development – and I'm glad to say the UN and the AU have a close and growing relationship.

The UN is in Africa both as a peacekeeper and to help with development; as an adviser to African governments and civil society, and as an advocate for Africa in the world community.

Peacebuilding – which is the blanket term we use to describe countries recovering from conflict – is where these different roles come together. Much of our peacebuilding work is actually capacity-building. It's about helping countries get back on the path of development. And really we shouldn't wait to do it until there's been a conflict, with all the misery and destruction that that entails. We should be helping all African countries to build up their capacity, whether they have suffered conflict or not.

But African governments know all too well that, despite enormous progress in recent years, we don't yet have in place the properly structured and equipped UN system that we need. Many Africans find the UN confusing and frustrating to deal with, because it is present in so many different forms, with mandates that either overlap or leave major gaps. Often you end up having to deal with 10 or even 20 different UN agencies offering support that is neither coordinated, nor strategic, nor to scale.

We must simplify Africa's access to, and dealings with, the donor community. Instead, we often seem to be adding new layers of complexity. In short, we are less than the sum of our parts.

That's why Africa has a major stake in the new UN Peacebuilding Commission and Fund that have just started work, and also in the broader effort to bring greater coherence to all our development work, through the High-Level Panel on System-Wide Coherence.

The Panel was set up in response to the call from last year's World

Summit for research into whether our humanitarian, environmental and development work could be improved by more tightly managed entities. The fact that the prime minister of Mozambique, Luísa Dias Diogo, agreed to co-chair the panel – along with Shaukat Aziz of Pakistan and Jens Stoltenberg of Norway – shows that Africa has taken this reform very seriously, and rightly so because it is this continent that has a lot to gain. .

The Panel submitted its report last week. And I am delighted to say that it sets out a persuasive vision of the future UN system as the kind of supporter of development it can and should be.

The details are complex but the vision is clear – a vision of a united UN system led by one UN Resident Coordinator in each country, supported by consolidated funding channels, guided

by a single Sustainable Development Board, and rigorously monitored by a single Development, Finance and Performance Review Unit. It sounds complicated but I think it will work.

Clearly there is scope for much discussion and debate on exactly how, and at what pace, to move forward. We will start with pilot projects in about five countries. But if these key recommendations are implemented, I believe the UN will at last be able to play its proper role, working in partnership with the World Bank and the African Development Bank and other multilateral and bilateral donors, at the centre of national and global development efforts everywhere.

It will be up to my successor, not me, to realise this exciting vision, working with the UN's Member States. Indeed I am full of hope that the UN, under its new Asian Secre-

tary-General, will bring some of Asia's inventiveness, dynamism and teamwork to helping Africa. The best way to ensure that is for African states to be fully engaged, at the highest level, in the new annual ministerial reviews and development cooperation forum that are being launched by the UN's Economic and Social Council.

Meanwhile, my dear friends, the time has come for me, in my capacity as Secretary-General, to bid you farewell. But as I lay down my global responsibilities, I can promise to devote myself more than ever to the welfare of this beloved continent.

So I am glad to say, dear brothers and sisters, that my farewell to you is not an adieu, but very much an au revoir.

Thank you all, very much. Vivent les Nations Unies! Vive l'Afrique!»

THE ECLIPSE OF THE NEO-LIBERAL AGENDA?

The neo-liberal agenda of the current phase of globalisation is in its final phase of demise, according to Dr. Yash Tandon, the Executive Director of the South Centre. Addressing an International Conference on the Reform of International Institutions, organized by Ubuntu – World Forum of Civil Society Networks – Dr. Tandon advanced four principal reasons. These include the decline of US military hegemony, utter failure on the job front, the declining health of this planet, and the increasing influence of the economic powers in the South. The title of Dr. Tandon's address was 'Reform or Transformation? End of an Era and Beginning of a New One.' Presented below is his statement at the ILO in Geneva on 21 November, 2006.

"Allow me first to thank Ubuntu and Mr. Federico Mayor for inviting me to this multi-stakeholder dialogue. Allow me also to congratulate Ubuntu for taking this initiative to organize this meeting at a very critical moment in the history of our times.

Beginning of the End of an Epoch

Listening to the debates on this floor and talking to many of you here, I get the strong sense that we live in tumultuous times, the beginning of the end of one epoch in transition to an unborn another epoch. There is complete erosion of the legitimacy of the system we live in. The demand for the reform of the institutions of global governance is only an aspect of it.

Looking back at our times, historians might call this epoch the "period of Neoliberal Globalization" under Anglo-Saxon hegemony. Its approximate dates will be marked as from mid-1980s (with the rise to power of Thatcher in the UK and Reagan in the US) to about 2010 -- a span of about 25-30 years, or roughly a generation. In other words, we are witnessing the beginning of the end of this epoch, but it has not yet ended.

Time does not permit a full explanation of this phenomenon that is unfolding in front of our eyes. However, four cardinal characteristics of the near demise of the US-UK driven neoliberal globalization may be briefly described.

One is the end, for all practical purposes, of US military hegemony. The superpower has military power unparalleled in the annals of military history. No power on earth has ever accumulated as much military power as the US today. And yet, apart from fighting small wars such as in Grenada or Haiti or Panama, the US military power has reached its nadir, its denouement.

Time does not allow further expansion of this point, except to point out that when Donald Rumsfeld, the US Secretary of Defence, said at his resignation that we have not even begun to understand the nature of contemporary war, he was right. At least on this occasion he was right. Before the Iraq war, he had thought

that he could use technologically superior precision weapons to target the enemy, and minimize the use of personnel in combat. He was wrong. Both Afghanistan and Iraq have shown that *technology cannot displace people, and the military cannot take the place of politics or diplomacy*. When women and men provide human protective shield to Palestinian fighters against Israeli bombardment, we have entered a new era of people's war the like of which, in its magnitude and daring, we have not seen in the recent past.

The second reason the neoliberal globalization is nearing its end is its total and complete failure to bring jobs (in the case of the countries of the South, any jobs let alone "decent" jobs), and basic means of survival to the bulk of humanity.

Never in history has science reached such enormous potential for servicing the needs of people, and yet so little of it used to uplift the lives of ordinary people from misery and destitution.

It is a historically unparalleled scandal.

Neoliberal globalization has been driven mainly by corporate greed. The result is that we have on the one side the super-rich counted in their hundreds or may be thousands, and on the other the absolute poor counted in their millions. The rhetoric of poverty reduction or poverty elimination is just that – rhetoric. It needs no rocket scientist to predict that MDG goal number one on poverty reduction will NOT be met by 2015.

A third reason that the neoliberal agenda is coming to an end has to do with the health of this planet and the environment. Corporate greed continues to pillage the earth, but there is increasing consciousness that something has to be done about it, that the 1972 Rio agenda needs to be revisited, and that serious action is called for at the global as well as local level. We are not there yet, but may be by 2010, we might see some real movement on this matter.

And a fourth reason why the US-UK led neoliberal agenda is coming to an end is that the centre of gravity of

economic action is steadily shifting to the South, especially to countries like China, India and Brazil. It is too early to understand the full implications of this development. But one thing is sure: the United States and Europe are likely to become protectionist on the one hand, and on the other hand very aggressive in trying to open the doors of the countries of the South for investments and the services sector for their corporations.

Where do we go from here and how?

Three sets of ideas appear to me to have come from this multi-stakeholder dialogue.

One is to work within the system; the second is to reform the system; and the third is to transform the system so that an alternative paradigm directs the course of future history.

Those who have advocated working within the system hope that the Millennium Development Goals (MDGs) are met by 2015, and in that optimism they have suggested how to try to meet those goals, for example, in poverty reduction or education.

Still within this genre of thinkers are those who are working to control the damage caused by the present system. Among them are those that seek to limit the power of such institutions as the IMF, the World Bank, the WTO and the Security Council of the United Nations, so that nations of the South, and the peoples of the North as well of the South have a say in the shaping of their destinies, rather than institutions that have become the agents of the powerful and the rich.

Those who take a reformist road are arguing that the problem lies with the manner in which decisions are taken in these institutions, and that what needs to be done is to democratize them, and ensure that they take into account the hopes and aspirations of the world's peoples, and those governments of the South that are responsible, and sensitive to the needs of their people.

Then there are those among you who are advocating a total systemic

overhaul, a transformative strategy, a strategy that would bring into discussion and then implementation of alternative strategies to the neoliberal globalization. In other words, a paradigm shift.

My own view is that we need to work at all the three levels. Let me put somewhat simply, and say that we work in the future towards a three-pronged strategy, and put our time and energy into these proportionately. Here is a rough tabular illustration of the three strategies, and how much time and energy we need to put into these over the next decade.

	2007	2010	2015
<u>Strategy One</u>			
Damage control	60%	40%	25%
<u>Strategy Two</u>			
Reform the system	25%	40%	25%
<u>Strategy Three</u>			
Paradigmatic Shift	15%	20%	50%

How do we go about this?

I suggest this assembly gives mandate to Ubuntu to contact all those who are here and those not here but who can join this effort later in order to do three things:

1. Disseminate the ideas of this multistake dialogue widely.
2. Create a Task Force that would organize another such meeting two years from now, that is, in 2008.
3. Create a website and may be a quarterly publication (with articles in all major languages) that would pool together ideas and suggestions whilst we collectively think on how to move from the epoch that is dying to one that is still to be born.

RICHEST TWO PERCENT OWN HALF WORLD WEALTH

A pioneering study Helsinki-based World Institute for Development Economics Research of the United Nations University (UNU-WIDER), released on 5 December, 2006, is the first of its kind to cover all countries in the world and all major components of household wealth, including financial assets and debts, land, buildings and other tangible property. The authors of the report 'The World Distribution of Household Wealth' are James Davies, Susanna Sandström, Anthony Shorrocks, and Edward Wolff. The shocking level of inequality is revealed in the following highlights of the WIDER study.

The richest 2% of adults in the world own more than half of global household wealth according to a path-breaking study by the UNU-WIDER.

The most comprehensive study of personal wealth ever undertaken also reports that the richest 1% of adults alone owned 40% of global assets in the year 2000, and that the richest 10% of adults accounted for 85% of the world total. In contrast, the bottom half of the world adult population owned barely 1% of global wealth.

The research finds that assets of \$2,200 per adult placed a household in the top half of the world wealth distribution in the year 2000. To be among the richest 10% of adults in the world required \$61,000 in assets, and more than \$500,000 was needed to belong to the richest 1%, a group which — with 37 million members worldwide — is far from an exclusive club.

The UNU-WIDER study is the first of its kind to cover all countries in the world and all major components of household wealth, including financial assets and debts, land, buildings and other tangible property.

'One should be clear about what is meant by "wealth",' say co-authors James Davies of the University of Western Ontario, Anthony Shorrocks and Susanna Sandstrom of UNU-WIDER, and Edward Wolff of New York University. 'In everyday conversation the term "wealth" often signifies little more than "money income". On other occasions economists use "wealth" to refer to the value of all household resources, including human capabilities.'

'We use the term in its long-established sense of net worth: the value of physical and financial assets less debts. In this respect, wealth rep-

resents the ownership of capital. Although capital is only one part of personal resources, it is widely believed to have a disproportionate impact on household wellbeing and economic success, and more broadly on economic development and growth.'

Wealth levels across countries

Using currency exchange rates, global household wealth amounted to \$125 trillion in the year 2000, equivalent to roughly three times the value of total global production (GDP) or to \$20,500 per person. Adjusting for differences in the cost-of-living across nations raises the value of wealth to \$26,000 per capita when measured in terms of purchasing power parity dollars (PPP\$).

The world map shows per capita wealth of different countries. Average wealth amounted to \$144,000 per person in the USA in year 2000, and \$181,000 in Japan. Lower down among countries with wealth data are India, with per capita assets of \$1,100, and Indonesia with \$1,400 per capita.

Per capita wealth levels vary widely across countries. Even within the group of high-income OECD nations the range includes \$37,000 for New Zealand and \$70,000 for Denmark and \$127,000 for the UK.

Wealth is heavily concentrated in North America, Europe, and high income Asia-Pacific countries. People in these countries collectively hold almost 90% of total world wealth.

Although North America has only 6% of the world adult population, it accounts for 34% of household wealth. Europe and high income Asia-Pacific

countries also own disproportionate amounts of wealth. In contrast, the overall share of wealth owned by people in Africa, China, India, and other lower income countries in Asia is considerably less than their population share, sometimes by a factor of more than ten.

The study finds wealth to be more unequally distributed than income across countries. High income countries tend to have a bigger share of world wealth than of world GDP. The reverse is true of middle- and low-income nations. However, there are exceptions to this rule, for example the Nordic region and transition countries like the Czech Republic and Poland.

The authors of the UNU-WIDER study explain that in Eastern European countries 'private wealth is on the rise, but has still not reached very high levels. Assets like private pensions and life insurance are held by relatively few households. In the Nordic countries, the social security system provides generous public pensions that may depress wealth accumulation.'

World wealth inequality

The concentration of wealth within countries varies significantly but is generally high. The share of the top 10% ranges from around 40% in China to 70% in the United States, and higher still in other countries.

The Gini value, which measures inequality on a scale from zero to one, gives numbers in the range from 35% to 45% for income inequality in most countries. In contrast, Gini values for wealth inequality are usually between 65% and 75%, and sometimes exceed 80%.

Two high wealth economies, Japan and the United States, show very different patterns of wealth inequality, with Japan having a wealth Gini of 55% and the USA a wealth Gini of around 80%.

Wealth inequality for the world as a whole is higher still. The study estimates that the global wealth Gini for adults is 89%. The same degree of inequality would be obtained if one person in a group of ten takes 99% of the total pie and the other nine share the remaining 1%.

Where do the world's wealthy live?

According to the study, almost all of the world's richest individuals live in North America, Europe, and rich Asia-Pacific countries. Each of these groups of countries contribute about one third of the members of the world's wealthiest 10%.

China occupies much of the middle third of the global wealth distribution, while India, Africa, and low-income Asian countries dominate the bottom third.

For all developing regions of the world, the share of population exceeds the share of global wealth, which in turn exceeds the share of members of the wealthiest groups.

A small number of countries account for most of the wealthiest 10%

in the world. One-quarter are Americans and another 20% are Japanese. These two countries feature even more strongly among the richest 1% of individuals in the world, with 37% residing in the USA and 27% in Japan. According to Anthony Shorrocks, a country's representation in the rich person's club depends on three factors: the size of the population, average wealth, and wealth inequality.

'The USA and Japan stand out', he says, 'because they have large populations and high average wealth. Although Switzerland and Luxembourg have high average wealth, their populations are small. China on the other hand fails to feature strongly among the super-rich because average wealth is modest and wealth is evenly spread by international standards. However, China is already likely to have more wealthy residents than our data reveals for the year 2000, and membership of the super-rich seems set to rise fast in the next decade.'

Composition of household wealth

The UNU-WIDER study shows major international differences in the composition of assets, resulting from different influences on household behaviour such as market structure, regulation, and cultural preferences.

Real property, particularly land and farm assets, are more important in less developed countries. This reflects not only the greater importance of agri-

culture, but also immature financial institutions.

The study also reveals striking differences in the types of financial assets owned. Savings accounts feature strongly in transition economies and in some rich Asian countries, while share-holdings and other types of financial assets are more evident in rich countries in the West.

According to the authors of the UNU-WIDER study, savings accounts tend to be favoured in Asian countries because 'there appears to be a strong preference for liquidity and a lack of confidence in financial markets. Other types of financial assets are more prominent in countries like the UK and USA which have well developed financial sectors and which rely heavily on private pensions.'

Surprisingly, household debt is relatively unimportant in poor countries. As the authors of the study point out: 'While many poor people in poor countries are in debt, their debts are relatively small in total. This is mainly due to the absence of financial institutions that allow households to incur large mortgage and consumer debts, as is increasingly the situation in rich countries'

The authors go on to note that 'many people in high-income countries have negative net worth and - somewhat paradoxically - are among the poorest people in the world in terms of household wealth.'

UNESCAP ASIA-PACIFIC FORECASTS IMPRESSIVE GROWTH BUT DOWNSIDE RISKS INCREASING

Bangkok, 14 Dec -- Developing countries across Asia and the Pacific can expect another year of impressive growth in 2007 but should be wary of dangers ahead, says the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP). GDP growth in 2007 is currently projected to be a strong 6.9 per cent, only slightly less than the spectacular 7.1 per cent growth in 2006.

Despite the buoyant growth projection for 2007, UNESCAP warns that there are increasing risks for Asia-Pacific countries. "The region can not ignore the perils for growth from a disorderly adjustment in global imbalances or a supply-side oil shock", said UNESCAP Executive Secretary Kim Hak-Su commenting on UNESCAP's year-end report: "Key Economic Developments in Asia and the Pacific 2007".

"The fall of the United States dollar in recent weeks has revived fears in the region of a turbulent adjustment in global imbalances", said Mr Kim Hak-Su. "If there is a disorderly unwinding of global imbalances with a sharp fall in the United States dollar would result in a global recession with severe negative impacts on Asia-Pacific countries".

WTO: IN SEARCH OF 'VIALE' RESUMPTION FOR 'REAL' RESULTS

As there are perceptible moves to slowly build a momentum towards resuming the stalled WTO talks, a number of developing countries would like to see some real movement in negotiating positions, which, unfortunately, has not happened yet. Some of these sentiments are captured in the following statement by Jorge Ferrer, Cuba's Minister Counselor to the Trade Negotiations Committee (TNC) of the WTO in Geneva on 16 November 2006

"The Cuban delegation thanks the Director General for convening this meeting and for sharing his thoughts regarding this process with us.

Cuba remains committed to the successful conclusion of this Round of negotiations and to the resumption, as soon as possible, of multilateral negotiations in the committees and working groups, with full transparency, inclusiveness and the real participation of all Members, but not as ends in themselves.

We are in favor of a viable resumption that brings about real results and to an outcome of the process that fully complies with the development mandate of this Round, which is its reason for being. We hope that the statements in favor of the resumption and the conclusion of the negotiations will translate into concrete action and not into words like those made during the G-8 Summit in Saint Petersburg.

A successful outcome in NAMA and Agriculture must include the solution of implementation issues, special and differential treatment and flexibilities for developing countries, the realization of the mandate of paragraph 50 on export restrictions, paragraph 6 and 8 of NAMA mandate, treatment for small and vulnerable economies, cotton, net food importers, preference erosion, etc.

We are not in favor of fixing again further artificial datelines linked to the domestic agenda of one important member that have proven to be unrealistic and have failed in the past.

It is impossible in practice to negotiate the huge differences in several areas of negotiations and

to achieve full modalities in three or four months.

Times have changed since the Uruguay Round. There is no chance at all that a draft prepared by a small group of countries or the Chairs or that a last minute draft compromise paper will be acceptable to most of the members.

This is different from the July framework or the Hong Kong Ministerial Declaration that were political commitments. This time the outcome will be texts with legal obligations with far reaching implications.

Any eventual reinitiation should be horizontal but it is impossible to have almost 20 negotiating groups working in parallel because this would impede the real participation of all developing countries.

Cuba agrees with the Statement of the African Union circulated last October, which states among other ideas that agriculture is at the center of the Doha Development Agenda, that WTO members, in particular the developed countries, have a duty, a responsibility and a moral obligation, that the failure of the major trading powers to reach a compromise on the reduction of the agriculture subsidies and agriculture market access are the causes of the suspension.

As Mandelson admitted in the letter he sent last September to the US Trade Representative, Susan Schwab, "it has been widely documented that tariff cuts in agricultural products will mainly benefit a few major agricultural exporters" and, as several NGOs and academic institutions of developed countries have concluded,

most developing countries will be losers or will not gain anything or little from the existing proposals which are acceptable to developed countries.

As Mandelson also recognized in the same letter, "weighing subsidy cuts against tariff cuts and requesting full parity between these two is not acceptable to a vast majority of WTO Members. And conversely, giving only paper cuts on domestic supports against real cuts in agricultural market is not an option."

Requesting concessions from underdeveloped countries in exchange for reducing domestic support that distorts trade, which is an outstanding issue of the Uruguay Round, is not only unfair, but immoral.

New concepts such as 'real market access' and 'new trade flows' are not based in our mandate, have no consensus, and should be avoided. Any negotiation must be based on the existing work programmes and mandates of Doha, the July 2004 Framework and Hong Kong.

Some developed countries are too ambitious in asking unrealistic and impossible concessions of developing countries in NAMA and services in return for their limited offers in agriculture and development that are supposed to be aimed at balancing the unbalances of the Uruguay Round.

We need to solve not only the big numbers on NAMA and agriculture that are currently blocking the process, but also several details that are indivisible, interdependent and interrelated. The acceptable outcome of one of these two depends on the outcome of the other."

WTO: 'SOFT RESUMPTION' A NON-STARTER

In attempting to find a way forward at the multilateral trade talks relating to the Doha Agenda, there are a number of meetings to occupy the various WTO delegations. Most such get-togethers are on an informal basis. An analysis and update of what has been going on is provided in the following article by Aileen Kwa of the Focus on the Global South. She covers the three main areas of Agriculture, NAMA and Services Negotiations.

Since WTO's Director General's "soft resumption" of the Doha talks on 16 November, activity in the WTO has again restarted, but all the meetings have been held at an informal level. Negotiators are expecting that business will be back to normal by end January next year. As yet, no deadlines have been set, but insiders say that on the quiet, the Chairs of the negotiating groups have been asked by Lamy to produce texts based on consultations with the Membership. According to one Chair, "whilst there are no fixed time lines, we are working on the best case scenario to have a text by the end of March".

It is now clear that Lamy's option A is out of reach – the "window of opportunity" to seal a deal by the end of March, three months before the expiry of the US trade promotion authority (TPA). Option B is to have a tempting enough package on the table for the US as early as possible next year. US Congresspersons in support of the Round will then have a stronger case should they wish to push for a TPA extension when the issue comes up for discussion, before the current TPA expires on 1 July 2007. The plan is not to let the current TPA lapse since a brand new TPA could take years to secure.

Most in Geneva believe the TPA extension or renewal is highly unlikely, given the current mood in the US regarding free trade, the political sensitivity of agricultural subsidies and its relation to the upcoming 2008 presidential elections. However, as one delegate of a G-20 country put it:

"It is not impossible. There is always a certain element of uncertainty. What if they (Democrats and Republicans) cut a deal that we don't know about and the Democrats agree (to TPA extension)? And we will never

find out why... At the moment, the TPA looks like the last thing on their minds. But the US has surprised us in the past on a few things. Whilst it is highly unlikely, it is not impossible that they could come up with something".

"Besides", says another delegate, "regardless of what Chairs feel about the situation personally, it is their job to be pushing the negotiations".

Agriculture

- No Real Cuts in Domestic Supports

Being the issue that grounded talks to a halt in July, much of the current activity in Geneva is centered around this issue. The breakdown in July was due to the refusal of the US to move on domestic supports, whilst demanding very high market access opening of the Membership. They had asked for tariff cuts of slightly less than 60% (of developing countries) and slightly less than 90% of developed countries. Yet they had not offered any real cuts in their actual spending on overall trade distorting domestic supports (OTDS). Their current level of OTDS spending is 19.7 billion. (This does not factor in US's spending of about 50 billion a year on supports categorized under the WTO legal "green box"). The US offer was to bind its OTDS at 22.3 billion, hence not requiring it to cut real spending, but still allowing itself the "water" or possibility to increase actual subsidies by 2-3 billion. The only accomplishment of the US was that it removed the "water" (money they are allowed to spend but do not) from their Uruguay Round bound OTDS which provided them spending room of up to about 48 billion.

Whilst the EU has managed to portray itself as the good cop, they

are not cutting domestic supports either. EU's 2003 CAP reform did not reduce overall subsidies given to EU producers, but simply recategorised the bulk of their subsidies to the WTO compatible "green box". The bulk of EU's approximately 89 billion Euro supports are now WTO legal, even though such huge sums provided to farmers inevitably contribute to overproduction and the driving down of world prices. EU's current level of OTDS spending is 26 billion. They have offered to cap this OTDS at 33 billion. Again, no real subsidy cuts are taking place, and their offer allows them to increase OTDS subsidies by 6-7 billion.

- US' Market Access Interests; Objections to the G-33

In exchange for doing nothing, the US in particular, has come down very hard on the G-33's request for flexibility in tariff reduction.

Jason Hafemeister, Deputy Assistant USTR for WTO agriculture negotiations explained the breakdown in July and the USTR position: "We have been very generous in our existing agriculture offer. We are cutting trade distorting domestic supports by 60%, as compared to the 20% in the Uruguay Round. However, domestic supports were not really discussed in July. Market access was the real focus and here is where talks floundered. We need new trade flows and this is not currently on the table." He went on to say that there are differences between the US and the EU. "But the bigger gap is with the developing countries. The G-33 is suggesting broad loopholes that would take away any effect of the tariff cuts". [1]

He gave several examples: India has an average bound tariff rate of

114%. The G-20 tariff cutting formula would lower the bound rate to 70%. But India's average applied tariff rate is 35%. Indonesia has a bound rate of 48%. The G-20 formula would bring it down to 33%, whilst their average applied rate is 9%. According to Hefemeister, only 3% of Indonesian tariff levels would fall below the current applied rates.

On top of this, he said, the G-33 (the Group of 43 developing countries) is still proposing the Special Products (SPs - 20% of tariff lines) and the Special Safeguard Mechanism (SSM). He concluded that there would therefore be no tariff cuts in agriculture. Referring to a study by WTO secretariat, he said that 20% can cover up to 98% of trade in one country and 93% of trade in another. Whilst he conceded that there are cases where tariff reductions could force farmers in poor countries to compete with subsidized cheap imports, he said that countries could nevertheless offer market access through quotas.

What are US' interests? According to Hafemeister, "We are looking at developing country market access. This is where the gains will accrue from the Round". Large percentages of US agricultural exports, he said, fall only under a few tariff lines – eg. soya and cotton - making it unacceptable for the US, if no market opening is forthcoming on these tariff lines. He gave the example of cotton, soya and soya oil, where the Chinese market is the prime target, and the 20% SP would mean no new exports into China.

In bilaterals with leaders of the G-33, Indonesia and the Philippines, before the July breakdown, Hafemeister was reported to have presented these countries with a long list of products which US wanted market access in. He asked these countries to take the list into consideration when deciding on their SPs.

Since the breakdown, the World Bank has also jumped onto the anti-SP/SSM campaign bandwagon. A draft of a forthcoming Bank study says that developing countries protecting their markets through SPs, will see a rise in the price of staples. Since the poor are consumers too, poverty will increase, setting development back,

in some cases, by up to 30 years! Their findings have been disputed by the G-33. Nevertheless, the Bank is still charging ahead with its campaign. The author of the study went to India two weeks ago for a seminar, and the Bank is in the process of arranging something similar in Jakarta.

Australia's Proposals

Since the "soft resumption", the Australians, leading the Cairns Group, have been at the forefront of trying to create new solutions to unhinge the gridlock. Australia, of course, is a competitive agriculture exporter and it benefits them to push the US market access agenda. The ideas Australia has informally floated include:

The "5 plus 5" proposal. [2] The US cuts its overall trade distorting supports by 5 billion, from its offer of 22 billion to 17 billion. In turn, the "exchange rate" (another Geneva jargon) will require developed countries to increase their market opening further by 5 percent above the G-20 proposal – from 54 percent to 59 percent. Developing countries would have to open up their markets by two-thirds the requirement for developed countries, ie. a near 40% cut in their bound rate.

Thus far, the proposal has been rejected by both the EU and developing countries. As Peter Young of the European Commission explains,

"The problem is that it (the Australian proposal) is structurally imbalanced. It goes beyond what the G-20 has proposed in market access and undershoots in domestic supports. It gives the US an easy ride."

Speaking on the EU's space for maneuver with regards to market access, Young said: "Before the summer, we floated readiness to move a little short of what the G-20 had asked for. But it was part of a package for cuts in US domestic supports. Since the US was not prepared to move in domestic supports, that offer was not confirmed. But it is still there, though it is conditional. As an average, we can stretch to the maximum of flexibility just short of the overall average (cuts) of the G-20 (proposal)."

The "Cumulative approach" to SPs / Sensitive Products: In order for the US to even accept the Australian proposal though, it has been made clear to the G-33 that the SP and SSM mechanisms must provide "genuine market access". As such, a "cumulative approach" has been floated by Australia and others. Lamy is reported also to have been mentioning this proposal:

- Developed countries designate 4% tariff lines as sensitive products (EU had asked for 8%, and for sensitive products to have a combination of lower tariff cuts and tariff rate quota (TRQ) expansion)
- Developing countries designate 6% tariff lines as sensitive and
- 2% tariff lines for SPs, hence providing developing countries flexibility on 2 -8% of tariff lines.

This is a case of pushing onto developing countries something they are not even interested in, and using that as justification to limit the type of flexibility they are actually asking for. One G-33 country delegate said "We are not demandeurs of sensitive products. We want SPs. They said, "no, you have a right also"".

It is difficult to detect any "special treatment" for developing countries in the supposed "sensitive products" flexibility –a provision suggested by the EU in Cancun to meet its own needs. In fact, it would bind developing countries to provide market access to others! The treatment for sensitive products for developed countries (as proposed by the EU) is a combination of lower than normal tariff cuts, and expansion of their tariff rate quota by 3-5%. [3] Exporting countries are suggesting that developing countries expand their tariff rate quotas by 2-4%. Many developing countries do not have tariff rate quotas in their schedules, or have very few of these. If this is the case, Australia has suggested that they undertake the normal tariff reduction required for tariff lines categorized as sensitive, but with a longer transition period eg. 2 more years!

Other SP/SSM Discussions

The US remains unable to negotiate numbers, so in Geneva since the "soft

resumption”, no real discussions have taken place with regards to the 20% for SPs. Australia and others though have criticized the list of “indicators” the G-33 has developed to identify the products that could be covered by the SP. The 23 indicators were submitted to the WTO membership on 22 November 2005 (JOB(05)/304).

There has been a lot of debate also on the G-33’s SSM proposal. The SSM would allow developing countries to increase their tariff levels in response to sudden import surges or price drops. The opponents of the SSM include countries Costa Rica, Argentina and Chile, but also developed country exporters. They do not want product coverage to cover all tariff lines as the G-33 has proposed, and have suggested that any price increases should not go beyond the current Uruguay Round bound rate. Canada, EU and the US currently avail of the protection provided by the Uruguay Round’s Special Safeguard Provision (SSG). [4] They would like the SSG to be maintained, and hence are slightly more willing to provide flexibility than the opponents.

Falconer’s ‘Fireside Chats’

A series of Ambassador-only ‘fireside chats’ (meetings) have been reportedly convened by the New Zealand Ambassador, Chair of the agriculture negotiations, Crawford Falconer. Only 23 countries had apparently been invited to these closed door meetings. These include: Argentina, Australia, Bangladesh, Benin, Brazil, Canada, Chad, Chile, China, Costa Rica, Croatia, EC, India, Korea, Indonesia, Japan, Malaysia, Norway, Paraguay, Switzerland, Thailand, US and Uruguay.

A session on 27th November was an exploration of the “exchange rate” between domestic supports and market access. Falconer was exploring Members’ level of comfort with a proposal not so different from the Australian one, and which uses the G-20 proposal (US cuts overall trade distorting domestic supports till 12 billion and market access opening of 54% for developed countries) as the departure point.

He suggested bringing down US’ overall trade distorting domestic supports (OTDS) from the US proposal of 22 billion, to 15 billion. That is, the OTDS for the US would be a cut of 70% and the OTDS cut for the EU would be about 75%. In exchange, in market access, the tariff cut would be 60% for developed countries and 40 per cent for developing countries.

The US was apparently very silent during that “chat”. EU did not agree, and some developing countries were opposed on the grounds that the Chair should not be making the “exchange rate” between market access and domestic supports comparable.

Although there are no timelines set, it is possible that some text by the Chair may be presented in the spring. One G-33 Member, however, observed, “It seems that Falconer himself is personally quite pessimistic”.

Non-Agriculture Market Access (NAMA)

Stephenson’s ‘Room Chats’:

Once agriculture talks move (or at least once consultations are held), NAMA talks also grind into gear since Members evaluate the package as a whole. However, it is unlikely that much can happen in NAMA on the “core issues” until the “core issues” in agriculture have been settled. Prior to the breakdown in July, the developed countries had asked for very drastic market access openings – with Swiss formula coefficients of 15 for developing countries, and 10 for developed countries. This was not acceptable to most developing countries. Whilst NAMA is intended to increase trade flows, developing countries foresee that such a drastic opening of their markets would instead annihilate their industries.

An open ended informal meeting for the whole Membership was held on 1 December. Donald Stephenson, Canadian Ambassador chairing NAMA explored with the Membership a “road map” for the coming weeks. There was agreement that the July 2006 text that Stephenson had issued would be the basis for further consultations and work. Members at

the meeting apparently did not agree on the way forward in terms of tackling the most contentious or core issues i.e. the coefficients for the tariff cutting formula. But there was agreement that the Chair should hold consultations on the “flexibilities” for developing countries ie. SVEs (small and vulnerable economies), para 8, para 6 and RAMS (recently acceded members).

An open ended informal (for the whole Membership) will be held on 12 December on AVEs (ad valorem equivalents) and NTBs (non-tariff barriers). Another open ended will take place on 13 December. This will be a “transparency” session to brief members on the consultations Stephenson has had with the various groupings (para 8, para 6, RAMS and SVEs), as well as to chart the way forward for January.

Services

The services market access talks have also began with small group consultations. Like agriculture and NAMA, no timelines have been set, but the Chairs of the services committees are working on the “best case scenario” where negotiations conclude by 31 March, 2007.

The Chair of the Committee on Trade in Services (CTS), Mexican Ambassador Fernando de Mateo, has already scheduled an informal two-week services cluster in January. Subsidiary services bodies, such as the Working Party on Domestic Regulation meet in the week of 22 January, and market access meetings – both bilateral and plurilateral – take place in the week of 29 January. That is, business as usual, except that all of these meetings take place in informal mode.

In the open-ended meeting that Mateo held on 27 November, the US portrayed market access in services as a make or break issue, causing consternation amongst certain developing country negotiators, given US’ reluctance in moving on agriculture.

Domestic regulation (DR) negotiations are also moving apace, with the Singapore Chair Peter Govindasamy conducting consultations. These ne-

gotiations are basically about putting in place disciplines to ensure that qualification and licensing requirements and procedures and the use of technical standards on foreign service providers facilitate trade flows.

GATS Article VI:4 mandates WTO Members to develop disciplines in domestic regulation. These disciplines are “horizontal”, cutting across all sectors and modes of supply. Once agreed upon, all sectors which countries had committed for liberalization in the Uruguay Round and in the current Round, would be subject to these new horizontal regulations. This would mean considerably deepening the market access commitments that countries have bound in the WTO. Domestic regulations in the area of services, is similar to non-tariff barriers in the area of goods. A country can make a commitment in the WTO, but use regulation to side-step these commitments. Developing countries are split on this issue. Some services exporters, such as the Caribbean economies, want a certain amount of these disciplines because they have been locked out of the US market. India is a major demandeur. But the disciplines cut both ways—disallowing developing countries also, to protect their domestic markets.

Apart from India, other aggressive demandeurs include Australia and Switzerland, Chile, Columbia, Korea, Chinese Taipei, Hong Kong, Mexico, Thailand and New Zealand. They are asking for a “high ambition” outcome in the negotiations.

The bulk of developing countries are apprehensive, yet they have not said an outright no, for reasons explained above. Most are pushing for a low ambition outcome, aware of their weak regulatory capacity. They are wary that tying their hands in the WTO could limit their ability to provide universal services, or regulate according to national objectives in the future.

- The Necessity Test

The most controversial issue in these negotiations in the necessity test. [5] The necessity test already exists in GATS Article VI:4 b. Countries such as

Brazil and the Philippines are leading the call for dropping this necessity test on the grounds that it may prevent them from fulfilling their universal service obligation. The US is also a strong opponent of the necessity test. Its domestic regulators are objecting to the idea of having multilateral rules constrain their ability to regulate at home. The EU has not taken a vocal position – it is likely that their position varies according to the sector. They are not likely to want a necessity rest with regards to Mode 4 and qualification requirements, but may like one vis a vis licensing requirements. Other countries in opposition include the ACP Group, Malaysia, Indonesia, the African Group and the small and vulnerable economies (SVEs).

US' lack of support has effectively put the brakes on the necessity test negotiations, especially since some of the demandeurs want the US to get back to the WTO table. There is now talk of downgrading any such reference to possibly preambular and thus less legally binding language.

The demandeurs of the necessity test are Australia, New Zealand, Switzerland and Hong Kong.

Other Dangers: Qualification and Licensing Requirements and Procedures

However, there remain other dangers DR negotiations pose for developing countries. If there is no necessity test, India wants the disciplines on qualification requirements [6] and procedures [7] to be very detailed. These disciplines could reduce the practice of countries (US and EU), putting up only “paper offers” in their Mode 4 (movement of natural persons) commitments through non-transparent immigration laws.

If these disciplines only applied to Mode 4, it could help many developing countries. However, the disciplines also cut across all other sectors—banking, insurance, tourism, transport, health, water, education etc - and are likely to severely curtail developing countries' ability to regulate the entry of foreign investors. The same is true in the area of licensing requirements [8] and procedures, [9]

where the EU has submitted very detailed proposals.

What do some of these disciplines look like? In the Chair's consolidated text of July 2006 JOB (06)/225, qualification requirements include for example:

H 1. Each Member shall ensure that qualification requirements are pre-established, objective, transparent and publicly available...

2. Each Member shall ensure that qualification requirements are not adopted or applied with a view to creating obstacles to trade in services and shall be based on objective criteria, such as competence and the ability to supply the services etc.

Licensing procedures include:

F.1. Each Member shall ensure that licensing requirements are pre-established, objective, transparent and publicly available...

F.2. Each Member shall ensure that licensing requirements do not act as barriers to trade in services and are not more trade restrictive than required to fulfill national policy objectives (The Chair's footnote here reads: “Many delegations have made no proposals on the concept of necessity and have expressed their opposition to its inclusion in the disciplines”).

Some variation of such disciplines is likely to be adopted, should the negotiations come to completion. According to an inside source, DR disciplines on qualification requirements (QR) and qualification procedures (QP) are a critical component of a package that India is seeking in this Round. India's offensive interests are in Mode 1 (cross border supply) and Mode 4. However, knowing that not much is forthcoming in Mode 4, these QR and QP disciplines have been put on high priority.

There are many dangers for developing countries that want to provide essential services to their people or have weak industries in the services sector. The moment they have opened a sector in their WTO services schedules, licensing and qualification procedures, even if crafted to meet national objectives, may not be WTO-legal. For exam-

ple, a country wanting only to accept foreign banks that provide a certain percentage of credit to small farmers, may find their legislation deemed to be in contradiction with "pro-trade" WTO jurisprudence, where criteria of entry tend to center around the provider's ability to supply the service or its level of competence.

Notes

[1] Hefemeister J 2006 Presentation at the Carnegie Endowment for International Peace Workshop "The Doha Round and Trade in Agricultural Products: Who are the Losers and What Should be Done?", 5 September, Washington.

[2] In style, this proposal follows from Lamy's proposal before the July breakdown of "20-20-20" – bringing down US' overall trade distorting domestic supports from the current 22 billion to 20 billion, the G-20 market access proposal of tariffs cuts for developed countries by 54% and a NAMA coefficient for developing countries of 20. This proposal was rejected by the G-20 and developing countries. The G-20 had proposed that US cuts its overall trade distorting domestic supports to 12 billion.

[3] During the Uruguay Round, in addition to tariff cuts through a formula, countries were asked to create minimum market access opportunities by allowing imports of specified quantities

at a second tariff level lower than the usual tariff rate. The quantity of goods imported at this lower tariff rate was termed the 'tariff-rate quota' (TRQ). Developed countries were asked to provide a TRQ of up to 5% of domestic consumption, developing countries up to 4% of domestic consumption. However, this is not a rule. A country may not have provided a second lower tariff rate because it considered that the required minimum access opportunity would be available at the 'normal' tariff rate.

[4] The SSG in the Uruguay Round Agreement on Agriculture was provided to the products that were subject to tariffication (when non-tariff barriers were converted to tariffs) as a result of implementation of the Agreement. The SSG allows for increased duties when there are surges in imports or large price declines. Since most developing countries did not have non-tariff barriers, the SSG has largely only been used by the developed countries such as EU and the US. Only 21 countries have access to the SSG and only on a few products. This was another area in the Uruguay Round where the developed countries secured special treatment for themselves.

[5] The preamble of the GATS recognizes the right of members to regulate, and introduce new regulation to meet national policy objectives. However, the necessity test in GATS Article VI: 4b, that disciplines are "not more burdensome than necessary to ensure the

quality of the service" as well as the chapeau of Article VI that countries' regulations "do not constitute unnecessary barriers to trade in services" pose an inherent contradiction to this right. Whilst Members have a right to determine the ends of their regulation, the means they choose could be called into question and subjected to the WTO's necessity test by a dispute panel.

[6] Qualification requirements are substantive requirements relating to the competence to supply a service that a service supplier is required to demonstrate prior to obtaining authorization to supply a service.

[7] Qualification procedures are administrative or procedural rules relating to the administration of qualification requirements, including those aiming at verifying the compliance of candidates with qualification requirements as well as those relating to acquiring or supplementing such qualifications.

[8] Licensing requirements are substantive requirements, other than qualification requirements and technical standards, with which a service supplier is required to comply in order to obtain or renew authorization to supply a service.

[9] Licensing procedures are administrative or procedural rules relating to the administration of licensing requirements for the supply of a service, including those relating to submission and processing of an application for a licence or renewal thereof.

COSTS OF THE CÔTE D'IVOIRE HAZARDOUS WASTE CLEAN-UP

Nairobi, 24 Nov--International financial assistance should be swiftly mobilized to pay for the clean up and rehabilitation of contaminated sites in Côte D'Ivoire as a result of fresh information indicating that the final costs of a dumping incident in August could reach into the millions of dollars.

The call was made by Achim Steiner, UN Under-Secretary-General and UN Environment Programme (UNEP) Executive Director, on the eve of an international meeting of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

The central theme of the meeting was the issue of electronic waste – or e-waste – as a result of the massive growth in the international traffic of obsolete products like computers and mobile phones.

But the issue of illegal shipments of hazardous materials to vulnerable countries by unscrupulous operators is also likely to be high on delegates' minds as a result of the Côte D'Ivoire case in which a ship sailing from Europe dumped wastes in the West African country. Mr Steiner said he had been informed by the Ivorian authorities that, following initial emergency

assistance, the country was now having to use its own public funds to pay a private company for the retrieval, shipment and processing of the toxic waste in France.

The costs of this operation allied to the medium and long term rehabilitation of affected sites could approach \$30 million, according to the Ivorian authorities.

"Irrespective of who will or who will not be held liable for this incident, it is the people of one of the world's poorest countries who have already paid dearly for this irresponsible act of

hazardous waste dumping, who are now being forced to actually pay the bill for removal and clean up operations," said Mr Steiner.

Delegates from across the world are arriving at UNEP's headquarters in Nairobi for the next week's five day-long Conference of the Parties to the Basel Convention which was set up to deal with the issue of hazardous waste shipments.

Mr Steiner said urgent assistance to meet Côte D'Ivoire's costs was in the spotlight but emphasized that this was by no means a unique case.

Indeed he warned that cases like this could escalate unless existing international regulations on toxic wastes, including those under the International Convention for the Prevention of Pollution from Ships (MARPOL), are properly enforced and gaps between various treaties closed.

A 2005 report by the European Network for the Implementation and Enforcement of Environmental Law (IMPEL) indicates that illegal trade is on the rise.

A joint enforcement operation carried out in 17 European seaports examined 3,000 shipping documents and physically inspected 258 cargo holds. Of these, 140 were waste shipments, of which 68 – or some 48% – turned out to be illegal.

"We must assist Côte D'Ivoire now, but it cannot end there. We must enforce existing laws in both OECD and developing countries alongside building the capacity for customs authorities and local waste management at ports and elsewhere to minimize the chances of such an incident occurring in the future," added Mr Steiner.

Mrs. Kuwabara-Yamamoto, the Executive Secretary of the Basel Convention said: "One of the important lessons from the situation in Abidjan is that we have a serious problem with enforcement.

National and international laws are in place to regulate these exports, but problems arise because of the lack of legal and technical institutional capacity in many developing countries to monitor traffic across their borders. Strengthening the enforcement capacity of the Parties will therefore

remain a priority for the Basel Convention in years to come".

Mr Steiner added: "One practical step forward that the international community must consider urgently is the ratification and thus bringing into force of the Liability and Compensation Protocol of the Basel Convention".

The Protocol, which has as its objective the provision of a comprehensive regime for liability and compensation for damage resulting from the transboundary movements of hazardous and other wastes, including illegal traffic in those wastes, has so far been ratified by just seven countries when it needs 20 ratifications to enter into force.

At present, as an interim measure, the Basel Convention has an emergency fund. But so far, the fund has just \$270,000. "It would seem reasonable and sensible to considerably boost the resources of the emergency fund so that the international community can have a specific and well-funded response to hazardous waste dumping incidents that are occurring in Africa and other developing countries far too often," said Mr Steiner.

EXPERTS EXPLORE WAYS TO HELP SMALL COMMODITY PRODUCERS

Geneva, 12 Dec -- An UNCTAD expert meeting titled "Enabling small commodity producers in developing countries to reach global markets," was held from 11–13 December at the Palais des Nations. It discussed how to help such producers obtain market information and financing, work out logistics for selling and transporting goods, and understand and comply with more complex regulations.

The problem of poverty in many developing countries is closely related to the commodity problem:

- 75 per cent of the 1.2 billion people living on less than one dollar a day live and work in rural areas;
- Half of the hungry people on this planet live in smallholder farming communities, another 20 per cent are rural landless and about 10 per cent live in communities whose live-

lihoods depend on herding, fishing or forest resources

But the world has become more complicated for small commodity producers in developing countries. Much of the government support they used to receive -- including help with financing and credit for investments in equipment and farm inputs -- disappeared under the deregulation and liberalization reforms of the 1990s.

Foreign markets are imposing increasingly complex food and safety standards that incoming produce must comply with. Prices shift rapidly and vary based on quality. And the marketing of produce is increasingly dominated by transnational corporations and supermarket chains. When a cocoa producer in Cameroon, for example, sells his cocoa beans at the farm gate, he has no information about the market

that would enable him to bargain, and he has to accept the price proposed by the buyer. The cocoa producer is unaware of the international price, the premium that can be paid according to quality, the quantities required, the price paid to his neighbours, or the cost of transport.

The meeting aimed at improving farmers' income and reducing poverty in rural areas through a better integration of commodity production into world trade. It identified services and support that small commodity producers need in order to effectively market their produce (market information, finance, logistics, meeting standards), evaluate the development impact on small commodity producers of the new, private-sector driven models, and examine the role of governments in support of producers in this new environment, including through public-private partnerships.

SOUTH CENTRE NEWS

This edition of the news from the South Centre covers the period of one month from 15 November 2006, except the financial contributions which are on an annual basis.

Financial Contributions

The South Centre acknowledges with gratitude the following financial contributions from the following governments during the year 2006.

To the Capital Fund

India	US\$ 1,000,000
Malaysia	US\$ 250,000
South Africa	Rand 1,000,000

To the Operating Expenses

Algeria	US\$ 55,000
China	US\$ 100,000
Colombia	US\$ 161,349
Cuba	CHF 4,050
Ghana	US\$ 20,000
Guyana	US\$ 10,346
India	US\$ 110,000
Indonesia	US\$ 30,000
Iran	CHF 25,000
Jamaica	US\$ 39,887
Malaysia	US\$ 110,000
Mauritius	US\$ 5,000
Mozambique	US\$ 20,000
Pakistan	US\$ 19,990

SOUTH BULLETIN

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Philippines	US\$ 1,500
Switzerland	CHF 370,000
Tanzania	US\$ 100,000
Zimbabwe	US\$ 20,000

Executive Director

The Executive Director of the South Centre, Dr. Yash Tandon, participated in the Steering Group meeting of the Helsinki Process in Dar es Salaam on 16-17th November. He also addressed an International Conference on the Reform of International Institutions, organized by Ubuntu – World Forum of Civil Society Networks – at the ILO in Geneva on 21 November. And on 8 December, 2006, Dr. Tandon was among the speakers at the annual Novartis Foundation symposium on *Sustainable Development on the theme Development Cooperation at a Crossroads: Dead End or New Horizons?* Dr. Tandon spoke on 'Aid in the Context of North-South Relations: A Southern Voice on (Non-) Development.'

Trade for Development

The staff of this Programme:

- Met with Mr. Tjallingi Dijkstra, a Senior Trade Policy Adviser from the Ministry of Foreign Affairs of the Netherlands on the 20 November to exchange views on the situation of negotiations in the WTO and to inform him of activities and research areas under the Trade for Development Programme.
- Participated in three informal meetings organized by G-33 to discuss strategic and technical issues related to Special Products in agriculture.
- Organized 2 meetings with a small group of developing country delegates and with FAO experts (6-7 December) to discuss technical issues related to the practical implementation of Special Products (SPs) and Special Safeguard Mechanism (SSM).

Innovation and Access to Knowledge:

The programme Staff:

- Attended the WIPO Colloquia on Patents and Standards, held on 29th of November, 2006;
- Attended and provided policy advice during the tenth session of

the Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore (IGC) of WIPO held from 30th November to 8th December 2006;

- Started the development of its 2007 work plan on innovation and access to knowledge;
- Participated in an international Workshop on "Bilateral Investment Treaties – Implications for Sustainable Development and Options for Regulation" organised by Friedrich-Ebert-Stiftung, at Berlin on 11 December 2006.
- Held the Second South Innovation Perspectives Series seminar on the 14 December 2006 at the International Conference Centre Geneva (CICG). The Speaker Ms. Xuan Li made presentation on "How do Traditional Knowledge Innovation Chains Work? – Theoretical Considerations and Policy Proposals based on Field Work in China." By examining the traditional knowledge innovation systems from an upstream/downstream innovation chain perspective, Ms. Li will propose an optimal institutional framework to facilitate traditional knowledge innovation and transactions. Xuan Li is a research fellow at the World Trade Institute (WTI), Switzerland and at the Centre of Intellectual Property Rights, Zhongnan University of Economics and Law, China. Since 2004, she has also been actively involved in the formulation of the Chinese National Strategic Plan on Intellectual Property. Her recent publications include: "China's Regional Inequality in Innovation Capability, 1995-2004". She obtained her first Master's degree on Public Policy at the Korea Development Institute (KDI), and her second Master Degree at the WTI, Bern, majoring in International Law and Economics (MILE). She is pursuing dual doctoral studies in Economics at University of St Gallen, Switzerland and Law at University of Bern, Switzerland.

Global Governance for Development

The staff of this Programme made a presentation on "Understanding the Global Future" to the Public Services International (PSI) Futures Forum, 16 November 2006 in Geneva.