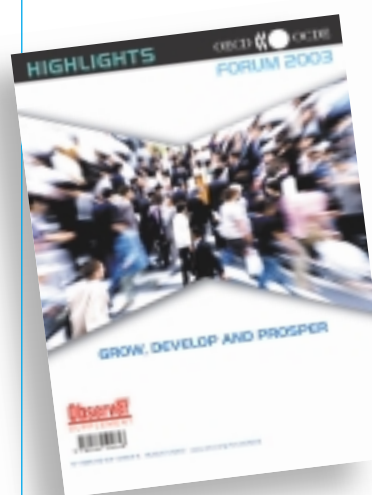


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Multilateralism: Is there a choice?

Opening address

• DONALD J. JOHNSTON, SECRETARY-GENERAL OF THE OECD

It gives me great pleasure to welcome everyone to this fourth edition of the OECD Forum.

How to “grow, develop and prosper” are the themes of OECD Forum 2003. And while these are perennial themes in the OECD’s work, there is no more poignant moment than now for reflecting on how some countries have managed to grow, develop and prosper, and the efforts required for all countries to be able to do so.

Over fifty years ago, the major economic powers realised that reducing barriers to international trade and investment was vital to recovery from the Great Depression and the Second World War. Trade and investment, together with good governance frameworks, have been the basis of the unprecedented increases in prosperity and social progress in OECD countries.

But, most importantly, a process of trade and investment liberalisation was launched through multilateral co-operation in organisations like the OECD (and its predecessor the OEEC), the WTO (and before that the GATT), and the Bretton Woods institutions, to name just a few.

Over the decades, multilateralism has had its ups and downs. But despite temporary setbacks, especially in intergovernmental relationships, it has always survived and been reinforced. Why? Because in an ever globalising world it is essential to achieving long-term growth, development and prosperity, which are the basis of peace and security. During my lifetime I have watched multilateralism evolve from relations between governments to be matched by strong relationships between people at all levels: business, investment, cross-border ownership on a massive scale, culture, education, science and so on, and communication technologies have served to accelerate and strengthen this process. In this context, this year’s OECD Forum and Ministerial Council meeting are especially important. We will be looking at economic growth, development and multilateral trade and investment. The near-term outlook for the OECD area is one of weak and hesitant growth. But this tenuous outlook is principally due to cyclical factors and loss of confidence in markets as well as deeper structural problems in many economies which need to be addressed now in order to ensure continued growth in prosperity.

The themes for this year’s OECD Forum are closely linked to the ministerial agenda, and will therefore make an important contribution to ministers’ discussions.

The situation in many emerging and developing countries is troubling and, of course, the current concern about severe acute respiratory syndrome (SARS) and its economic implications apart from the human dimension have added to global uncertainty.

The Doha Development Agenda holds promise for growth through trade and investment. At a time of economic uncertainty, it is critical that WTO negotiations move forward, that momentum not be lost, even if progress is not optimal. A failure in such negotiations could give rise to real dangers in realising the potential of liberalised trade and investment, the source of global prosperity and the answer to reducing poverty in the developing world as well as within OECD countries.

One major new development since the time of the creation of the world’s multilateral institutions is the dramatic increase in citizen



Donald J. Johnston



The audience

involvement in policy formulation, working not only through labour and business organisations, but also through many public interest groups or non-governmental organisations. To my mind this represents a tremendous resource and opportunity to establish a broad consensus in important areas of public policy. And of course, it is the reason why we are all here together, governments, academics, NGOs, trade union leaders, business and international organisations. In this regard, I would encourage each and every one of you to participate actively in these two days of discussions. Such dialogue as we should have here amongst this disparate group of interests helps improve understanding of the interest we all share in helping our political leadership to make difficult policy choices necessary for achieving poverty reduction, and stable and secure societies the world over.

The globalisation of markets, communications, cultures and ideas has created the global village of the 21st century. And while many continue to discuss the merits of globalisation, this OECD Forum of today and tomorrow, which will bring together over one thousand people from some 80 countries, is a manifestation of globalisation itself. When I meet, as I surely will again today, Chinese economists, fluent in English or French, and who know the geography of Canada or France as well as I do, I rejoice.

These strong bonds that globalisation is bringing will assure the future of humankind. That is my hope and this is the spirit of the OECD Forum.

Tomorrow, we are fortunate that the Chair of the OECD Ministerial Council meeting, New Zealand Prime Minister Helen Clark, will make a keynote address. And also, that New Zealand's Minister of Agriculture and Minister for Trade Negotiations, Jim Sutton, will participate in some sessions and will report to OECD ministers on the main messages he draws from the Forum discussions.

I would like to close by simply wishing you a stimulating, lively and fruitful Forum. ■

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OECD Forum: An opportunity to share experiences and perspectives

Message to the OECD Forum

• THE RT. HON. **HELEN CLARK**, PRIME MINISTER OF NEW ZEALAND



Helen Clark

Promoting growth, development, and prosperity goes to the heart of the responsibilities of government. As members of the international community we accept a responsibility to contribute to these goals in developing countries as well as within our own societies.

Our discussions take place at a time of great uncertainty in world affairs. Globalisation is not only an economic phenomenon; the security and social dimensions are also critical. The OECD exemplifies the belief that international co-operation produces better outcomes than countries acting in isolation. This Forum reflects a recognition of the contribution which stakeholders such as civil society, business and labour can make, in partnership with governments. Both of these propositions accord with New Zealand's approach. I congratulate the organisers of the Forum on the talented and diverse group of participants which they have assembled this year.

The Forum is an opportunity to share experiences and perspectives across nations and sectors. In New Zealand, my government has developed a Growth and Innovation Framework and a Sustainable Development Programme of Action. The Growth and Innovation Framework is about ensuring that we have the necessary depth of skills, innovation, infrastructure, and international linkages to support our development and ensure that we thrive as a knowledge-based economy and society. The Sustainable Development Programme promotes action on water, energy, sustainable cities, and youth development issues. We see the government's role as being to provide strategic leadership and facilitate partnerships with local government and non-government actors. We are interested in the perspectives of other countries tackling these issues.

At the OECD Ministerial Council meeting members will be discussing growth strategies and the contribution members can make to the developing world. In New Zealand's view, growth should be both sustainable and inclusive. A fairer international trading system has an important contribution to make.

I look forward to a stimulating exchange on these themes at the Forum and at the OECD Ministerial Council meeting. ■

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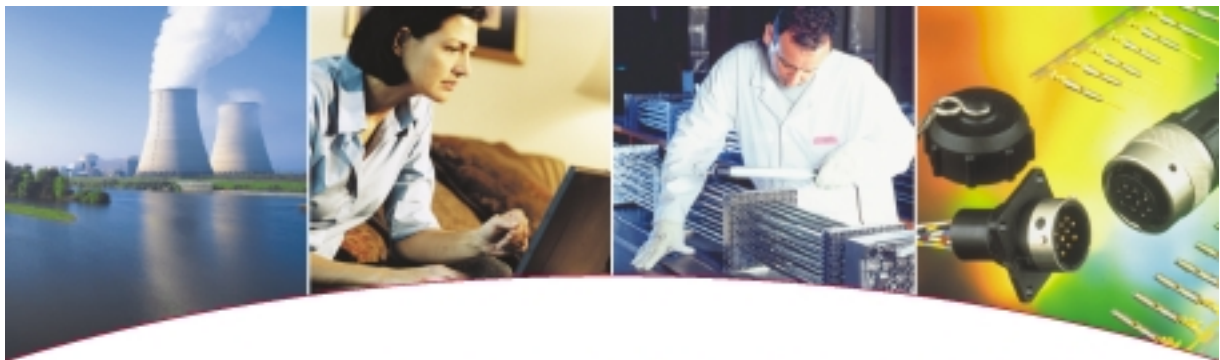
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Diverging economic destinies: Implications and responses

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- **MOTOSHIGE ITOH**, PROFESSOR OF ECONOMICS, UNIVERSITY OF TOKYO, JAPAN
- **DONALD J. JOHNSTON**, SECRETARY-GENERAL, OECD
- **CLYDE V. PRESTOWITZ**, PRESIDENT, ECONOMIC STRATEGY INSTITUTE, UNITED STATES



Opening session

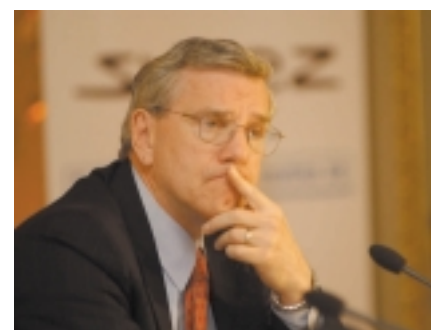
In contrast to the “progressive though unspectacular recovery” predicted for the global economy by the OECD in its latest Economic Outlook released on 24 April, the opening panel of OECD Forum 2003 painted a grimmer view of the world economy. America cannot be relied on to power growth for the rest of the world; Japan is locked in recession, while Europe is in even worse shape; America’s unilateralism is misguided, and not even in its own best interest – these were some of the key messages that found broad agreement across the panel. Only **Donald Johnston** was optimistic that the global

situation would improve and that multilateralism was alive and well: “If the problems are just ones of policy, those are easier to change than many others things that have happened in the past.”

The session began with a series of provocative statements from the moderator, **Anatole Kaletsky**. The world’s cyclical economic worries have continued for the last three years, he said. To what extent are there deeper structural issues, long-term worries, in particular with the divergence of living standards between the United States and the rest of the world?

Mr. Kaletsky went on to say that there is also growing divergence between developed countries and developing countries, with the possible exception of China. The only sign of growth is from the American economy, but can we rely on it?

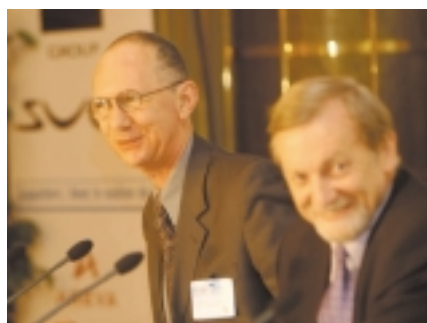
Clyde Prestowitz said that the American economy was in a black hole. He jokingly added that it was his fault: “I was charged with reducing the trade deficit in 1981, when it was \$27 billion. By 1986 it was



Clyde Prestowitz

\$100 billion. I resigned, but it continued to grow.” The US trade deficit is now \$500 billion, with the current account deficit at some 5% of GDP. “People say that it can’t be maintained, but much of the debt is now in foreign hands. By 2010, 80% of US debt will be in foreign hands,” if current trends continue.

Mr. Prestowitz added that there is a new euphoria in America as a result of victory in Iraq. But America’s success is based on a foundation that may crumble at any time. “It’s a ‘spend and borrow’ economy,” he said. “Much of the rest of the world runs a



Anatole Kaletsky and Gareth Evans

April 28, 2003

'save and lend' economy. The question is: will (the rest of the world) be willing to lend to the US indefinitely, and continue to allow Americans to live beyond their means?" He thought the bigger the imbalance, the more pertinent the question will become.

He pointed out a paradox: "The Washington consensus for development over the last 10 years has been that you have to democratise, regulate and have transparent markets for foreign investment to flow." Parts of Latin America did that. China did not. "But", he added, "the bulk of the foreign investment in recent years has flowed to China. This may cause faith in democracy to dwindle, rather than grow."



Anatole Kaletsky, Gareth Evans and Motoshige Itoh

Mr. Johnston thought that this was the wrong conclusion to draw. "The world's leading economies are democratic," he said. "There must be a connection here."

Japan may be a democracy and the second largest economy in the world, but it is still ailing, the panel noted. According to **Motoshige Itoh**, Japan's serious recession is partly a consequence of its rapid growth from 1950 to the end of the 1980s. The Japanese government is trying to spend its way out of trouble, but the private sector and consumers are not reacting in the same way. More restructuring of the banking and corporate sector is needed. "Above all, we need more time," said Mr. Itoh. "Beyond this dark side is the beginning of a bright future, particularly for foreign investors." For Mr. Johnston, one of the problems in Japan is that people were still wealthy on the whole and so were not feeling the bite of the economy's problems. This dampens the political will to effect real changes, he said.



Panel members

Mr. Kaletsky argued that whatever the difficulties other regions were experiencing, they paled in comparison to Europe's economic prospects. He agreed that there is a lack of willingness on the part of an ageing electorate to change the status quo in Europe, as in Japan. He added that the problems of unemployment are largely confined to the younger population, who are less politically represented, and thus ignored.

"The European economy is in a bad way," he said. "Germany is weaker than Japan. The strengthening of the euro will make matters worse. It is a sign of weakness, not strength, and has uncanny parallels with the strength of the yen in the 1990s. There doesn't seem to be any political will to change the policies that impede growth."

What worried **Gareth Evans** was not lack of leadership or political will, for that has been around for generations, but a growing



Gareth Evans

disregard for multilateralism. Mr. Evans puts the blame squarely on the shoulders of the United States. "It began with rejecting the Kyoto Protocol, includes refusing to get involved in setting up the international court (on war crimes), but took a quantum leap forward with its unilateral approach to the war in Iraq," he said. He thought that this is not only unfortunate, but also misguided. "We need to have a spirit of co-operation," he said. He blamed Australia for its treatment of refugees, and other countries such as Russia and France for occasionally acting unilaterally. Moreover, a number of developing countries "should be hanging their heads with shame over human rights violations".

"Countries won't work together out of charity, but only when they realise that it is in their enlightened self-interest to do so," continued Mr. Evans. "The big problems can only be solved collectively. For all the frustrations of working together, it beats living in a world where there are no rules, and might is always right."

According to Mr. Prestowitz, even though America was accused of turning its back on everything it had created after the Second World War, it will still be relied upon to create economic growth in the short term. "Alan Greenspan is walking on egg shells," he added. "The hope is that the US consumer will keep spending like a drunken sailor. We can get some growth going, reboot the technology boom, reduce the value of the dollar, wait for the rest of the world to pick up, and all go smoothly into the sunset."

The session ended with a number of questions from the floor, ranging from how can a democracy prevent powerful lobbies from controlling the agenda to whether today's politicians were up to the task of solving the problems.

Finally, a young woman from South Korea asked: "Would it be possible to turn the heating down," she said referring to the packed auditorium. "It is too hot in here." At last, said Mr. Kaletsky, something we can all agree on. A fitting start to what promises to be a Forum of stimulating, as well as heated, debate. ■

Recipes for stronger economies

An agenda for growth

- **MODERATOR: JEAN-MARC VITTORI**, DIRECTOR, FORECAST CENTRE, L'EXPANSION, FRANCE
- **JEAN-PHILIPPE COURTOIS**, CEO, MICROSOFT EUROPE, MIDDLE EAST & AFRICA (EMEA), BELGIUM
- **JORGEN ELMESKOV**, DEPUTY DIRECTOR, ECONOMICS DEPARTMENT, OECD
- **RANDALL S. KROSZNER**, MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS, THE WHITE HOUSE, UNITED STATES
- **HAMISH McRAE**, ASSOCIATE EDITOR, THE INDEPENDENT, UNITED KINGDOM
- **HEINZ PUTZHAMMER**, MEMBER OF THE EXECUTIVE BOARD, DGB – GERMAN CONFEDERATION OF TRADE UNIONS



Jean-Marc Vittori, Jean-Philippe Courtois, Jorgen Elmeskov and Randall S. Kroszner

Against a background of sluggish economic performances in the OECD area, the key issue dividing the panel in this session was whether it is possible to increase productivity while upholding employment protection in some labour markets. **Heinz Putzhammer** cut a lonely figure among panel members by

advocating that greater productivity could just as effectively be achieved through protecting employees as through the US 'hire and fire' model.

"If you look at countries like Finland, Sweden and Ireland that are all blamed for high levels of employment protection you

can see that they in fact achieved the highest growth during the 1990s," Mr. Putzhammer said. He also argued that employment protection and productivity rates each have a beneficial effect on the other, but this view was strongly disputed by other members of the panel. **Randall S. Kroszner** said that "One can provide social security without interfering in the labour market, but you have to distinguish between the two".

Session moderator, **Jean-Marc Vittori**, said the key elements necessary for economic growth included working harder and longer hours "especially in France", improving the level of education and making capital markets more efficient. He pointed out that despite the fact that we know all this, so far the 21st century has seen the weakest level of growth since the Second World War.

Jorgen Elmeskov offered a selection of essential factors, or fundamentals, for any turnaround. On the macroeconomic policy front, "the evidence is overwhelming that high taxes are bad for growth and that low



Jean-Philippe Courtois

**Jean-Marc Vittori**

inflation is good.” Other factors on his list included competition in product markets, openness to trade, including the benefits of foreign direct investment, and making sure that policy does not get in the way of enterprise dynamics.

**Hamish McRae**

For **Hamish McRae**, another key factor for economic prospects is the changing demographics of the world. “The world is moving from an increasing to a decreasing workforce,” he said. “According to a UN forecast, the population of Italy will decline by 29% in our lifetime. In this context, the new distinction will not be between left and right in politics but between young and old,” Mr. McRae warned. The young will have to work harder for less to keep the economy going. “Someone retiring now will receive during their lifetime \$100,000 more in benefits than they will contribute. For the next generation the opposite will be true.” He went on to say that a lot of young people will “vote with their feet” and move to more flexible economies, a trend that is already apparent in London with all the continental Europeans moving there.

“Our best hope is to use the new advances in technology” to promote productivity growth, but “we must be aware that the

older voters will vote in governments that will protect their pensions, and that may be advocating policies that will fail.”

Mr. Vittori asked whether, in the light of the Japanese failure, growth really was the ultimate aim of all countries. “It is a political choice,” replied Mr. McRae. “It is true that growth is not a painless process, it means not having time for lunch. But the important thing is to give people the choice. You say, you can go on as you are, but you’re never going to be rich.”

According to **Jean-Philippe Courtois**, the huge advances in information technology will inevitably lead to growth. “In meetings now, I take my notes digitally; these are then transferred directly onto my computer,

**Jorgen Elmeskov and Randall S. Kroszner**

saving me around 90 minutes a day.” Such are advances in information and communications technology (ICT) that “participants do not need to be there physically, leaving them free for other tasks.” Mr. Courtois said that the ICT economy is still growing despite the collapse of the dot.com bubble, noting it is now equivalent to some 2.8% of GDP, compared with 0.33% in 1980 and said “the best is yet to come” in terms of advances in technology.

Mr. Kroszner echoed these points and emphasised the need to eliminate barriers

to companies, to open markets, to bring down barriers to innovation and to implement transparency and effective corporate governance issues. “Flexibility is the key,” he said.

In answer to a question from a University of Columbia professor in the audience as to whether Japan and Europe would follow the US model as it was clearly the most effective in promoting high productivity and flexibility, Mr. Kroszner said “It is hard for me to disagree! But the US market is by no means perfect. The challenges facing the EU and Japan are, however, greater”.

Mr. Courtois added that if you look at the EU as it is now at 15 members and the 25 members of the future with their

incredible diversity of talents “it will be a real global economy, provided that the markets come together in a unified way through a combination of political direction and will”.

Another question asked how the US could deal with unexpected events and their effects on growth. “The challenges are enormous,” replied Mr. Kroszner. “Nothing could prepare us for 11 September, the whole world has changed, we could never have imagined the world we’re in now.” ■

Going beyond the spin

Governments and citizens: What role for public diplomacy?

- **MODERATOR: CHRIS BROOKS**, DIRECTOR, PUBLIC AFFAIRS AND COMMUNICATIONS, OECD
- **HAROLD HYMAN**, FOREIGN POLICY EXPERT, RADIO CLASSIQUE, FRANCE
- **MARK LEONARD**, DIRECTOR, FOREIGN POLICY CENTRE, UNITED KINGDOM
- **KUMI NAIDOO**, SECRETARY GENERAL AND CEO, CIVICUS
- **SYUNJI YANAI**, FORMER AMBASSADOR OF JAPAN TO THE UNITED STATES

What is public diplomacy? Is it, as one participant from the floor asked, like marketing rice or building a brand of a fast-food chain? Surely not, panellists agreed, even if governments could learn a few marketing lessons and, overall, make more effort not only to get their message out, but perhaps most importantly, to field input from broader, global constituencies.

Harold Hyman said that if public diplomacy means that a country uses diplomats for public relations outside its country, then the US is far ahead of France,



Chris Brooks, Harold Hyman, Mark Leonard and Kumi Naidoo

which does not yet have a counterpart to Charlotte Beers, who heads public diplomacy at the US State Department and became famous for her marketing of Uncle Ben's rice. Yet, Mr. Hyman said, France and other Western countries have long been engaged in several formal efforts, like the establishment of cultural centres abroad



Syunji Yanai

and government-supported broadcasters like Radio France International.

A kind of public diplomacy schizophrenia sometimes results, Mr. Hyman said, when diplomats try to influence opinion in a foreign country, but their own government is not making the same effort domestically. "This leads to a disjuncture of perspective that is sometimes harmful."

Public diplomacy does not mean coming up with an advertising campaign or global transnational spin, said Mark Leonard. Rather, it is about building relationships with people in an era of the eroding credibility of governments. Mr. Leonard



Harold Hyman and Mark Leonard



Chris Brooks and Harold Hyman

said governments must develop strategies that aim to tell the truth. These strategies also must commit resources to public diplomacy, transform foreign diplomats from being passive reporters to active lobbyists, reach out to foreign correspondents in the country. Finally, governments need to develop these strategies in coalition with NGOs and other groups.

Syunji Yanai agreed that reaching out to other players is essential. However, this does not mean that governments must follow public opinion. It means that “even

before a government takes a public position, it must give sufficient information to the public.”

He noted that public opinion, an important element of public diplomacy, is not only a reflection of mass media: “Crises are measured on the CNN scale,” he said, but for public opinion, “ordinary things are also the reality.”

The image of a country is most important, said Mr. Leonard, but this does not mean public diplomacy is a PR exercise. “It is much broader than that. Who people think you are will determine what they say.”

Governments should not be under the illusion that democracy should be equated with elections, said **Kumi Naidoo**. “A deepened democratic deficit around the world” is a real challenge to public diplomacy. Political parties are becoming closed to the average person and access to the political process is becoming increasingly dependant on wealth. Also, the position of women in particular remained weak, despite the occasional

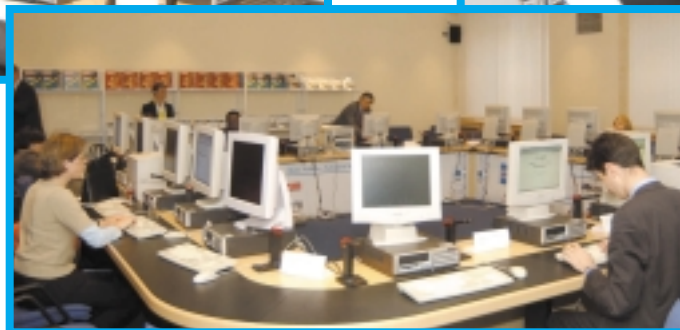


Kumi Naidoo

exception, with too many men calling the shots. Media ownership was concentrating and so must be questioned, he said. Above all, democracy itself was in danger: “What public diplomacy are we talking about when democracy is in a state of crisis?”

Chris Brooks, the moderator, concluded that ethics and truthfulness are all being challenged by the modern multinational spin, and that governments are engaged in a ruthless battle for the hearts and minds of the public. In this battle, access to information for all is crucial if public diplomacy is to overcome its credibility gap. ■

STAYING CONNECTED AT THE CYBER CAFÉ



Why bribery is bad for business

Ensuring integrity and transparency in the global economy

- **MODERATOR: PHILIPPE MANIÈRE**, CHIEF EDITOR, L'EXPANSION, FRANCE
- **THIERRY DESMAREST**, CHAIRMAN AND CEO, TOTALFINAELF, FRANCE
- **DANIEL DOMMEL**, PRESIDENT, TRANSPARENCY INTERNATIONAL, FRANCE
- **MARK PIETH**, CHAIR, OECD WORKING GROUP ON BRIBERY IN INTERNATIONAL BUSINESS TRANSACTIONS, SWITZERLAND

In the wake of several corporate scandals, such as Enron, Worldcom and Vivendi Universal, there are considerable doubts as to whether corporate governance systems are working effectively.

Take the issue of bribery. This is bad for business for both developing and developed countries, whereas transparency and integrity enhance competition and help developing countries create wealth and achieve a stable path to economic growth. That was the key message from **Thierry Desmarest**. Integrity and transparency in the hydrocarbon industry can represent a “trump card” for developing countries, he said. Economic achievements in developing countries result from efforts made by a lot of actors. Integrity and transparency bring to these actions “a surplus of efficiency, coherence and capacity to deliver results”.

Thierry Desmarest declared Total is prepared to bring its contribution to increase transparency in the oil business by participating in a World Bank initiative. According to the proposed scheme, oil companies would report to the World Bank payments made to the host countries in which they run their activities. The World Bank would aggregate the reported figures and reconcile them with the resources acknowledged by the host countries in their financial public statements. Even if



Thierry Desmarest

the implementation of such a scheme does not solve all the questions, Thierry Desmarest estimated that “it constitutes a step in the right direction”. He also stressed the importance of transparency for enhancing competition in both industrialised and developing countries.

Daniel Dommel of Transparency International said NGOs, including Transparency International, can play a significant role in the struggle against bribery at both the national and international level. For instance, Transparency International has had successful consultations with the World Bank on combating bribery. He also said that the best way of acting at the corporate level is to make sure bribery is mentioned in a company’s charter of ethics. Mr. Desmarest noted that his company has categorically rejected corruption and bribery, and this is outlined in its own code of ethics. Furthermore, the company has established a permanent ethics committee as a way of ensuring that all employees comply with the principles of integrity and transparency.



Daniel Dommel and Mark Pieth

More broadly, “we need to bring about an awareness of the extent of corruption and its effects in the countries of the world,” Mr. Dommel said. Transparency International’s action aims to show “that the right culture is to refuse corruption, that it is not to be tolerated.” His organisation plays an educational role in promoting integrity and transparency, for

instance through its “Corruption Fighters’ Toolkit,” he added. There is still a need to remove incentives to bribery, protect the status of whistleblowers, and reduce public tolerance of such corrupt behaviour.

In response to accusations that NGOs sometimes adopted an overly excessive approach in their fight against bribery, Mr. Dommel said that, though there was a risk they might occasionally go too far, they always strove to act in a professional way. They played a key role in ensuring that an ongoing dialogue between actors from all three spheres was maintained.

Mark Pieth said that, given the extent of malpractice in the world, “we have to be realists” in fighting it. The OECD, he added, is taking a two-pronged approach

to this important issue. The first is monitoring country performance to ensure that an equal standard is set; the second is encouraging the private sector to develop compliance rules. One of the most important points that he raised was the need for ongoing monitoring of countries’ anti-bribery measures and for member states to remain committed to fighting bribery and corruption. But, he said, some countries are not finding the resources and the interest to continue this. He lamented the fact that they might well be willing to engage in a conference or dialogue once a year, for example, but that they were all too willing to let that slip throughout the rest of the year. Yet, there was still so much more work to do: aside from the obvious improvements in accounting standards required, rules preventing conflicts of



Question from the audience

interest from occurring and ensuring fair competition needed to be more clearly set out. On a more optimistic note, he pointed out that all of the 35 signatories of the OECD convention had actually succeeded in implementing laws to combat bribery.

A number of questions were raised including how Mr. Desmarest thought the three principles of competition, transparency and integrity could be concretely translated into action in our globalised economy? How, if he accepted responsibility for development as head of a global company, did he respond to the dysfunctioning of governance seen since the signing of the OECD convention in 1997? In response to this, Mr. Desmarest explained that it was important for companies not to delve into the political dimension of the issue too much. For him, it is perhaps when such wires get crossed that anomalies occur. Each different sphere (civil society, the private sector and NGOs) needed to remain clear about the specific role it had to play. ■



Philippe Manière



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How risky is your business?

Special event presentation: The Protiviti-Sofres-L'Expansion risk management barometer

- **JONATHAN BURNETT**, MANAGING DIRECTOR, PROTIVITI, EUROPE
- **EMMANUEL LECHYPRE**, GROUPE EXPRESS, L'EXPANSION, FRANCE
- **FRANCIS MIARD**, MANAGING DIRECTOR, PROTIVITI, FRANCE



Emmanuel Lechypre



Francis Miard



Jonathan Burnett

What poses the greatest risk to business: competition, customer dissatisfaction, or a changing regulatory environment? And do businesses know how to decide which is the most important and how to deal with it? To answer that question, risk consultants Protiviti teamed up with polling company Sofres and French business publication L'Expansion to produce the first Risk Management Barometer for France.

"This is the first time a risk barometer has been drawn up for France," **Jonathan Burnett** told participants at the OECD Forum 2003 in Paris. The results, drawn from a poll of financial directors of 100 major French companies, were sometimes surprising. Customer dissatisfaction topped the list of perceived risks in 2003, followed by the regulatory environment (although that may be linked to current changes in the French regulatory system and uncertainty over its effects), said **Francis Miard**. The threat from competitors was fourth on the list, behind computer systems and security. Another perhaps unexpected result was that in general respondents saw the risk to the industrial sector in which they operated as greater than the risk to their individual company.

And while some 70% of French companies have a risk management policy in place, less than half of them have set up a specific risk management function and methods vary widely. For some, "risk management" consists simply of keeping a record after the event in the form of insurance claims and customer complaints. Others have a much more pro-active approach, assessing risk before the event across all areas of the enterprise and taking action such as internal audit and controls to limit risk. Are things changing? The 2004 edition of the Risk Management Barometer will no doubt have the answers, said **Emmanuel Lechypre**. ■

Back the market system, yes, but what about greed?

Corporate governance: Strengthening conditions for investment

- **MODERATOR: JOHN ROSSANT**, EUROPEAN EDITOR, BUSINESS WEEK
- **PETER COSTELLO**, TREASURER, COMMONWEALTH OF AUSTRALIA
- **PHILIP J. JENNINGS**, GENERAL SECRETARY, UNION NETWORK INTERNATIONAL
- **DANIEL O'KEEFE**, MANAGING DIRECTOR, PROTIVITI, UNITED STATES
- **MARY O'SULLIVAN**, ASSOCIATE PROFESSOR OF STRATEGY MANAGEMENT, INSEAD, FRANCE
- **CHRISTIAN SCHRICKE**, SECRETARY-GENERAL, SOCIÉTÉ GÉNÉRALE GROUP, FRANCE

“**W**ith the exception of (trade unionist) **Philip Jennings**, you guys have got to be kidding. The real problem of corporate governance is greed. Making new rules won't help us. So the question is: how do you teach people to be honest in business.” This remark from the floor came after trade unionist Jennings had called for business to “clean up the corporate yard”, and was the panel's only dissenting voice up to that point. This intervention then spurred a question from a representative of Friends of the Earth calling for sanctions to be brought in against business managers found guilty of dishonest dealings. In their responses, the panelists made it clear they



John Rossant and Peter Costello



Philip Jennings and Daniel O'Keefe

were of course against malpractice but maintained their belief in the efficiency of the free-market system.

In opening the session, moderator **John Rossant** suggested that the Enron affair was likely in the long run to have a bigger impact on the economy even than the events of 11 September 2001. He spoke of a groundswell of activism in favour of financial disclosure and greater transparency in a bid to protect shareholders' interests, but he balanced this by asking whether there was not a danger of throwing the entrepreneurial baby out with the bathwater, and warned of the inadvisability of looking for a “one-size-fits all” solution to corporate governance problems around the world.

Mary O'Sullivan said the corporate governance field had been subjected to many shocks, but it was important to stand back and assess how companies and

business should respond, clearly defining their objectives, such as shareholder values, and what kind of mechanisms they should use, as well as the degree of change sought. She warned of the dangers of opening up fundamental debate and of falling into the “rhetoric of reaction instead of positive discussion”.

Christian Schricke said that investor confidence was seriously affected by the scandals that occurred at the end of the year 2001 and during the year 2002, but that there had been efforts to improve corporate governance prior to the scandals, often at the initiative of companies. “Why is it in the interest of companies to practice good corporate governance? Are core international standards of corporate governance feasible?” Mr. Schricke gave his views on these questions. Nothing proves that companies which practice good corporate governance succeed financially, but it is easy to imagine a link between a

**Christian Schricke**

poor quality of governance and poor results. Investors want more transparency and there are many ways of getting it these days, compared to ten years ago, through indicators, rankings, etc. Stakeholders demand greater transparency, particularly for companies that are quoted on the market, and put pressure on companies to take good governance initiatives, including initiatives introduced by governments.

**Philip Jennings**

No amount of regulation can prevent fraud, however, and there is nothing worse than too many conflicting rules and regulations that make convergence and coherence impossible on an international scale. We need to agree upon core international standards of corporate governance. Such standards could not be very precise, as there are many different systems of governance, even within the same country. But it should be possible to agree on some basic principles concerning company administration such as the role of committees and executives, remuneration of

executives and transparency. Accounting systems must be comparable among different countries. Good corporate governance cannot be imposed by decree; it comes with great effort.

Daniel O'Keefe explained how his company, Protiviti, helps companies evaluate and manage risk and develop a strategy to keep risk at an acceptable level, offering practical solutions for the whole gamut of risk. He said that good corporate governance is at the heart of good risk management. Following the recent corporate scandals stock exchanges are revamping their rules and legislative changes are taking place. Also, there are information providers and ratings companies to rate the quality of corporate governance. But there is "no silver bullet" to improve corporate governance.

**Mary O'Sullivan**

The public believes that management does not work in the interest of shareholders, but in the interest of itself. What can be

done to rebuild confidence? It is important not to burden companies with unnecessary legislation and bureaucracy. You can't legislate against poor business strategy or poor judgement, and there are too many guidelines and recommendations. What is important are company ethics, an openness to dialogue and to different points of view, and good information disclosure. Good corporate governance is very much in the hands of management and companies should be actively working to rebuild public confidence.

Australian Treasurer **Peter Costello** addressed the question of governmental responsibilities, calling for continuous disclosure and the need to educate the public on returns and risks of business globalisation, especially when so often short-term issues took on greater importance than longer-term concerns. Sometimes professional managers could be part of the problem, he said, in that they were overly concerned by short-term pressures.

**Peter Costello**

Then came Mr. Jennings' charge, that "working people around the world have been victims of the failure of corporate governance mechanisms to prevent fraud on a massive scale" because "the system of checks and balances failed." People's trust in companies' ability to act in the best interests of society had "collapsed", Mr. Jennings said, indicating that corporate self-regulation could not work. Charging that governments round the world were responding to a "consumer and investor backlash against greed, fraud and irresponsibility by CEOs and managers" he said "unions were looking for assurance that it was no longer a case of 'business as usual'". The OECD and the Forum had an important role to "clear up the corporate yard". ■

Keeping a cool head on global warming

Climate change, energy and development

- **MODERATOR: SIMON UPTON**, CHAIR, OECD ROUND TABLE ON SUSTAINABLE DEVELOPMENT, AND FORMER NEW ZEALAND MINISTER OF ENVIRONMENT
- **MICHEL CLERC**, PRESIDENT, "RIGHT TO ENERGY" ASSOCIATION, FRANCE
- **TAHAR HADJ-SADOK**, DEPUTY EXECUTIVE SECRETARY, UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE (UNFCCC)
- **ANNE LAUVERGEON**, CHAIRWOMAN AND CEO, AREVA, FRANCE
- **ANJU SHARMA**, CO-ORDINATOR, PROGRAMME ON GLOBAL ENVIRONMENTAL GOVERNANCE, CENTRE FOR SCIENCE AND ENVIRONMENT, INDIA
- **DISCUSSANT: BARRY JAMES**, INTERNATIONAL HERALD TRIBUNE



Tahar Hadj-Sadok and Anne Lauvergeon

The link between energy supply and economic development is undeniable, and the social progress that follows such development in many places surely makes for a better world. But energy production today – a process still heavily dependent on fossil fuels – also contributes to global warming, which in turn threatens the entire world. The panel attempted to outline today's dilemma, while proposing solutions to the increasingly menacing spectre of global warming.



Simon Upton

The planet's capacity to absorb the emissions and greenhouse gases produced by fossil fuels should be seen as a global asset, said **Anju Sharma**. But since industrialisation's very beginning, use of this global emissions "sink" has been monopolised by the North. What capacity the world had for fossil fuel emissions has either been reached or will be soon. This means that still-developing countries will have to fuel their growth under environmental constraints that the developed world had the luxury of ignoring, thus missing out on the cheap, quick and easy fossil fuel path to modernity. Not fair, said Ms. Sharma.

The world's poorer regions, she said, should not have to choose between fast development (that would help alleviate their poverty but contribute to global warming) or lacklustre progress with low emissions. After all, developing countries are only beginning to pollute, and they don't have the money to spend on developing renewable energy technologies. Worse still, poorer countries, whose



Anju Sharma

economies often rely heavily on agriculture and other climate-sensitive sectors, are likely to suffer the most should climate change really begin to take place. Ms. Sharma believed that in order to circumvent this situation, industrialised countries will have to lay off on their own emissions and hand over some of the global atmosphere to the developing world, at least until viable replacements for fossil fuels are found. Industrialised countries will also have to give wholehearted support to their developing cousins regarding renewable energy technologies, so that they can "leap frog" up the environment-friendly

ladder instead of going through incremental stages of environmental management that the Western world has been through.

The apocalyptic version of climate change – with rising coastlines, ruthless droughts, and roaming tropical diseases – is probably avoidable, though that's not to say the world won't be confronted by global-warming induced crises. Thanks to past emissions, at least some degree of climate change is now inevitable. But stabilising greenhouse gases at safe levels could help minimise the rate of climate change enough so that ecosystems can adapt, food production can be ensured, and economic development maintained. This is what **Tahar Hadj-Sadok** had in mind when he thought of the way forward. "We must provide more energy services to a developing world while using less, and ensuring that this energy emits less greenhouse gases", he said.



Barry James

Ratified by over 180 countries, the UNFCCC is one of the international community's key responses to these issues, Mr. Hadj-Sadok said, though he admitted

that getting countries to make real commitments would mean getting them to adhere to the Kyoto Protocol. The Protocol's Clean Development Mechanism programme would, in particular, help energy efficiency projects to get under way in developing countries via investment from industrialised countries. But **Barry James** of the International Herald Tribune pointed out that the United States – the world's biggest polluter – had not ratified the treaty, and that without an American signature Kyoto would have trouble getting off the ground. "How can you build a protocol when the world's biggest polluter is not part of it?" Mr. Hadj-Sadok remained optimistic, however, noting that Russia was in discussions over treaty ratification, and that the United States should not be counted out over the long term.

The disparity between per capita energy consumption in the United States and a country like Bangladesh is shocking, said **Anne Lauvergeon**. And even more so when one considers the amount of pollution created by that energy, which is heavily dependent on fossil fuels. Less polluting alternatives found in renewable energy technologies may be attractive, and she was at pains to point out that AREVA was very much involved in producing technologies, for instance, wind-generated power. Nevertheless, at the moment, these sources are insufficient, especially in regards to the needs of the developing world – which needs cheap power. Ms. Lauvergeon, while admitting there is still much divergence on the topic, suggested that nuclear power

could be a way to bring energy to the developing world, while limiting greenhouse gases. She pointed out that, in France, the oil crisis in the 1970s prompted the swift rise of nuclear power stations and today, with 75% of its electrical power now nuclear, France is one of the lowest emitters of greenhouse gases in Europe.



Michel Clerc

Good news for the home of the Declaration of the Rights of Man. But when French revolutionaries composed this document, could they have envisaged a clause that read "The Right to Energy?" **Michel Clerc** of the French association of the same name might think so. He spoke of a universal fundamental right to energy for people of all countries, though in the framework of sustainable development. "We must build the infrastructure to provide economic and social development in developing countries", he said. But as Mr. James pointed out, the idea of a right to energy carries with it inherent questions, like what is that right exactly and what kind of energy we are talking about. ■

GETTING ACQUAINTED IN THE SPEAKERS' LOUNGE



Are bad numbers better than no numbers?

Economic growth: What statistics do and do not tell us

- **MODERATOR: SIMON BRISCOE**, STATISTICS EDITOR, FINANCIAL TIMES, UNITED KINGDOM
- **ENRICO GIOVANNINI**, CHIEF STATISTICIAN, OECD
- **KEITH HALL**, CHIEF ECONOMIST, DEPARTMENT OF COMMERCE, UNITED STATES
- **ROLAND SPANT**, CHIEF ECONOMIST, SWEDISH CONFEDERATION OF PROFESSIONAL EMPLOYEES
- **MARTIN WEALE**, DIRECTOR, NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH, UNITED KINGDOM

Government policy and business decisions often rely on official statistics for guidance. However, much remains to be done to improve the comparability, reliability and accuracy of economic data. Four experts describe the way forward.



Enrico Giovannini and Keith Hall

One of the most frequently cited and hotly debated economic statistics is Gross Domestic Product (GDP). **Enrico Giovannini** described how GDP figures are often used to make international comparisons despite the data's many pitfalls. GDP figures are complex aggregates made up of numerous economic data (e.g. government, household,

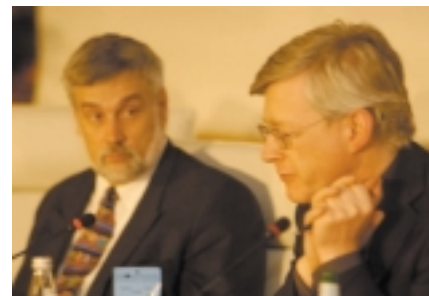
investment, trade) whose statistical definition or method of collection may vary across countries. He also pointed to areas which are difficult to measure and which add their own problems. The amount of work done is difficult to estimate; the non-observed economy by its very nature tries to escape detection by the authorities; investment is extremely difficult to quantify; and measuring the value-added of services remains a problem. Therefore, the resulting GDP differences across countries may be due to the manner the data was collected, rather than to a real economic difference. Clearly, more should be done to harmonise the collection of GDP data. The OECD Chief Statistician mentioned that including measures to account for social welfare and environmental quality in the national accounts is at the top of his policy agenda.

Other inadequacies of GDP figures were described by **Keith Hall**. He highlighted what the statistics do NOT tell us and enumerated the methods currently under way to fill the data holes. First and foremost, he stressed the need to improve data on the service sector, which today represents a very significant share of the economy, yet we know little about it. The US Census Bureau's first new indicator in over 40 years is a quarterly figure designed to provide more information on key ICT industries. Also, trade data must be improved and he estimated that the under-coverage of these data is about 3-10%. He also described an innovative supply chain study currently under way in the US which attempts to cope with a constantly changing economic environment.

Not only is GDP frequently criticised for being an over-used totem of economic

performance, it is also criticised for being a poor indicator of welfare. Not so, said **Martin Weale**. He described how GDP is strongly correlated with performance in "social areas" which it does not cover. He cited a paper he had written which demonstrated how GDP was correlated with infant mortality and life expectancy. He urged the OECD to improve national accounting methods to take account of mortality.

Roland Spant was unhappy with the obsession that many have with GDP as the main yardstick of economic growth. A particular problem with GDP is its inability to account for activity in the public sector, leading some countries to introduce volume measures while others use assumptions about productivity gains – and those assumptions vary. Mr. Spant reserved his most severe criticisms of GDP



Roland Spant and Martin Weale

for its inclusion of all investment expenditure regardless of whether the investment is used to add to the capital stock or simply to replace worn out or obsolete equipment. If GDP were to grow simply as a result of more money being spent on depreciation, it would not mean that anyone had been made better off. A far better indicator, he argued, would be Net Domestic Product (NDP), which is essentially the same as GDP but with capital depreciation deducted.

When asked why this far superior indicator was not used more widely, Mr. Spant explained that the data necessary (i.e. capital stock) to calculate NDP are not available. He reminded meeting participants of the story about the drunkard searching for a lost key on the pavement below a street lamp – not because he lost it there but because it was much lighter than searching in the dark. ■

When will a promising future become a successful present?

Latin America: What next?

- **MODERATOR: SERGE MARTI**, CHIEF EDITOR, LE MONDE, FRANCE
- **PADMA DESAI**, DIRECTOR, CENTER FOR TRANSITIONAL ECONOMIES, COLUMBIA UNIVERSITY UNITED STATES.
- **JOSÉ ANGEL GURRÍA**, FORMER FOREIGN AFFAIRS AND FINANCE MINISTER, MEXICO
- **JORGE BRAGA DE MACEDO**, PRESIDENT OF THE OECD DEVELOPMENT CENTRE, AND FORMER FINANCE MINISTER OF PORTUGAL
- **GERARDO DELLA PAOLERA**, PRESIDENT, AMERICAN UNIVERSITY OF PARIS, FRANCE
- **GUY RYDER**, GENERAL SECRETARY, INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS



Panel members

There are no easy solutions for Latin America, but good economic policies and moves to encourage private investment can help, panellists said. But before trying to answer what next for Latin America, **Padma Desai** tried to answer a historical question: what went wrong on the continent? She drew parallels with the Asian crisis of 1998. Common features included a borrowing binge, “pushed by determined Washington policy-makers and supported by avid Wall Street financiers”. She said that Latin American institutions were ill-prepared to cope with

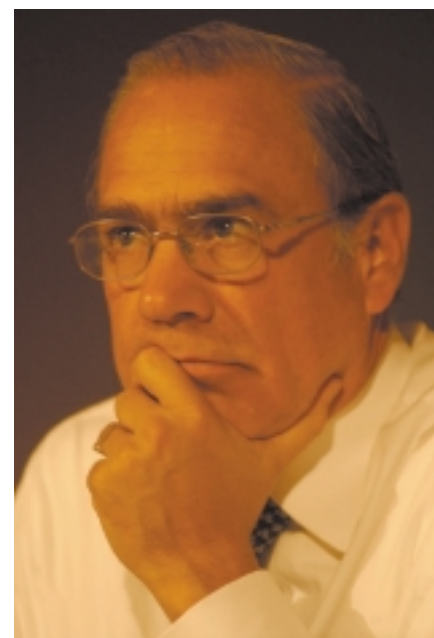


Padma Desai

the inflow of capital. They were poorly supervised, with inadequate capital to asset ratios. However, the big difference was that East Asian economies had enjoyed 10 years of robust growth. Latin America had not. In addition, the political landscape in Latin America was very different, being less stable and more leftist.

According to Ms. Desai, much of the blame lies with the foolish optimism of Wall Street analysts, and the behaviour of the International Monetary Fund. “The IMF itself needs restructuring,” she said. “It is neither good nor bad. Simply incorrigible.” When asked what she would do to restructure Argentina’s debt, she replied that she did not have a specific solution. “Maybe the IMF can buy it,” she said.

When it comes to what happens next, **José Angel Gurría** said good economic policies are still valid and still work. His concern was to try to get capital flowing back into the region. “This focus is not to avoid the poor,” he said. “But if you do not have



José Angel Gurría

growth, speeches about poverty turn into demagoguery. Like Avis, we need to try harder.”

April 28, 2003

He said that investment had to come from the private sector, because there was simply not enough money available from multilateral organisations. “The public sector needs to act as a catalyst,” he remarked. “Perhaps with guarantees and other financing techniques. But you need to create a good environment for investing. It is like a field of dreams: if you build it, they will come.”

Mr. Gurría underlined the importance of regional co-operation in order to maximize competitiveness. Like most speakers, he agreed that Mexico should no longer be regarded with the rest of Latin America, partly because of the NAFTA agreement. “Mexico has access to the Crown Jewels,” he said. “However, we are still being overtaken by China, which is a bigger trading partner with the US and receives more foreign investment. We are scaring the clientele away. They are choosing to go elsewhere.”

Transparency could be one solution to better manage risk and encourage investment, argued **Jorge Braga de Macedo**. “We have to pay more attention to risk management institutions, and not see transparency just as a way of fighting corruption. In addition, he thought that there should be more sharing of information and “peer pressure” to encourage better practices.



Guy Ryder



Gerardo della Paolera

For **Gerardo della Paolera**, it was a relief that Latin America was even being discussed. “After 11 September, I thought that part of America had fallen off the map,” he said. But the prospects in most of the continent are gloomy, particularly for Argentina, Brazil and Colombia. “Why should anyone invest again?” he asked. “The rate of openness and rate of return on investment are linked.” But Latin America’s fate is linked to globalisation, he said. “There is a study that suggests that Argentina’s GDP would be double what it is now simply if Britain had not joined the European Union.”

Guy Ryder called for fundamental change. “The Washington consensus is a damaged brand,” he said. “Ask a working man, and he would demand something different.” Mr. Ryder said that Latin America should invest more in education, particularly at the primary level, more in health and social protection. It should also tackle the high level of inequality between the rich and the poor. “There is a deep-rooted history of an absence of commitment to social partnerships,” he said. “Labour is not seen as a valid counterpart. Management tries to avoid collective bargaining.” He added that even though political institutions were holding up well, there was a strong danger of resurgent authoritarianism. “The message is: involve the people.”



Jorge Braga de Macedo

Mr. Gurría agreed that Latin America should improve its politics. “The politics are bad,” he said. “We need to be careful that people do not get tempted to concede a little democracy in order to get a strong government.”

A number of questions from the floor focused on Argentina, including how to restructure Argentina’s debt, what would happen if Carlos Menem returned to power, and how does a government like Argentina attract back the money that has fled the country? Answer: very difficult.

Nonetheless, Mr. Braga de Macedo ended on an optimistic note. “We all agree that Mexico is no longer Latin America. One of these days perhaps we will say that Latin America is no longer Latin America.” ■

What does globalisation have to do with it?

The social dimension of trade and investment

- **MODERATOR: THIERRY ARNAUD**, CHIEF ECONOMICS EDITOR, LA TRIBUNE, FRANCE
- **JAGDISH BHAGWATI**, PROFESSOR OF ECONOMICS, COLUMBIA UNIVERSITY, UNITED STATES
- **RUTH CARDOSO**, FORMER FIRST LADY OF BRAZIL
- **BRUNO LAMBORGHINI**, CHAIRMAN, OLIVETTI TECNOST, ITALY
- **TAKUYA NEGAMI**, EXECUTIVE ADVISOR, KOBE STEEL, LTD., JAPAN
- **JOHN J. SWEENEY**, PRESIDENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO), UNITED STATES

“People just assume that economic and social outcome are at loggerheads,” said **Jagdish Bhagwati** but globalisation does have a human face. Studies show that trade and investment can yield good social outcomes. For example, one study demonstrated a narrowing in differences in pay between men and women in the US as competition stiffened. “You can’t afford prejudice,” he said. Thus, the economist supports mechanisms and policies to improve the positive social outcomes of globalisation but also to minimise the downsides.

Ruth Cardoso was less positive. Globalisation should have a human face, and its driving force – communication fostered by high technology – is also a powerful instrument that could counter its negative effects. It is up to national governments to develop new patterns of development and find solutions that work on the local level. But in doing so, governments must ensure that localities are not isolated but connected.

Indeed, “the Internet can offer possible compromises between globalisation and the defence of local culture,” said **Bruno Lamborghini**. He remarked that wireless technology in particular held great promise in creating new investment and social



Jagdish Bhagwati, Ruth Cardoso and Bruno Lamborghini

links. One key to the development of human capital will be a new life for world trade, said Mr. Lamborghini. “Globalisation is nothing without growth,” and trade and innovation are its main motors.

But the global economy is staggering, said **John Sweeney**. To Mr. Sweeney, the social dimension of globalisation is all about what it means for working families, and his perspective was grim. In the US, about two million workers have lost their jobs over the past two years, wages are stagnant and the gap between rich and poor is widening. Mentioning a long sought-after study by the World Bank on the positive social effects of high unionisation rates, Mr. Sweeney saw an “abyss between analysis and action.” Why is it that economists still advise that unions are an impediment to economies, he asked?

Action is needed on two levels, said Mr. Lamborghini, the macroeconomic and microeconomic levels. On the one hand,



John Sweeney

the issue is economic development and sustainability; on the other it’s about companies creating value – which also means investing in education and training. **Takuya Negami** explained how his company contributed to social objectives with successful investment projects in Qatar and Venezuela. In Qatar, the company worked to train high-school drop-outs who eventually went on to manage a steel mill in Umm Said. In Venezuela, Kobe constructed the first build-operate-transfer (BOT) plant entirely funded with project finance during the Latin American debt crisis. It goes to show you, Mr. Negami said, “that there is life after debt.”

During the question-and-answer session, John Martin of the OECD reminded participants not to forget about international migration. Mr. Lamborghini responded that EU and OECD guidelines are needed on global immigration. Mr. Sweeney agreed that immigration is indeed an important part of the discussion, citing work in the US, Canada and Mexico on the subject. Mr. Bhagwati said that up to now people have paid “fragmented attention to this flow,” and unless you marry brain-drain problems with market access, he added, developing countries will only fall further behind.

Ms. Cardoso said it isn’t true that globalisation is leading to homogeneity, mentioning the explosion of nationalism and fundamentalism. New identities are being created by the “disorganised process of globalisation”, a phenomenon that needs to be addressed. “We need strong cultural identities,” she said. “We need to develop human capital.” This, she argued, would become “the human face of globalisation.” ■

Sustainable arguing on development of ECA policy

Export credits and sustainable development

- **MODERATOR: GUY DE JONQUIÈRES**, WORLD TRADE EDITOR, FINANCIAL TIMES, UNITED KINGDOM
- **HÉLÈNE BALLANDE**, FRIENDS OF THE EARTH, FRANCE
- **JENS BERTHELSEN**, DEPUTY DIRECTOR, CONFEDERATION OF DANISH INDUSTRIES
- **VIVIAN BROWN**, CHIEF EXECUTIVE, EXPORT CREDITS GUARANTEE DEPARTMENT (ECGD), UNITED KINGDOM
- **KENNETH V. GEORGETTI**, PRESIDENT, CANADIAN LABOUR CONGRESS
- **BIRGITTA NYGREN**, CHAIR, OECD EXPORT CREDIT GROUP, SWEDEN

The packed meeting room of NGOs and other interested participants attested to the growing broad public interest that the role of officially supported export credits in development projects has generated in recent years.

Guy de Jonquières recalled that the effects of projects on the environment have been under particular discussion in the OECD's Export Credit Group (ECG), while the possibility that export credits might worsen the plight of a developing country has also been a controversial point raised by others. He asked **Birgitta Nygren** to explain efforts by the Export Credit Agencies



Birgitta Nygren



Hélène Ballande and Jens Berthelsen

(ECAs) to harmonise policy and implement action and guidelines that would enhance sustainable development.

Ms. Nygren highlighted some of the achievements of the ECG, including development of guidelines for reviewing the environmental impacts of projects, action to deter bribery and commitment not to provide export credits for unproductive expenditure in Heavily Indebted Poor Countries. Governments were interested in export promotion, and it was a challenge to ensure that the objectives of sustainable development were properly taken on board by all departments. "Governments have to be committed to a coherent policy," said Ms. Nygren, "although it is easy to embrace, it is much more difficult to implement".

Ms. Nygren added that whilst the United States was the first of the ECAs to introduce environmental screening and review processes, today almost all ECG

members have such procedures in place. A voluntary Recommendation on Common Approaches has been implemented by nearly every ECG member since 2002. (For more detail on these Common Approaches, see full speech by Birgitta Nygren on the Forum 2003 website or consult export credits on www.oecd.org/trade).

While applauding the OECD's attempts to make progress on export credits and welcoming the opportunity to discuss the problems, **Hélène Ballande**, representing the non-government organisations, reminded the audience that NGOs had been urging the ECAs to implement reform for several years. She highlighted the fact that ECAs account for 40% of emerging market debt and said that some 10% of all global exports are ECA-backed. Reform should include transparency and ensure that export credits do not support projects that risk violence, human rights abuses and damage to the environment, or increase the debt burden of poor countries. "If the

OECD and the ECAs are serious, then they must open their eyes to the reality on the ground,” she said. “We need increased transparency and accountability.”

Kenneth Georgetti argued that public funds used to support private companies must be made more transparent. He added that it was not ethically sustainable or acceptable to continue in a situation where 2.8 billion people live on less than \$2 per day and 24,000 people starve to death each day while the OECD countries attained such a high standard of living. “One way to eliminate the pressure is to raise the standard of living in the developing world,” he said. “Trade can of course contribute, but it is only part of the issue.”



Jens Berthelsen

Jens Berthelsen gave a general overview of the present situation and commended the OECD for having taken an important step in bringing the ECAs together on the issue of the environment and export credits. “On a general scale, a level playing field has been established. The Common Approaches agreement is a well-balanced compromise and we strongly urge all countries to take part in it”, a reference to the fact that the US and Turkey have not yet accepted the Common Approaches.

Vivian Brown defended the public integrity of ECAs. “Our interest in sustainable development is not in conflict with our role in providing export financing in emerging markets”, he said. He added that when assessing the viability of a credit, ECAs assess the government’s overall economic management, which includes corruption issues. On the environmental issues he added: “Poorer countries need to be selective with regard to projects for which they borrow and environmentally controversial projects add to the risk and

therefore the cost of the financing.”

As of the beginning of April 2003, any project that is deemed to hold a high environmental risk is subject to public disclosure before a decision is taken,

Mr. Brown said.

“We are positively encouraging projects with a positive impact, such as renewable energy projects.”



Vivian Brown and Kenneth Georgetti

were due to announce legal action against a major global oil company and the Caspian Pipeline Partners.



Guy de Jonquière

The discussion was then thrown open to the floor. A representative from Friends of the Earth (FOE) in America asked why environmental impact assessments are not made public before a decision to invest is taken. Mr. Berthelsen replied that they are not published while negotiations are still going on, and that this was general business practice. Mr. Brown said that where projects had a high environmental impact it would be standard practice to make the report public.

A press release was handed out to participants about a press conference to be held on 29 April where environmentalists

An FOE representative questioned how the ECAs could justify giving “free money” to projects like the Baku-Tblisi pipeline when they were environmentally damaging. Mr. Brown said the UK Export Credits Guarantee Department is looking at financing for the pipeline, but there was no question of free public money: “It will be priced according to the risk,” he said. Another questioner who identified himself as a journalist asked why it was not possible to make World Bank standards mandatory. Ms. Nygren responded that this was a likely issue for discussion during the 2003 review of the common approaches by the ECG. ■

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The OECD must push the development agenda forward

Keynote address

- **MODERATOR: GUY DE JONQUIÈRES**, WORLD TRADE EDITOR, FINANCIAL TIMES, UNITED KINGDOM
- **THE RT. HON. HELEN CLARK**, PRIME MINISTER, NEW ZEALAND

It is an honour and a privilege for New Zealand to be chairing the OECD Ministerial Council Meeting (MCM) this year, and for me as New Zealand Prime Minister to address this major parallel forum.

Much has changed since a New Zealand Prime Minister last chaired the MCM twenty years ago. In 1983 there was still a Cold War and a nuclear arms race, and the Berlin Wall was intact. In New Zealand itself, there was an economic crisis as a heavily regulated and protected system creaked at the seams, and the government's budget deficit approached 8% of GDP. In this address I will comment on how the greatly changed international and New Zealand domestic circumstances of today relate to the themes of this year's OECD MCM's Agenda for Growth and Development.

The 2003 MCM takes place in a world where for under-thirty year olds the rivalries of the Cold War are ancient history. But in today's international environment there is still insecurity, albeit for many different reasons. That insecurity casts a shadow over the ability of all our countries to grow and develop sustainably. While we can and should tackle the manifestations of insecurity, such as global terrorism, we must also tackle its root causes, some of which lie in under-development and in a maldistribution of wealth and opportunity between nations.

We know that if we neglect such problems within our own nations, we suffer from a



Guy de Jonquière and Helen Clark

breakdown of social cohesion, the development and maintenance of under classes and high crime rates, and the spread of preventable diseases. It is scarcely surprising therefore that insufficient attention to such problems at a global level has provided a context within which bitterness, envy, hate and resentment have flourished, and have been manifested in their most extreme forms in terrorism attacks.

It is appropriate therefore that this week's OECD ministerial council meeting consider not only the growth prospects for developed countries, but also how to speed up growth in the developing world. More development there is not only fair and equitable, but also can help create the conditions for a world which is more secure in every sense. With that security comes the opportunity to create the kinds of societies which can meet the aspirations of our peoples to live full and satisfying lives.

Events over the past twenty months have demonstrated the extent to which security is a precondition for sustaining prosperity

in a globalised world. Economies do not operate in a vacuum. Geopolitical uncertainty is quite simply bad for growth and development. The terrorist attacks of 11 September brought growth to a standstill and caused economic forecasts to be revised downwards. Uncertainty over how the Iraq crisis would be resolved has also had an adverse effect on world growth prospects, compounding the problems caused by other underlying economic weaknesses.

At a time like this, it is important not to lose sight of the extent of international agreement which has been growing around key goals and objectives to speed up the development process.

Since the Millennium Summit of the United Nations in year 2000, a series of remarkable international meetings and initiatives have set out a pathway for change.

Africa's needs were prioritised at the Millennium Summit and advanced through the G8's backing of the New Partnership

for Africa's Development. The Monterrey Conference on Financing for Development produced more funding commitments; and the FAO's World Food Summit and the World Summit for Sustainable Development set clear targets for reducing hunger and poverty while conserving natural resources for future generations. The development agenda depends a good deal on the willingness of the affluent world, represented by the OECD, to fund the process. It also depends on a commitment to good governance in developing countries so that effective growth and development strategies can be implemented. But there is also a third leg to the agenda, which this OECD MCM is in a position to advance, and that is agreement on fair trade rules. The current World Trade Organization (WTO) Doha Round of trade negotiations needs to deliver to the developing world, and if it can't, it is unlikely to succeed.

A substantial session at this week's OECD MCM is being devoted to trade issues, and ministers from key developing countries have been invited to contribute to the debate. The MCM will be followed by a high-level mini-ministerial meeting which also forms part of the road to the WTO's Cancun conference later this year.

The launch of the Doha round in November 2001 gave a timely boost to global economic confidence following the 11 September terrorist attacks. Now the world economy needs the fresh injection of confidence which could come from momentum in the Doha Round. To date, the story has been one of missed opportunities and deadlines. I hope that from the discussions here this week, some new momentum can be injected into the Round.

New Zealand's top priority in this round is to get fair rules established for trade in agriculture. That is also a top priority for developing countries.

Agriculture has long been discriminated against in world trade rules. For example, while export subsidies for non-agricultural goods have been prohibited since the beginning of GATT in the late 1940s, they are still permitted in agriculture. The global average agriculture tariff stands at around



62% and much agricultural trade is still limited by import quotas. Conversely the global average tariff on industrial products is 4%, and import quotas for such products have essentially been abolished.

As New Zealand sees it, the world's major industrial exporters have benefited for more than half a century from rules development and trade liberalisation in those areas where they have a comparative advantage. What we seek now are the same trade benefits for agricultural producers, and we believe the Doha Round has an explicit mandate to negotiate to that end.

While it is true that New Zealand would benefit more from progress on agriculture in the Doha Round than any other developed country, by far the greatest benefit overall would go to developing countries.

Only last week the OECD's Development Assistance Committee's High Level Meeting of Development Co-operation Ministers and Heads of Aid Agencies resolved to report to this week's MCM on how to maximise the synergies between official development assistance (ODA), private investment and trade. They point out that a dynamic interaction between all three components, and a scaling-up on all three fronts, are conditions for meeting the Millennium Goals of the United Nations.

What is clear is that aid and investment on their own won't produce adequate results. Trade expansion is an integral part of the development agenda.

In my view therefore, much is hanging on a successful Doha Round. By opening up markets and reducing subsidies, it will assist development and give a boost to global economic confidence. More better-functioning national economies open up opportunities for all trading economies to prosper.

Multilateral engagement over the past two and a half years has produced an ambitious and achievable agenda for sustainable growth and development. Multilateralism, however, has been deeply scarred by the Iraq crisis. The world needs multilateralism back on track, so that the level of agreement which does exist on the way ahead can be maximised.

The message which needs to come from this week's MCM is that the major players in the trade debate are prepared to engage to make it a success. This meeting is not a negotiating one, but it can act strategically to identify the obstacles and how to overcome them, in order to have a productive WTO ministerial meeting in Cancun in September and contribute to the successful conclusion of the Round on schedule by 1 January 2005.

I turn now to how the discussion at the MCM relates to the situation of developed economies like New Zealand's. I referred earlier to the state our economy was in when New Zealand last chaired the MCM twenty years ago. We have moved since then to an open economy, with much less regulation, and to one which, with some modification to the former reform model, is producing credible and broadly acceptable results.

In the year to December our economy grew by 4.4%, and unemployment at 4.9% is at its lowest level in almost fifteen years. Inflation remains low at 2.5%. We are experiencing strong net inward migration as economic, security and lifestyle factors work in New Zealand's favour.

The gains we are seeing now come after many years of pain, during which the reform pendulum swung out further and faster than in any other developed economy. Indeed the task of my government has been to adjust the pendulum to a more mainstream position to achieve a better policy balance. I believe that a lesson to be taken from the New Zealand experience is that first world societies must set limits to the extent of deregulation, privatisation and tax cutting they engage in, if they are to avoid both a race to the bottom of the living standards ladder and a loss of social cohesion. To say this is not to advocate no reform, but rather to argue for well-designed and balanced policies.

Our task in government in New Zealand in more recent years has been to strike a better balance between head and heart. Too much head in the form of economic rationalism can crush the spirit of the community. Too much heart, on the other hand, can break the bank. Neither is desirable nor sustainable.

The policy balance we are seeking aims to build and sustain solid levels of economic growth, to enable us to fund high living standards and high quality public services and infrastructure sustainably. Over the second half of the twentieth century New Zealand saw its living standards decline from around third in the world to a ranking in the low twenties. In today's

global economy, relative economic decline leads to an exodus of skilled people to other countries offering more opportunity, thus compounding the problem. New Zealand suffered from a brain drain off and on for many years, until the present upturn has resulted in a net brain exchange, to our benefit. Our government has a central focus on growth and innovation. We know that New Zealand's future prosperity is linked to the extent to which we can link new knowledge and technology to all



aspects of our economy and society. We aim to lift our economy further up market and further lessen its commodity dependence.

While New Zealand has long had world class education and research institutions, historically we haven't been sufficiently adept at capturing their innovations for our own advancement. Now we are very focused on doing just that, and on forming the international alliances and joint ventures which will make that possible.

Our formal Growth and Innovation Framework leads us to prioritise education and skills training, and a flow of skilled migrants to fill workforce skills gaps quickly. Immigration is fast becoming a necessity for the Western world's ageing societies, and is made more so by the

international shortage of skills in key areas of economic development and social and health services. Unfortunately the political understanding of this reality in many societies is not yet as widespread as it needs to be if economic and social decline and sclerosis are to be avoided.

As part of our economic change process in New Zealand we are moving rapidly to boost our innovation system, and to provide more support for science and

research in general, and for new centres of research excellence and public-private sector research initiatives in particular.

The government has helped facilitate the development of incubators and early stage capital for new and innovative companies, and also of clusters and industry and regional growth strategies.

We have new initiatives to promote exporting, including the establishment of offshore export platforms and supporting our businesses getting readier access to international expertise and innovative technology.

We have identified three key sectors whose growth and development have the potential to spread benefits widely across other sectors. These three sectors – information



Helen Clark and Donald Johnston

and communications technology; biotechnology; and creative industries – are each involved in a government-facilitated process of sector strategy development which has created a good deal of optimism about the contribution they can make to our economic growth prospects.

For the Growth and Innovation Framework to be successful, the government must keep its own house in order. We do that through our commitment to transparent and stable macroeconomic policies and by maintaining sustainable spending. The government is presently running sizeable surpluses.

New Zealand uses the OECD's work to help benchmark its own performance. The OECD brings together the interdisciplinary expertise of its secretariat with the experience of representatives of national governments. Through that interaction it has been able to measure and compare different experiences and distil common understandings for policy-makers. Its work stands as a resource for all to draw on.

This MCM takes place at a difficult time in the world economy. Ministers will have the opportunity not only to share perspectives on the short-term outlook, but also to look

ahead to what might make a difference in restoring confidence and enhancing growth.

The OECD Secretariat's background papers challenge us to remove barriers to employment and productivity growth, and to strengthen financial markets and corporate governance. We are urged to give more attention to well-designed, active labour market policies, and to recognise the role of information and communications technologies and of research and development as drivers of innovation and productivity. New Zealand looks forward to the discussion, to sharing its own experiences, and to learning from others.

The lesson my government derived from our country's 1980s and 1990s experience of reform was the importance in the future of promoting a shared vision and as much consensus as possible around economic goals and the path to reaching them.

The earlier reform path, which had opened up the economy at high speed, failed to put in place proactive strategies to facilitate labour market adjustment and the emergence of sunrise sectors to replace the sectors on which the sun had set. The result was a rugged transition which

strained society to the limits and brought the political process into disrepute.

Now, in our 21st century change agenda, we seek to work with communities and sectors, not against them, and to build the maximum possible consensus around vision and direction. That sees us promoting innovation, enterprise and participation, along with the importance of the social dividend which growth makes possible. We seek to build partnerships for growth which are inclusive of business and unions, regions and communities, and of all ethnicities in our multicultural country with its sizeable indigenous population. We seek to promote the concept of sustainability across economic, social and environmental policy. We want policies and funding to be sustainable over the long term.

This path has required us to define a new role for the state, which sees us chart a new way between the hands on and hands off excesses of the past. We see the role of government as one of leadership and strategy, and of using its ability to facilitate, partner, co-ordinate, broker, and fund to promote the development of a stronger economy.

The OECD's forecasts for the year ahead see New Zealand's growth slowing from its present high level, but picking up again in 2004 as the global economy recovers. Our task in government is to stay focused on our medium-term strategy of building a skilled and productive workforce, capitalising on our innovations, and improving our capacity to export high value goods into the world market.

We in the New Zealand government are confident about the ability of our people to build a vibrant, competitive economy with strong links to the global market. We look forward to that market being enhanced by a successful WTO round. We look to this week's meetings to provide momentum for achieving that and for renewing our common commitment to the growth and development agenda. No single nation can grow and develop to its full potential in an insecure world with a sluggish economy. We owe it to our peoples to pursue broad-based prosperity which is sustainable over the long term and helps make our world a more secure place. ■

Going for growth

The world economy in 2003

- **MODERATOR: BRONWYN CURTIS**, MANAGING EDITOR, BLOOMBERG TELEVISION, UNITED KINGDOM
- **JEAN-PHILIPPE COTIS**, CHIEF ECONOMIST, OECD
- **ANNE KRUEGER**, FIRST DEPUTY MANAGING DIRECTOR, INTERNATIONAL MONETARY FUND
- **CSABA LÁSZLÓ**, MINISTER OF FINANCE, HUNGARY
- **FRANCIS MER**, MINISTER OF ECONOMY, FINANCE AND INDUSTRY, FRANCE
- **HEIZO TAKENAKA**, MINISTER OF ECONOMIC AND FISCAL POLICY, JAPAN
- **GÉRARD WORMS**, GENERAL PARTNER, ROTHSCHILD & CIE BANQUE, FRANCE

All the problems of the world rested on the shoulders of today's panel on The World Economy in 2003, and they were asked to come up with solutions. None had his work more cut out for him than the Japanese Minister for Economic and Fiscal Policy, who had to explain how his country had got into such a hole and how it was planning to dig itself out.

The moderator, **Bronwyn Curtis**, began by saying that recovery in 2003 had been slower than expected and that problems remained, notably SARS. She asked what would drive a recovery in 2003 and turned



Bronwyn Curtis and Heizo Takenaka

first to the OECD for answers. **Jean-Philippe Cotis** was "cautiously optimistic" as is the habit of economists, the only real difference, as **Anne O. Krueger** pointed



Francis Mer

out, being whether they put the emphasis on the word cautious or optimistic. Mr. Cotis said that potential geo-political crises that might send OECD economies into recession, like an oil crisis, were now unlikely and conditions are set for a recovery. "It would appear that conditions for the economic slowdown have bottomed out and although ministries of finance will have to work hard to support recovery, it is on the way."

Next it was the turn of minister **Francis Mer**, who took a more philosophical approach and in particular emphasised the role of education. "The role of states is to establish the best conditions to allow for the best growth," he said. "OECD's Agenda for Growth is an excellent document but it

does not emphasise the importance of education. If we do not focus on future generations, we will be failing in a major responsibility. Intelligence is an inexhaustible raw material provided it is nurtured."

A participant questioned governments' commitment to education, citing the example of an OECD conference held in 1961 which focused on the importance of education as an investment, saying that despite overtures of good intention,

the issue had suffered "benign neglect" ever since. Mr. Cotis apologised that such an impression of neglect could have arisen, since the OECD's recent report on the *Sources of Growth* went to great lengths to emphasise the importance of human capital in growth.

Mr. Mer went on to say that for him, the fact that education is a form of investment is self-evident. "However, in order to encourage individuals and businesses to see it the same way we have to introduce incentives such as tax schemes. But we can only lead the horse to water," he concluded.

A second question from the floor directed at Mr. Mer concerned the relationship

between the US and France and the possibility of sanctions and their subsequent impact on trade. "I am quite convinced that the US and the French administrations will act responsibly," he replied. "We have no control over the personal actions of consumers but in terms of trade relations, everything will go back to normal."

As for Japan, always the subject of scrutiny when it comes to economic growth, **Heizo Takenaka** said that in the case of Japan, there would be no growth without reform. He explained that they were in the process of implementing pillars of financial reform, including reducing non-performing loans, fiscal reform to correct budget imbalances, tax reform and regulatory reform.



Csaba László

economic crisis there are plenty of Japanese enjoying themselves in Paris right now! This is part of the reason we are in the situation we are in now. There was a crisis, but there was no real sense of urgency, things seemed to be stable."

The panel's third minister, **Csaba László**, talked much about the entry of Hungary and the nine other central European states into the EU. "It is a big chance for us all," he said. "But it is not a miracle and we need to follow a tough fiscal policy in the coming years." Cementing the educational theme, he said all 10 countries would have to educate their populations, making them aware of the need to reform. "We will have to do a lot to increase competition, but the potential for growth is large," he summed up.

Pakistan and Malaysia. "This is a whole region of the world that we don't see as important but that is rapidly becoming so due to fast growth. It could become a fourth pillar of the world economy." She finished with an attack on the European labour market, stating that social policies were hampering growth and that if reforms were made along the same model as in the US, overall unemployment in the region could be immediately cut by 3%.

Labour reforms were an issue Mr. Worms talked about as well. "We seem incapable of attacking the holy grail of our *code du travail*," he said. "And this has now become a really urgent issue for France. In my opinion we could change two-thirds of the labour laws without affecting employees." He added that structural reforms in



Gérard Worms

Gérard Worms asked him about some contradictions in the Japanese economy. "On the one hand you have, let's be frank, a huge problem with your financial institutions, but on the other hand, your competitiveness in industries such as the motor industry and the micro-conductor sector is more impressive than that of the US. How can these two facts be reconciled?"

"Japan is indeed a dual economy," responded Mr. Takenaka. "We are at the same time a rich and a poor country, we have been a country with both high and low productivity and although there is an



Jean-Philippe Cotis

Germany and France were way behind Spain and the United Kingdom and that these had to be brought into line with the US. "It is clear that the US is now the dominant point in the world," he said. "The future of our companies depends on events there as does the global situation of the world's economies."

The session came to an end too soon for many participants wishing to ask more questions. Even Mr. Worms gallantly cut his speech by half. But with a panel which included three ministers dealing with such an important topic as economic growth, what did anyone expect? ■



Anne Krueger

Anne Krueger focused on another part of the world, which she said had been largely overlooked but had come up with impressive growth figures. She called the "area" the Asian rim broadly including Russia, Ukraine, Korea, and Turkey, as well as Singapore, India,

Farming: Divided ground

Agricultural policy reform in an international context

- **MODERATOR: JEAN-CHRISTOPHE BUREAU**, PROFESSOR OF ECONOMICS, INSTITUT NATIONAL AGRONOMIQUE PARIS-GRIGNON, FRANCE
- **HERVÉ GAYMARD**, MINISTER OF AGRICULTURE, FOOD, FISHERIES AND RURAL DEVELOPMENT, FRANCE
- **JIM SUTTON**, MINISTER OF AGRICULTURE AND MINISTER OF TRADE NEGOTIATIONS, NEW ZEALAND
- **STEFAN TANGERMANN**, DIRECTOR FOR FOOD, AGRICULTURE AND FISHERIES, OECD

Agricultural policy may be in urgent need of reform, and once this session kicked off, the debate came to a head pretty quickly. It pitted two adversaries who could hardly have been more different: **Hervé Gaymard**, who admitted that he was no farmer, even though he came from Savoie, a rural part of alpine France, and **Jim Sutton**, who was a self-employed working farmer before he got involved in policy issues. An exhibition of the painter, Magritte, is now on in Paris, and if either Mr. Sutton or Mr. Gaymard were to hold up a picture of a sheep, you would have expected the other to declare: "Ceci n'est pas un mouton" (this is not a sheep).

Mr. Gaymard began by explaining why we need agricultural policies. Though he himself is in favour of some reform, food security and issues of sovereignty have to be taken into account. And while he believes in trade liberalisation, he argued for a pragmatic, non dogmatic approach: trade liberalisation is not a universal truth, it is a means contingent on other factors.

"If you look at trade in the last 20 years, it has expanded for some, but the growth did not benefit developing countries, whose share of trade decreased from 3% to 1.5%,"



Hervé Gaymard and Jim Sutton

he said. He is of the opinion that developing countries require specific treatment to benefit from trade liberalisation.

He added that world prices for coffee and cocoa are the result of speculative markets and do not reflect the costs of production factors. In addition, production costs in large holdings (*latifundia*) do not correspond to a social and environmental balance. "The markets do not represent the interests of humanity as a whole." He thought that commodity prices should reflect the conditions where food is produced. As for farmers, they "should be better paid, because there are many farmers in the world, and many of them are undernourished", he said.

Mr. Sutton, the former farmer, retorted: "I think it is absurd to suggest that there should be different economic rules for farmers than for other people. All they should be given is the right to trade.



Hervé Gaymard



Stefan Tangermann

Without the right to trade they cannot specialise. If they cannot specialise, it is hard to get economies of scale. High tariffs create distortion, which require taxpayers to prop up inefficient producers."

Mr. Sutton argued that the OECD's farmers receive \$1 billion a day in subsidies. If these were stopped and markets of developed countries were opened, 320 million people would be lifted out of poverty. "Oxfam agrees, the World Bank agrees, so does the International Monetary Fund (IMF), and many WTO ministers agree."

But Mr. Gaymard did not agree. "I am absolutely opposed to the total decoupling of subsidies," he said. "Why? Because, although this vision sounds good, this is a typical wrong idea. The devil is in the details. Let's look at the details."

He said that, while it was true in the 1980s that the Common Agricultural Policy encouraged over-production, that is no longer the case today. "Pork and poultry are the only over-supplied commodities, and their trade has been totally liberalised." Mr. Gaymard thought lower prices would lead to overproduction. And rewarding prices were necessary to take care of the environment. Paying farmers to do nothing was certainly a bad idea, because in five years society would say let's do away with that subsidy too. The issue of land prices is very complex, and could produce much collateral damage. But he conceded that the issue of subsidies could be simplified and that partial decoupling could be envisaged.

For **Stefan Tangermann**, the way to sell reform of agricultural policies is to stress that reform is in the interests of the country. "Only if support is decoupled from production can society appreciate better what contribution farmers can make," he said. "Society does not want surplus milk, it wants countryside management."

He thought that high prices make farmers produce more, which can be environmentally damaging. "We need to incite farmers to look after the environment," he said. "We should emphasise the domestic benefits first, then the trade benefits."

Mr. Sutton thought there was a better way of protecting the environment than paying the farmers to look after it. "In New Zealand we look after the environment, but by policy, not by subsidy. There is no evidence that it is even working in Europe. I went on a visit to farms in France, which are being paid to stop reforestation. But when I looked closely I saw that it was an oak forest. Oak forests don't encroach like a tropical jungle. The whole thing is absurd."

He said that low prices do not foster overproduction, but high prices do. Ignoring Mr. Gaymard's point about CAP's changes over the years, Mr. Sutton insisted that the "CAP is faulty, ill-conceived, and will have to change. It cannot repeal the fundamental laws of supply and demand."

Mr. Tangermann said that he sometimes struggles to explain to farmers why they are paid a subsidy to produce something that they can only sell at a loss. Would it not be better to decouple the subsidy from production? "It is not possible to explain to

society that farmers are paid to produce beef that is not wanted by the market," he said. "Perhaps it would be better if payments were targeted at rural benefits and the environment." Mr. Gaymard disagreed. In response to a question from an Australian journalist on this topic, he said that there was a clear cultural difference. "When you have areas where people have lived for millennia in a landscape that changes every 30 kilometres, it is not the same as a new country, where a farm can be the size of a French département. It would be self-defeating for us to do away with farmers, because then we would have to recruit officials to maintain the landscape. But I can see that this is difficult for people from other countries to grasp. It's a philosophical question."

The panel was asked what it thought about genetically modified food. Mr. Gaymard said that he was against producing genetically modified food for the moment. Mr. Sutton said that he thought that



Jean-Christophe Bureau

production of GMO should proceed, but with caution. But he was concerned that the EU moratorium on GMO imports runs the risk of corrupting trade integrity: "We don't want to see barriers in the way of trade," he said.

As for sugar beet production, Mr. Sutton added: "If there were no subsidies, there would be no sugar beet production in the world. It is not economic. It is a bit like us New Zealanders growing bananas on Mount Cook. It is possible, but not economic." ■

No single recipe

Technology, investment, development and growth

- **MODERATOR: MARIA LIVANOS CATTAI**, SECRETARY-GENERAL, INTERNATIONAL CHAMBER OF COMMERCE
- **W. BRIAN HEALY**, VICE PRESIDENT, ECONOMIC AND INDUSTRIAL POLICY GROUP, MERCK & CO. INC., UNITED STATES
- **FRANÇOIS ROUSSELY**, CHAIRMAN AND CEO, EDF, FRANCE
- **LUC SOETE**, PROFESSOR OF INTERNATIONAL ECONOMICS, FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION, MAASTRICHT UNIVERSITY, NETHERLANDS

This business and academic panel agreed that there was no single recipe for solving development problems. Summing up the discussion, moderator **Maria Livanos Cattai**, said the solution lay in adopting a multiple range of approaches with public-private partnerships playing a key role.

Opening speaker, **Luc Soete**, stated it was thought that technology would be a short cut to development, but many of the



Maria Livanos Cattai and François Rousseley

promises of the 1950s and 1960s had not been realised. He suggested, however, that globalisation might give the world a second chance for development, thanks notably to its ability to distribute knowledge. So far, there had been a “dual experience” regarding globalisation, he noted. Some developing countries had benefited from it;

but others had not. “The focus of the 21st century must be on how to get this distributive power of knowledge to have a global impact,” he argued, emphasising that the private and public spheres working together would be crucial.

Brian Healy agreed that the capacity to translate knowledge into products and services – innovation – was one key to development. But, public policy needed to support innovation with economic reforms based on free-market principles. It was also important that development reached out to the regional and local levels. Projects should be designed with a well-established mechanism of collaboration between the private and public sectors and, when required, with research institutions.

Public policy must support innovation in the private sector, and one thing was essential: “Without good health, no nation can achieve economic and social development.” His company wanted to “close the gap in health,” and saw supporting the establishment of health care delivery systems as part of its mission



Brian Healy and Maria Livanos Cattai



around the world – whether for profit or not. He cited as an example of a philanthropic programme the company's distribution of Mectizan, a one-tablet-a-year drug to combat river blindness. Also, Merck has partnered with Romania and Botswana to help them transform their responses to HIV/Aids, creating a model that it hopes can be replicated. However, he said that tackling Aids was a monumental task, noting that his company depended on governments to put in place the health system infrastructure needed to support these kinds of treatment programmes.

For **François Roussely** the top development priority was to bridge the electricity divide. Only after that had been done could one talk about bridging the digital divide. He said today 2.5 billion people had no access to energy, yet "access to energy is a right and this right must be

recognised." He argued that "energy for all" is not an impossible task, requiring about 7-8 billion euros a year of investment over



Luc Soete

the next 25 years. The benefits go beyond immediate commercial returns. For example, electric light allows reading and studying after dark, while radio and television bring entertainment and information – a connection with the outside world.

Mr. Roussely called for a wide-ranging debate on the global energy mix in power generation for the 21st century. He said the resources currently used are composed of 40% coal, 15% natural gas, 10% oil, 18% hydro and 16% nuclear. Renewables contribute only 1%, and would still remain below 5% in the years ahead. As policy-makers look at how new technologies fit into the global energy mix of the future, the CEO of EDF cautioned "there needs to be a triple balance between commercial sustainability, safeguarding the public interest and competition." But that balance needed to be tailored to each situation. "There is no one model, no one-size-fits-all."

Audience participants questioning from the floor addressed the effectiveness and accountability of public-private partnerships in delivering electricity, health and services in developing countries. Ms. Cattau said that it was wrong to expect companies to take on the task of governance, or act in the place of ineffective governments. Mr. Roussely noted a "real democratic divide", and warned that when a company made an investment over half a century, it required the right legal and political environment or it would go elsewhere. He recalled that technological systems needed to be adapted to each country, though there was no substitute for centralised production of power.

In conclusion, Ms. Cattau wondered about the "moral hazard" of having public-private partnerships take on more of the developmental work. "Is it their task to create permanent health care systems?", she asked, adding "companies are putting forward a multitude of models, and we have to learn to live with multiplicity." ■

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Emerging risks in the 21st century

Launching of a new OECD report

- **MATT ADEY**, DEPARTMENT OF TRADE AND INDUSTRY, UNITED KINGDOM
- **ULF BJURMAN**, HEAD OF THE SWEDISH RESCUE SERVICES AGENCY
- **LUTZ CLEEMANN**, EXECUTIVE VICE PRESIDENT, ALLIANZ CENTRE FOR TECHNOLOGY, GERMANY
- **ROEL R. HUIJSMAN-RUBINGH**, MINISTRY OF HEALTH, WELFARE AND SPORT, NETHERLANDS
- **STAFFAN LARSSON**, DIRECTOR OF ANALYSIS, SWEDISH BUSINESS DEVELOPMENT AGENCY
- **LUCIE MARMEN**, DIRECTOR OF INTERNATIONAL ORGANISATIONS, MINISTRY OF INTERNATIONAL RELATIONS, CANADA
- **RUDOLF MÜLLER**, STATE SECRETARIAT FOR ECONOMIC AFFAIRS, SWITZERLAND
- **GRÉGOIRE POSTEL-VINAY**, HEAD OF THE OBSERVATION GROUP FOR INDUSTRIAL STRATEGIES, MINISTRY OF ECONOMY, FINANCE AND INDUSTRY, FRANCE
- **LARRY ROEDER**, POLICY ADVISOR ON DISASTER MANAGEMENT, DEPARTMENT OF STATE, UNITED STATES
- **ANSELM SCHAEFER**, INSTITUTE FOR SAFETY AND RELIABILITY (ISaR) GmbH, GERMANY
- **FREDERIK A. VON DEWALL**, GENERAL MANAGER & CHIEF ECONOMIST OF THE ING GROUP, NETHERLANDS
- **MICHAEL OBORNE**, DIRECTOR, OECD INTERNATIONAL FUTURES PROGRAMME
- **PIERRE-ALAIN SCHIEB**, OECD INTERNATIONAL FUTURES PROGRAMME
- **REZA LAHIDJI**, OECD INTERNATIONAL FUTURES PROGRAMME

How well is the world equipped to deal with the emerging risks of the 21st Century? This new OECD book, *Emerging Risks in the 21st Century*, focuses on the increased vulnerability of the systems on which society is built, such as health, transport and communications. The book was especially timely, given the threats of SARS and terrorism.

Michael Osborne presented the study as a holistic approach to these risks, composed of three main elements. First, it is firmly grounded on the principle of managing risk in the long term; secondly, it looks at risks arising from the interconnection of systems; thirdly, it looks at the entire risk management cycle which includes risk assessment, prevention, management and recovery. Finally, he added, the book highlights the fact that cross-sectoral lessons can be learnt from the different experiences in risk management.



Michael Osborne

Social changes associated with globalisation (such as demographic growth, and ever-increasing mobility) lie behind the new risks with which the report is concerned. For instance, the concentration of populations into urban areas increases the potential of damage. The contemporary reliance on technology and information networks multiplies the numbers of channels exposed to danger.

Larry Roeder emphasised the importance of reducing the risks as a way to decrease the cost of responses and repairs, echoing the point made by Anselm Schaefer about the huge economic burden linked to them. Risks that lead to natural disasters, for instance, not only result in the death of civilians but can also cause massive infrastructure damage. This is why, according to Ulf Bjurman, increasing attention must be paid to prevention, by building it into social policy-making. Risk

management is crucial to building up confidence in the market, a pre-condition of economic recovery, argued Grégoire Postel-Vinay. Frederik von Dewall added that all governments need to deal with the issue of insurance against risk.

Rudolf Müller and Mr. Postel-Vinay concluded that the systems our society depends on should be diversified to reduce exposure to risks (of energy, for example). There was a broad consensus among the members of the panel about the necessity of greater co-operation and integration between the various sectors of society and disciplines in order to share solutions. In particular, the co-operation of the public and private sectors stood out as a key point.

Furthermore, co-operation and communication also need to be effective on an international level. Governments must develop approaches which are multilateral, as well as responsible and rational, putting their responses on a scale commensurate with the size of the challenge. One of the policy recommendations in the report, cited by Pierre-Alain Schieb, was the possible launch on a voluntary basis of a process of peer review, which would help build cross-country guidelines and criteria.



Pierre-Alain Schieb

But what about the risks of territorial fragmentation threatening many countries? And what about the issue of organised crime? Questions from the floor reflected the public interest in such aspects. Members of the panel acknowledged that these issues were beyond the scope of the book, and that there are many more risks out there to be addressed. ■

Partnerships of necessity

Sustainable development: Making public-private partnerships work

- **MODERATOR: BRUNA BASINI**, DEPUTY EDITOR, L'EXPANSION, FRANCE
- **THIERRY CHAMBOLLE**, ASSOCIATE DIRECTOR, SUEZ, FRANCE
- **VIVIAN LOWERY DERRYCK**, SENIOR VICE PRESIDENT & DIRECTOR OF PUBLIC PRIVATE PARTNERSHIPS, ACADEMY FOR EDUCATIONAL DEVELOPMENT, UNITED STATES
- **RICHARD FEACHAM**, EXECUTIVE DIRECTOR, THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA, SWITZERLAND
- **MICHAEL ROESKAU**, DIRECTOR, OECD DEVELOPMENT CO-OPERATION DIRECTORATE

It was the Chinese leader, Deng Xiaoping, who said that it doesn't matter whether a cat is black or white, as long as it catches mice. But just mentioning the possibility of private sector involvement in the public sector is enough for some activists to see red. Sure enough, **Thierry Chambolle** was just clearing his voice to speak, when the first intervention was heard from the floor. "Private sector involvement is not the solution for the



Thierry Chambolle

water sector," said the questioner, who asked: "What does Mr. Chambolle think?" Mr. Chambolle did not think private sector involvement was a bad idea; in fact, he thought it was a good idea for developing countries to include the private sector to help improve their health and to help



Vivian Lowery Derryck and Bruna Basini

produce growth. "NGOs are not justified in imposing their choice," he said. "Although they are entitled to decide what works and what doesn't."

Where he thought it did not work was when private companies ended up losing money. "We have had to make provisions of €700 million to cover losses in Argentina," he said. "This clearly means that sustainable development could be the end of the company. Suez will reduce its exposure to hard currency losses. We still want to work in developing countries, but only on three conditions: we will either provide managerial expertise, or secondly, invest, but only local currency, or thirdly, invest hard currency so long as there is a global system of guarantee to cover the exchange risk."

In fact, it was an NGO that spoke out in favour of private sector involvement. But **Vivian Lowery Derryck**, proclaimed herself a "cheerleader" for it. She also highlighted how NGOs frequently act as "the glue that makes public-private partnerships work, providing the critical link or expertise that leads to success." She said that her NGO was planning to work in

Ghana with AES, a leading American engineering firm, to help build a dam. "We are going to partner with AES because there is support for the project among the people of the region."

Richard Feacham moved away from water to talk about health; specifically the work that a public-private sector partnership can do to help combat the spread of HIV/Aids. "It is the greatest crisis in human history, an unparalleled holocaust of young adults," he said. "Teachers in Zambia are dying faster than they can be trained. It is spreading to India, Russia and China. US\$10 billion a year is required to turn the tide and fight back the pandemic. There is no plausible case that governments alone can do all that needs to be done." He said that his

fund was working with the private sector in many countries, via public-private partnerships at country level. "We are not working with individual governments, but country co-ordinating mechanisms," he said. "Some are better than others, but even the worst ones are getting better." He added that, in South Africa, companies have realised that it is in their own self-interest to treat infected workers, and offer anti-viral treatments for their staff. "Companies such as Eskom, Anglo-American and Daimler Chrysler have responded," he said. "We are now working with them to try to expand the treatment into the community."

However, he had to admit that the scope of the private sector involvement was tiny when it came to financing his organisation. "At the moment we are 95% funded by the public sector," he said. "The challenge is to get more from the private sector." He thinks this will need to come from innovative solutions, not just writing begging letters. He gave the example of an innovative scheme going through the Italian parliament, in which taxpayers can contribute some of their taxes towards helping other people. ■

Smart economy

The role of intellectual property in the economy

- **MODERATOR: MATTHEW BISHOP**, BUSINESS EDITOR, THE ECONOMIST, UNITED KINGDOM
- **ARNOUD DE MEYER**, DEPUTY DEAN, INSEAD, FRANCE
- **PHILIPPE LÉONARD**, EXECUTIVE DIRECTOR, GROWTHPLUS, BELGIUM
- **CARLOS MAZAL**, SENIOR COUNSELLOR, WORLD INTELLECTUAL PROPERTY ORGANISATION
- **RONALD E. MYRICK**, CHIEF INTELLECTUAL PROPERTY COUNSEL, GENERAL ELECTRIC COMPANY, UNITED STATES
- **THIERRY SUEUR**, VICE PRESIDENT, EUROPEAN AND INTERNATIONAL AFFAIRS, AIR LIQUIDE, FRANCE

Matthew Bishop started the discussion with a reminder on how times change. Founded in the mid 19th century as a journal devoted to free trade, his newspaper once had the following opinion on intellectual property: “no possible good can ever come of a patent law”. Was this statement considered radical then, when the number of patents being filed was infinitesimal compared to the tens of thousands listed yearly in countries today?

In any case, intellectual property rights (IPR) have found their place on the industrialised world’s law books. Today, all of the rich countries have adopted IPR



Matthew Bishop

regimes of one sort or another, though the level of incentives to adhere to them differs sharply between countries. As Mr. Bishop pointed out, the penalties for copying software differ drastically in American courts compared with, say, Chinese ones.



Ronald Myrick and Thierry Sueur

Having come a long way since standing for early product designs and copyright, IP has attracted wide attention thanks to the recent technology revolution, said **Arnaud De Meyer**. He added that five issues should be taken into consideration when one thinks of IPR today. First, he noted that industrialised countries have moved to a phase where the products they design cost much less to produce than develop, as seen in the pharmaceutical, software, content, and genetic engineering sectors. Thus, there is a major incentive to steal knowledge required to cheaply produce these products.

Second, technology has allowed users to handle the product themselves, cutting out the supplier, who once controlled the

‘where’ and ‘when’ facets of distribution. Next, the multiplication of players has increased the use of intellectual property.

Fourth, Mr. De Meyer invoked the so-called cultural freedom issue, by which developing countries see IPR as a form of post-colonial tax paid to industrialised countries. Finally, he said that attention should be paid to the trend in which IP is developed more and more by larger networks of knowledge. Mr. De Meyer described himself as a strong defender of IPR, though he admitted that more should be done to stimulate the public debate necessary to address issues like claims on

derivative products and penalties for IPR violators, which today can range from copiers and diffusers to users.



Arnaud De Meyer

But what of the developing world? The consensus view of the panel was that IPR would aid the developing world. As **Ronald Myrick** put it, “the future

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prosperity of developing nations may not depend on their resources, but on their knowledge". Developing countries should not overlook the effectiveness of IPR, Mr. Myrick said. He was later backed up by a floor speaker from the World Bank, who invited participants to look at case studies posted on that organisation's website showing how IPR helps the developing world. But the need for infrastructure, judiciary, and personnel to enforce IPR goes beyond laws, Mr. Myrick noted. Developing countries must take real steps to protect intellectual property if they are to benefit from it, he said.



Carlos Mazal

Carlos Mazal spoke about the need to defend intellectual property in developing countries in order to counter the "brain drain", whereby innovators, entrepreneurs, and even entertainers flee to rich countries where their IP rights are enforced. "We must strengthen the legal network on an international level so that all countries may benefit", he said. "This can be done only

with the support of all IP stakeholders". These stakeholders, he added, were no longer limited to the industrialised world. "It is now generally accepted that all countries are moving, at different rates of course, toward knowledge-based economies, where this knowledge will replace labour, land, and capital", he said.

It is true the patent system is expensive, and it is understandable why some may see it as a form of taxation, said **Thierry Sueur**. But patents, he insisted, work as an incentive for research. "Most companies started today are founded on IPR", Mr. Sueur said. "And as far as trademarks are concerned, the number of small applicants is increasing – 95% of new trademarks are lodged by small to medium enterprises". This should be taken into consideration, he said, when we wonder whether or not IPR is good for developing countries.

As head of an organisation geared toward creating employment, **Philippe Léonard** called for urgent action regarding the enforcement of IPR. "If we're serious about growth, we need to expand the international reach of IPR and give entrepreneurs the protection they need to start businesses, raise financing, and develop." He said that while governments have less and less leverage to change the business environment, IP is one of the ways by which they can still seriously improve it.



Philippe Léonard

But in developing countries that are, for the most part, solely users of IP, one has to wonder: where is the interest in getting on the IPR bandwagon? The answer, according to Mr. De Meyer, is that once countries begin to develop products of their own, (a process that comes relatively early) the desire to protect them will follow. Thailand, for example, is currently learning this lesson, as its laxness in enforcing IPR in its own country has led to neighbours such as Laos and Myanmar copying Thai products, he said.

As for IPR for publicly funded research, Mr. De Meyer believed that taxpayer-funded research should be treated as a common good. "It's the job of government to invest in basic research for the public, the results of which should be free for all to use", he said. Mr. Sueur, however, disagreed, saying that giving IPR to publicly funded projects made sense, as it was a way to find the money to pay for the research. ■

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From platitudes to practice

Governing for growth and development

- **MODERATOR: HISANORI ISOMURA**, PRESIDENT, THE JAPAN CULTURAL INSTITUTE IN PARIS
- **LUC CORTEBEECK**, PRESIDENT, CONFEDERATION OF CHRISTIAN TRADE UNIONS OF BELGIUM
- **DERMOT MCCARTHY**, SECRETARY-GENERAL, PRIME MINISTER'S DEPARTMENT (TAOISEACH), IRELAND
- **KERSTIN MÜLLER**, MINISTER OF STATE FOR FOREIGN AFFAIRS, GERMANY
- **GIL RÉMILLARD**, PROFESSOR OF LAW, ÉCOLE NATIONALE D'ADMINISTRATION PUBLIQUE, CANADA

Poor governance is a stumbling block to development. Lessons from OECD experience are distilled and demonstrate that adaptability is required for economies to develop and grow when confronted by the forces of globalisation.

Minister **Kerstin Müller** made an impassioned plea to OECD Forum attendees to give more attention to the developing world, particularly Africa which too often falls off the policy agenda. Recent attention has been captured by the armed conflict in Iraq but aid to that part of the world must not be at the expense of the other pressing needs. The minister cited some harrowing data: almost a third of the world's population has to survive on less than \$2 a day; some 113 million children of school age are not receiving an education; about 1.2 billion people do not have access to clean drinking water and 2.4 billion live without basic sanitation.

In her view, for development policies to be more effective they must be based on good governance. Minister Müller enumerated five criteria for good governance: respect of human rights, participation of the people in political decisions, the rule of law and legal predictability, sustainable market-oriented social economy and state action



Kerstin Müller

that is oriented to development. "While there is broad consensus on the definition of good governance at local and national level, it is still an open question just what the application of this principle means at the global level". The German minister

described three ways forward: international organisations must become more transparent and responsive; multilateralism must be strengthened; and the developing world must be better represented within these institutions.

Dermot McCarthy offered the Irish experience in developing good governance as a way to secure economic growth and development. He described Ireland's relatively strong economic performance since 1960 as proof positive of his country's effective government: during the 1990s Irish GDP per head increased dramatically and converged towards the EU average. In addition, between 1993 and 2000, average GDP growth was over 8% per year, while employment grew by an average of almost 5%. Mr. McCarthy believes that, in addition to other factors (e.g. foreign investment, EU subsidies), domestic policy and institutional change fostered the rise of the Irish economy. Policies consistent with economic growth were introduced in consultation with the social partners. In particular, employment growth was prioritised over incomes growth and the resultant moderation in wage rates through the 1990s stimulated investment and jobs.

Luc Cortebecq also touched upon industrial relations as key in the development of policies which can respond



Luc Cortebecq, Dermot McCarthy and Kerstin Müller



Luc Cortebeek

effectively to globalisation. The policies promoted by his trade union reflect a strong commitment to openness with the globalisation process. Its activism is devoted to fostering workers' confidence in being able to adapt to change through proactive employment policies, like

training and education. These policies require the active engagement of key stakeholders, whether employers, trade unions or government policy-makers, in order that the risks that globalisation incurs are shared more equitably.

Gil Rémillard pointed to the future and described a disquietening trend whereby more government policies are relying on the "precautionary principle" as policy adopts a science and rules-based approach. In some cases, this has led to narrowly-based policies (and regulations) which are too



Gil Rémillard



Hisanori Isomura

stringent and inflexible. More worrisome, perhaps, is that it has also led to inaction by government officials, who not wanting to make an error for which they may be held responsible, prefer to delay the decision and do nothing. This has led to a proliferation of class action litigation as the legal system is used by citizens to make policy when faced with a government paralysed by over-caution. The trend towards class action may have begun in the United States but, as Mr. Rémillard pointed out, it was soon adopted by Canadians and may well spread to Europe. ■

RECEPTIONS AND LUNCHES



Making the Doha deadline

Trade ministers' panel

- **MODERATOR: JOHN ROSSANT**, EUROPEAN EDITOR, BUSINESS WEEK
- **PETER CARL**, DIRECTOR-GENERAL FOR TRADE, EUROPEAN COMMISSION
- **LUIS ERNESTO DERBEZ BAUTISTA**, MINSITER OF FOREIGN AFFAIRS, MEXICO
- **NICOLÁS EYZAGUIRRE**, MINISTER OF FINANCE, CHILE
- **DOO-YUN HWANG**, MINISTER FOR TRADE, KOREA
- **SUPACHAI PANITHPAKDI**, DIRECTOR GENERAL, WORLD TRADE ORGANISATION
- **MARTIN REDRADO**, VICE-MINSITER OF FOREIGN AFFAIRS AND INTERNATIONAL TRADE, ARGENTINA
- **JIM SUTTON**, MINISTER OF AGRICULTURE AND MINISTER OF TRADE NEGOTIATIONS, NEW ZEALAND
- **ADOLFO URSO**, MINISTER OF FOREIGN TRADE, ITALY



Trade negotiators

Normally, the final event of a conference is half empty. But this important final session on trade at the OECD Forum had an incredible buzz about it. Even before it was due to start the baroque reception room at the French Ministry of Foreign Affairs was filled to capacity. Many that arrived on time had to make do with standing room only.

The moderator, **John Rossant**, kicked off the session with what would remain a constant theme, one familiar to journalists:



Supachai Panitchpakdi

deadlines. He wondered what would be the effect of missing deadlines, in particular the 31 March deadline set out in the Doha Development Agenda?

Supachai Panitchpakdi was quick to leap to the World Trade Organisation's defence. "You should not expect multilateral processes to be simple and easy," he began. "It is an unwieldy, messy and frustrating business. When you hear that we are missing deadlines, this doesn't in fact mean failure. It means that we are still working on it and that we have to redouble our efforts." He reminded the audience that within the WTO there had to be consensus between 146 members and that the issues at hand were complex and numerous.

"We're not there yet, but we have made progress," he added, citing work on manufacturing and services. "I agree there have been some unnecessary delays and indecision but gradually things are moving." He said that one particular issue was holding up talks: agriculture. He

added that the deadlines the WTO had set itself were in fact unrealistic and that missing them should not be cause for too great concern.

Jim Sutton strongly disagreed with him on this final point. "My heart sank when I heard the director general say negotiations are a little bit stalled," he said. "Surely that's a bit like being a little bit pregnant, I mean either you are or you're not. But then I thought about it and realised that all this poor man can do is remain relentlessly optimistic. However, we should not accept



Jim Sutton and Adolfo Urso

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the view that missing deadlines is what we should expect from the WTO, this is not on. The reason we are missing deadlines is that certain member states have not been able to live up to commitments made in Doha, and we all know who we're talking about."



Luis Ernesto Derbez Bautista and Peter Carl

He went on to say that one of the most positive factors about the Doha Agenda was its level of ambition. "What we agreed at Doha, and especially in terms of agriculture which is the key to all of it, needs to be followed through."

This may not be as easy to achieve as we hope. "The fact is that we are facing some choices that are very difficult" said **Peter Carl**. "We are looking at an extremely varied equation on the agricultural side." **Luis Ernesto Derbez Bautista** agreed that agriculture was the key to the success of



Luis Ernesto Derbez Bautista

future talks. "We should be working harder and harder on this, if we don't reach an agreement we won't reap the benefits. We need more communication to understand what we all want out of it. What is unique about this round of talks is that for the first time all plans are being openly discussed.

This in itself is a major achievement." Another representative from South America, **Nicolás Eyzaguirre**, said that



Nicolás Eyzaguirre

"the time for cosmetic solutions on agricultural issues has run out. The world pays \$300 trillion in agricultural subsidies; this is five times the amount spent in developmental assistance. Any progress must involve immediate reforms in agriculture and now is the time to start". Another major theme was the necessity to solve several issues that could impede



Doo-yun Hwang

progress at the Cancún meeting in September. "We need to avoid being overloaded," said **Doo-yun Hwang**. "We must resolve as many issues as possible in advance; the divergence of views in core areas of agriculture needs to be narrowed." He emphasised the crucial nature of the issue. "The credibility of the international trade system and thus the global economy rests on the success of the agenda, if we fail then the spirit of co-operation will be lost."

According to some, the spirit of co-operation was lost during the Uruguay round. "The Uruguay round is part of the problem, not the solution," said **Martin Redrado**. "And



Martin Redrado

we are now deadlocked because some members are not engaging politically in these latest negotiations. This must be an opportunity for all to emerge and develop. We are prepared to talk about everything, not just agriculture. But we will only see progress if we can get over the deadlocks."

Adolfo Urso agreed that an open market is not sufficient. "Europe has a duty to come to Cancún having removed the barriers and having put everything necessary in place to assimilate everything there."

There were a number of interesting questions from the floor. "Should there be



Adolfo Urso

more government intervention or greater liberalisation?" Chilean minister Eyzaguirre was asked. "We think the more open your economy is, the more resilient it is to global crisis," he answered.

What sort of sacrifice is Argentina prepared to make to recover? "We are prepared to put everything on the table," said Minister Redrado, "But we think no deal is better than a bad deal." ■