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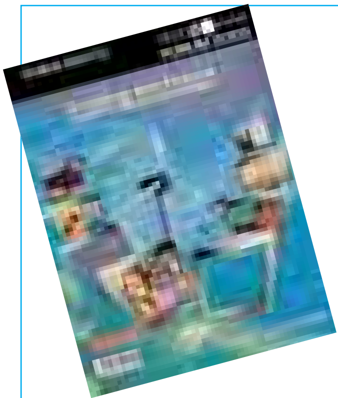

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Report from OECD Forum 2005 to the OECD Ministerial Council Meeting

by Thomas Östros, Minister for Industry and Trade, Sweden

Listening to Civil Society

Thomas Östros

The OECD Forum is a "multi-stakeholder summit" which brings together business and labour leaders, civil society personalities, government ministers and leaders of international organisations to discuss the key issues on the agenda of the annual OECD ministerial meeting. Set out below is the report of Minister Östros on OECD Forum 2005 to the OECD Ministerial Council Meeting:

"Fuelling the Future: Security, Stability, Development" was the challenging title of this year's OECD Forum. More than 1 000 people have met and exchanged views over the past two days. I must say that I am impressed by the interest and commitment that I have seen.

The Forum proved to be a great opportunity to get a sense of the top priority issues of our time: first, how to guarantee security and stability in order to reduce poverty; second, how to make the benefits of globalisation accessible for all; and third, how to meet the challenges in the energy sector.

We can not overestimate the need to listen to the views expressed by civil society. We must take peoples' worries and thoughts seriously. Growth and social cohesion are mutually dependent. If people are not to fear globalisation, they need security and a lessening of inequalities. It was repeated at several panel sessions that people who do not feel safe will resist change and feel pessimistic about the future. As a result, calls for protectionism are on the rise.
But these calls were rejected by many discussants. Instead, the role of domestic policies was stressed.
This included, for example, effective labour and social policies combined with efficient education policies.

But from the important OECD studies on "Trade and Structural Adjustment" and "Growth in Services", we have also learned that the actual number of job losses due to off-shoring is rather limited, especially in relation to the total number of jobs lost. It was also noted that preventing job losses in one area might prevent a much larger number of jobs being gained in the whole economy.

In this context, the corporate social responsibility (CSR) of individual firms was highlighted. But it was made clear that CSR is neither about protectionism nor philanthropy. It was instead said to be about setting a floor of decency where dialogue and inter-governmental co-operation were essential. Increased financing for development would be crucial in this respect.

It was very promising to feel the commitment expressed in the trade ministers' panel, to target the interests of poor countries when reforming and developing the international trade system. Trade was said to be one of the most powerful tools for economic integration, development and poverty reduction. Even though different views were expressed on how to proceed successfully, an ambitious conclusion of the Doha Development Round was judged to be of utmost importance.

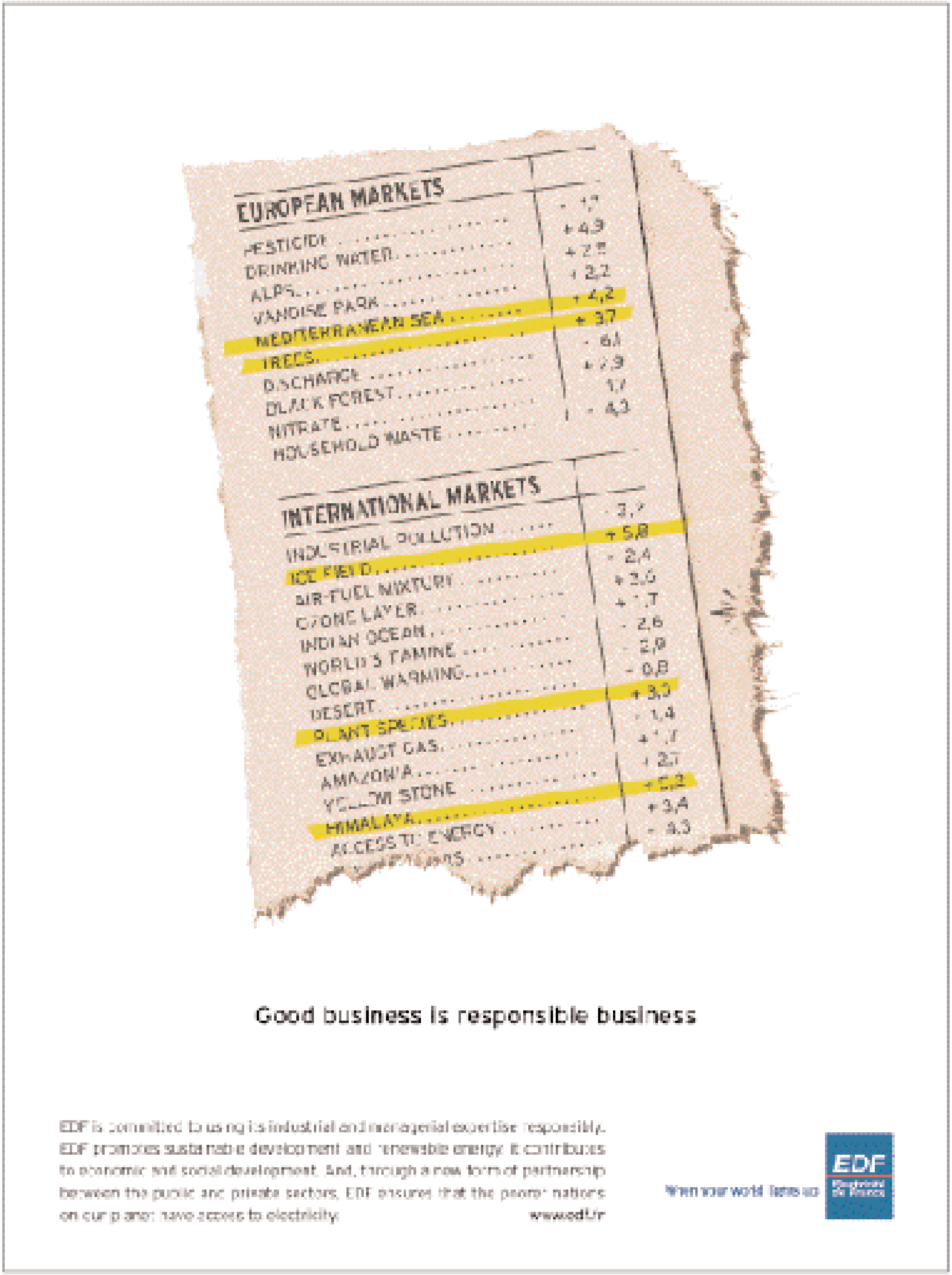
Climate change is a real and imminent concern that requires action. Therefore, renewable and clean energy sources must be a higher priority for future research and investment to meet the demand for sustainable development. These were some of the main conclusions from the very stimulating panel discussions on the challenges of the energy sector. However, when the role of nuclear energy was debated, it was obvious that views differed.
I especially bear in mind the fundamental message to us politicians, that is, to create stable frameworks and predictable policies, in dialogue and partnership, not least with the developing countries.

We have heard that there is no panacea for the main issues at this year's ministerial meeting, but there are many proposals and concrete plans that together could make a difference. We need to listen but we also need to take action to achieve the Millennium Development Goals, especially in relation to the poorest countries, for poverty reduction and sustainable development.

During the past decades, we have seen the tremendous effects of the globalisation of the economy. These positive achievements must not be reserved just for some. They must be made available for all. We have made commitments and we know what needs to be done.

Just as Eivind Reiten, President and CEO of Hydro, stated in one of yesterday's panels, "we are all the key holders and we share the responsibility of using these keys". ■

Snapshots from OECD Forum 2005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THE ISLAMIC DEVELOPMENT BANK GROUP

The Islamic Development Bank (IsDB) was established in 1975 and its Articles of Agreement were adopted in the same year by 22 countries. The purpose of the Bank is to foster the economic development and social progress of the member countries individually, as well as jointly, in accordance with the principles of Shari'ah (Islamic jurisprudence). The membership of the Bank has shown a significant increase over time and currently stands at 55 countries. The Head Office of the Bank is in Jeddah, Kingdom of Saudi Arabia. The Bank has regional offices in Almaty (Kazakhstan), Kuala Lumpur (Malaysia) and Rabat (Morocco). In addition, the Bank has field representatives in seven member countries, namely, Indonesia, Iran, Kazakhstan, Libya, Pakistan, Senegal and Sudan.

Over the years, the IsDB has evolved from a single entity to an IsDB Group comprising a number of affiliates, institutions and funds including Islamic Corporation for the Development of Private Sector (ICD), Islamic Research and Training Institute (IRTI) and Islamic Corporation for Insurance of Investment Export Credit (ICIEC). These affiliated entities and funds were set up to address specific needs of the IsDB member countries and to provide additional development banking solutions to the ever-changing conditions in the global economy and financial system. At the end of 2004 (1425H), the authorized and subscribed capital of the IsDB stood at ID15 billion (US$23.55 billion) and ID8.1 billion (US$11.1 billion) respectively (one ID is equivalent to one Special Drawing Right of the International Monetary Fund). The paid-up capital amounted to some ID2.70 billion (US$4.0[illegible] billion). The ordinary capital resources of the Bank consist of the member countries' funds (i.e. the paid-up capital, reserves and retained earnings), which stood at ID4.07 billion (US$6.03 billion) as at the end of 2004.

The IsDB Group offers a wide range of specialized and integrated services such as: resource mobilization, public and private sector finance, investment finance, trade (and intra-trade) finance, insurance services, social and infrastructure sector finance, research and training in Islamic economics and banking, technical assistance support for capacity building, technical co-operation among member countries, scholarships for member countries and Muslim communities, and humanitarian assistance. In December 2002 the IsDB was assigned AAA long-term credit risk rating by Standards & Poor's, which helped the Bank to mobilize resources at competitive rates from the international money markets. In April 2003, it was also accorded zero risk rating by BIS under Basel II Capital Accord. This reflects the strong asset base of the Bank as well as high levels of transparency and financial discipline in its operations.

The IDB maintains close contacts with all major multilateral development banks and national development financing and regional institutions. It also undertakes co-financing operations in order to promote economic development and social progress in member countries. The Bank also collaborates with U. N. agencies, international organizations, OIC-level institutions, as well as regional groupings in member countries, with a view to promoting common interest of member countries.

Summary of operations of the IsDB Group, 1975-February, 2005

	US$ (Million)	No. of Operations
Project Financing(incl. Technical Assistance)	14,428	1,882
Trade Financing	23,274	1,787
Approved Operations (net)	**38,288**	**4,754**
Disbursements	25,751	-

To consolidate these achievements, the IsDB has recently adopted a new strategy entitled IDB Group Strategic Framework which aims to improve efficiency and service delivery to its member countries. It also reflects the current state of development thinking, particularly with regard to the globalization phenomena and the changing needs and opportunities in the member countries. Besides providing the IsDB Group with a reinvigorated development agenda, the new roadmap for the future hinges on the premise that the Bank will work collectively and more closely with the member countries for maximise development impact. Additionally, the Bank will forge close working relations with other multilateral development banks (MDBs), international financial institutions and bilateral agencies. It is expected that increased collaboration and partnership in IsDB's development work with other funding agencies will increase the catalytic role of the IsDB, and indeed that of other donors. This strategic reorientation is being translated into a longterm strategic plan that form the basis for the IsDB future operations in member countries.

At Merck Sharp & Dohme (MSD),[1] our passion for research drives everything we do. For more than 100 years, MSD scientists have pioneered innovations for treating diseases from high cholesterol to HIV/AIDS. That record of achievement continues today as we work to develop breakthrough treatments, investing more than $20 billion in the past 10 years to research conditions such as Alzheimer's disease, obesity, diabetes, and cancer.

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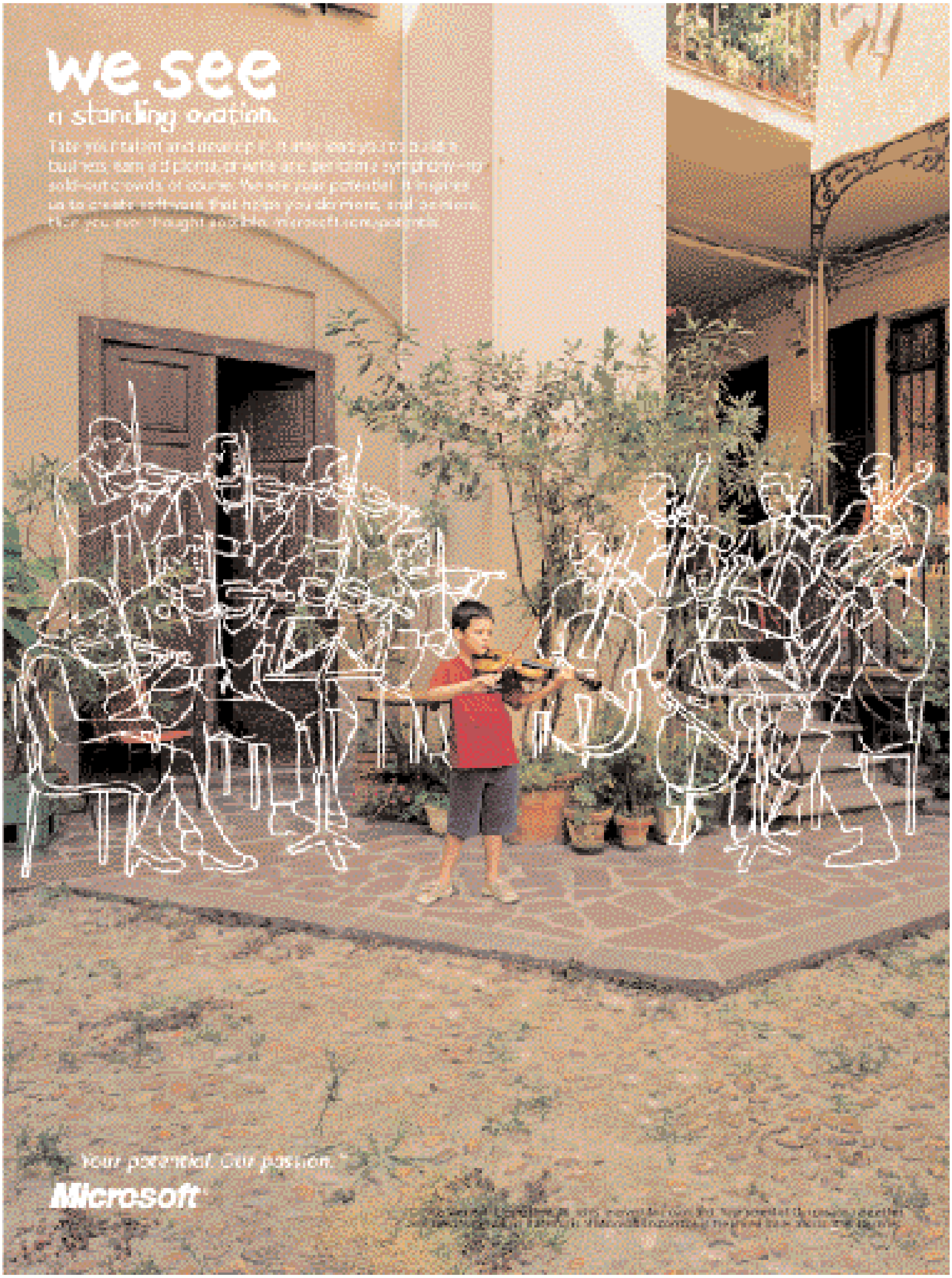
From the fight against river blindness in Africa and Latin America, to our partnership with the government of Botswana and the Bill & Melinda Gates Foundation to tackle Botswana's HIV/AIDS epidemic, to helping low-income patients receive the medicines they need in the U.S., MSD is committed to delivering the best that medicine can offer.

[1] Merck Sharp & Dohme or MSD is the name Merck & Co., Inc., Whitehouse Station, NJ, USA, uses for conducting its business in all countries outside the United States and Canada (except Japan, where Merck operates as Banyu).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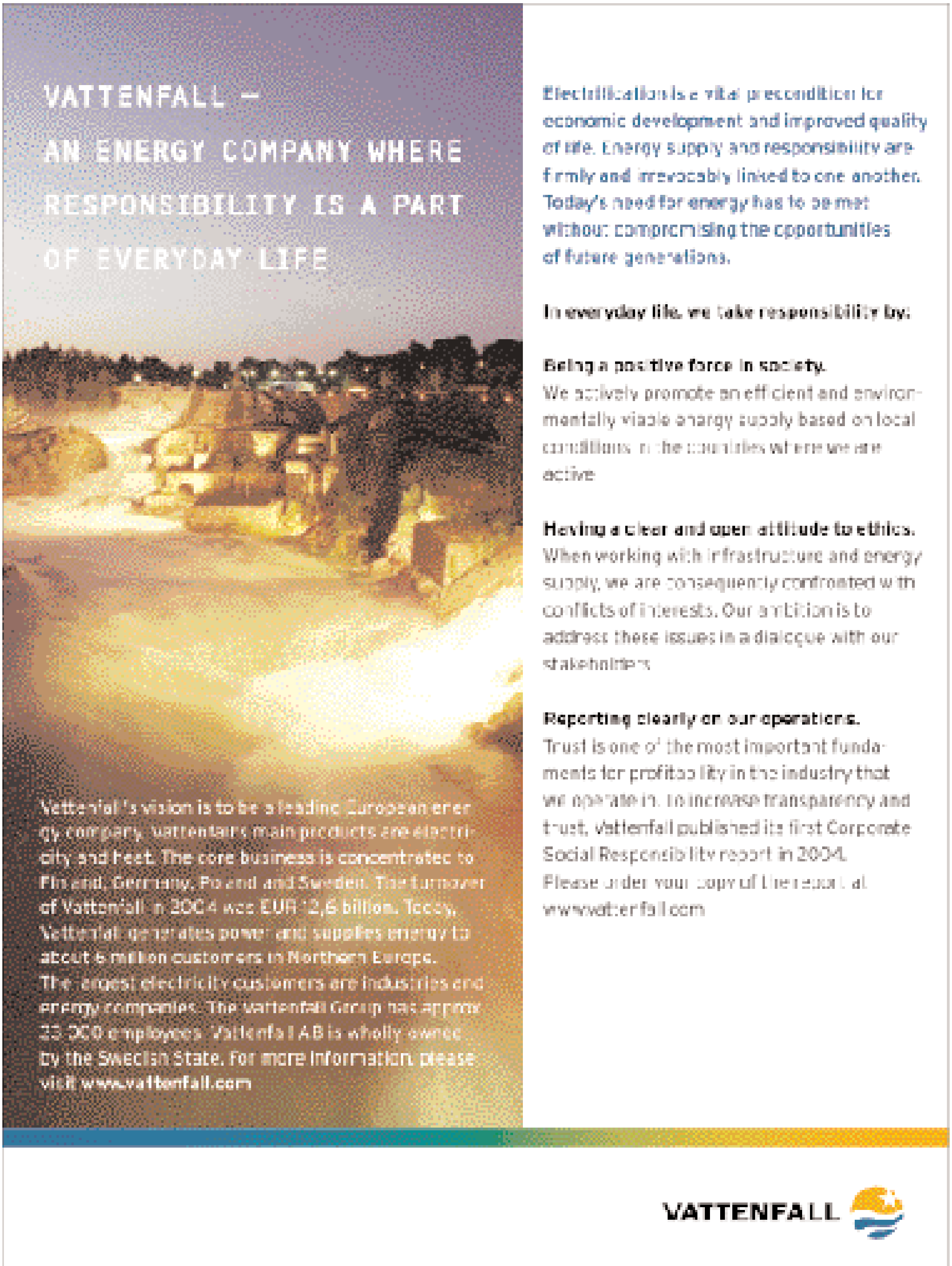
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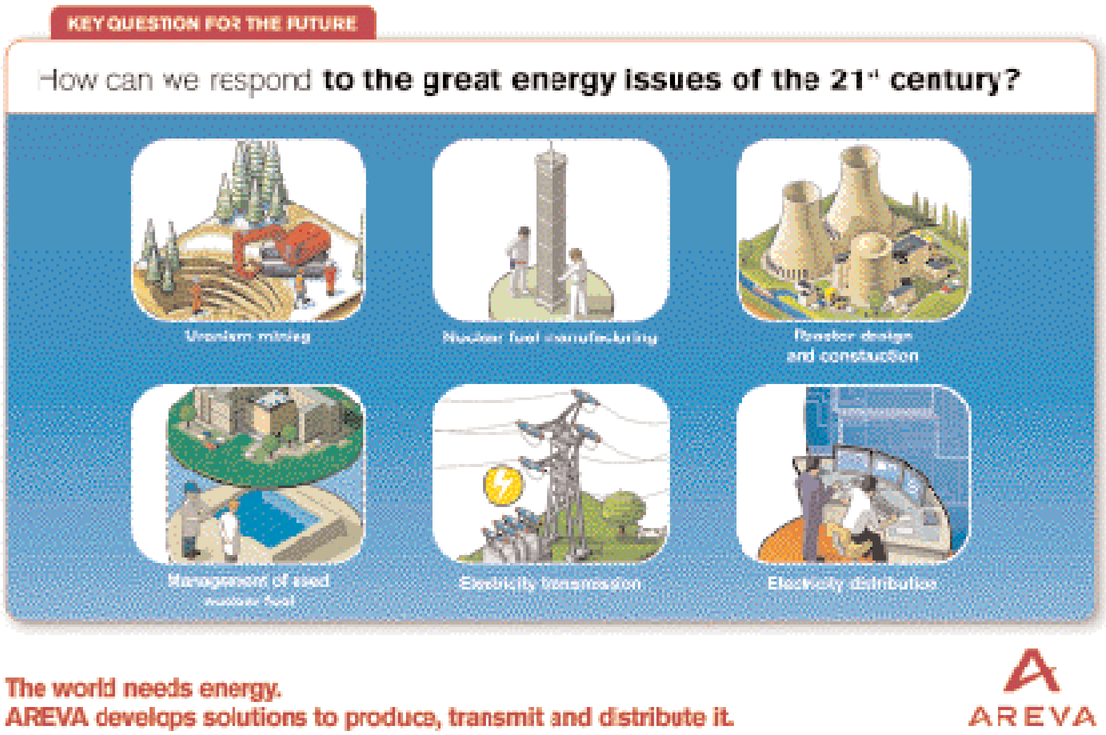

Chung Hua Institution for Economic Research (CIER) was established in July 1981. The CIER deals with economic growth issues, as suggested by the government in its draft of the Financial and Economic Reform Measures. CIER has been the main economic research organization in Chinese Taipei for the past twenty-four years. Research is conducted on domestic and international economics as well as other selected areas of interest. The research results are then provided to the government in support of domestic policy making.

Following Chinese Taipei's accession into the World Trade Organization (WTO) on 1 January 2002, the CIER has been further tasked with the handling of all matters in regards to Chinese Taipei's interaction with the WTO. This includes creating and filling research positions specific to WTO issues, establishing databases, and providing information and guidance to government and private institutions.

In addition to the above services, the CIER's Central Support System employs experts on WTO regulations, and on domestic and International Law for negotiations relating to bilateral and multilateral trade. In both the medium and long term, the Center will work to expand the range of functions it provides. This will likely include publishing books and research articles on relevant issues, providing logistical support for negotiations, and undertaking proactive and mutually beneficial exchanges with other WTO-related organizations.

2 May

Opening Session – Fuelling the Future: Security, Stability, Development

Global Concerns

- *MODERATOR:* **LORD ALAN WATSON OF RICHMOND,** CHAIRMAN EUROPE, BURSON-MARSTELLER
- **DONALD J. JOHNSTON,** SECRETARY-GENERAL, OECD
- **MONA SAHLIN,** MINISTER FOR SUSTAINABLE DEVELOPMENT, SWEDEN

As moderator of the panel, Lord Alan Watson of Richmond addressed the Forum, a condensed version of which is set out below.

According to Lord Watson, George Meredith once said that "as the future has not yet been born, we should refrain from baptising it". But it has never been more important to attempt to discern the future, because achieving security, stability and development requires much hard work.

One key aspect of the future is the spiralling demand for energy – something like 45% of the recent increase in demand for energy comes from just two countries, the United States and China. China's demand for energy is transforming global demand. While China's industrialisation is beneficial for both China and the world, it strains all our resources as never before.

So the question is: what will this do to the price of oil? What will the oil price do to everything else? What will this do to the environment? What will it do in terms of our search for energy sources other than fossil fuels? Could we be standing on the brink of an entirely new generation, the generation of nuclear power? And what controversy will that give rise to? And also, of course, what will that do to the gap between rich and poor?

This gap between rich and poor is the second point that I would quickly like to address. OECD Forum 2005 is one of the earlier dates of this year where these issues are going to be discussed. Other dates are of course the G8 in July, the United Nations Summit in September and the WTO Ministerial in December. But, ladies and gentlemen, if both energy and poverty are to be addressed this year, two things are clear. Both China and India must be brought within the circle of decision-making in the G8. And secondly, the United States must think over Kyoto again.

In April of this year, I found myself in Lexington, Virginia, where I was asked to give a lecture in the George C. Marshall Hall at the Virginia Military establishment, which was his *Alma Mater*. I was thus moved to look at the exact words that George C. Marshall had used in the famous speech which gave birth to the Marshall plan. In one passage he said, "it is almost impossible for Americans to imagine the conditions that prevail in Europe, to grasp and understand the destruction, the despair, the poverty, the disarray. The obligation of our own power requires that we, Americans, do something about this, that we do not discuss but that we act".

Like George Marshall, we must understand and we must act in time by tackling the debilitating reality of poverty, and by bending all of our human ingenuity to using efficiently and sustainably our increasingly scarce and disappearing resources.

Donald J. Johnston made an opening address to the Forum, a condensed version of which is set out below:

It is a great pleasure for me to welcome each and every one of you to this 2005 edition of the OECD Forum.

The Forum is a very important event in the life of the OECD. It brings together business and labour leaders, civil society

Donald J. Johnston

personalities, government ministers and leaders of international organisations to discuss the key issues on the agenda of the annual OECD Ministerial meeting. This enables a broad range of interest groups in our society to contribute to the deliberations of OECD ministers and to work together to reap the full benefits of globalisation.

Under the theme of "Fuelling the Future: Security, Stability, Development", the Forum will deal with some of the most important challenges on the international agenda. I would like to offer a few comments on some of these challenges.

Energy, and particularly oil prices, has returned to the headlines over the last year or so. This has reminded us all that energy-related issues represent one of the biggest challenges facing the world in the 21st century. We know that global energy demand is rising dramatically, especially in developing countries. Thus, a massive investment of some $16 trillion is needed to ensure secure and stable supplies to meet what the IEA forecasts will be a 60% increase in primary energy demand between 2002 and 2030. To give that astronomical figure some perspective, the required investment is roughly equivalent to one and a half times the size of the entire US economy, or about $2 500 for each inhabitant currently on this earth.

How to ensure that sufficient investment will be forthcoming? Many issues are involved, such as the need for greater geo-political stability, and sound regulatory and corporate governance policies in producer countries. Many of these producer countries are found in the Middle East and North Africa region (MENA), and I am happy that these countries have asked the OECD to work with them in a new initiative which seeks to strengthen public governance in the MENA countries, as well as to improve the attractiveness of the region for investors by addressing such areas as taxation, corporate governance, investment promotion and the transparency of investment policies. This is a good example of how the OECD can help countries advance towards their economic development goals by drawing on the OECD processes of monitoring and peer review.

Many scientists tell us that greenhouse gases in the atmosphere, especially CO_2, are approaching a threshold beyond which global warming will be irreversible. Clearly, in addition to putting in place adaptation policies to deal with climate change, we need to find a way of meeting our energy needs while reducing greenhouse gas emissions. Nuclear energy is one element in the future global energy mix for responding to the challenge of climate change.

Many, including the renowned scientist James Lovelock, originator of the Gaia hypothesis, deplore the fact that this technology has been abandoned by

Mona Sahlin

numerous countries. He sees nuclear energy as critical to stop runaway and potentially catastrophic consequences of global warming. I am inclined to accept Lovelock's opinion over those who seem to indulge in wishful thinking rather than face the harsh reality of what is happening to our planet.

The climate will probably change no matter what we do now, but we should, at the very least, make every effort to slow it down so as to permit the world to adapt. Nuclear energy is a critical element. We ignore its importance at our peril.

Nuclear energy may also have an important role to play in securing energy supply for the developing world. To accelerate development in much of the non-OECD world, access to secure sources of energy will be essential and nuclear energy could be a critical element of success in achieving poverty reduction and the long-term development goals of the deprived areas of the planet.

Some five years ago, the international community committed itself to the Millennium Development Goals (MDGs) – development goals relating to fighting poverty, improving education and health, ensuring environment stability and developing global partnerships for development. And while progress is being made towards meeting these goals by 2015, for millions of people and some regions like Africa and the Middle East, progress is just not sufficient. For its part, the OECD is working to help developing countries achieve the MDGs.

Access to energy is also one key element for achieving the MDGs as some 1.6 billion people still have no access to electricity. But the trade negotiations under the Doha Development Round are also of crucial importance. Open trade – promoting both imports and exports – is a powerful engine for economic growth and development. The Doha Declaration places particular attention on the development dimension of trade, and it is vitally important that ambitious market access improvement is achieved in order to realise the potential of trade as a tool for poverty reduction.

The OECD has just completed a study which helps put some of the fears about globalisation in a clearer light. Trade and investment liberalisation can produce substantial increases in GDP for our societies; better prices for consumers; more wealth for investors, producers and wage earners. We also need to recognise that trade liberalisation does incur costs, in particular loss of employment. The impact of trade and capital flows on consumers and workers is central to the debate about the costs and benefits of globalisation. The most visible cost is to traditional sectors that can not compete with imports when tariff protection is removed. This means that low-skilled manufacturing jobs are lost. We need to minimise the human costs through adequate adjustment policies within our societies, so that all can find a productive place for themselves in a "globalised" economy and share its benefits.

Another much talked about concern among many today is the sharp increase in international sourcing of service inputs from abroad (off-shoring and outsourcing). The ongoing debate on outsourcing and off-shoring to developing countries unfortunately neglects many of the benefits. On the whole, by "allowing" a poor country to gain a competitive edge in certain sectors, the rest of the world may well lose ground in those sectors. The direct benefits of international sourcing are currently accruing to countries such as India and the Philippines, which have become highly competitive in business services. But indirect benefits may be realised by most countries, due to lower costs and increased productivity. Consumers may benefit directly from lower prices and indirectly from enhanced efficiency.

I would just like to conclude by saying that some 45 years ago, a group of far-thinking world leaders created the OECD based on the belief that trading goods and services was the path to peace, stability and prosperity, not just for their own members but for the world as a whole. The breadth of vision was astonishing. This becomes clear when you realise that the ideals that inspired them, and which have always been at the heart of the OECD's mission, are just as valid in today's globalised world as they were in 1960.

I would like to wish each and every one of you a very successful Forum. How to respond to the challenges and opportunities of globalisation is an issue for the citizens of all our countries, not just for governments.

Mona Sahlin made a keynote address to the Forum, a condensed version of which is set out below:

It is a great honour for me to welcome you to this OECD Forum and to discuss some of today's most demanding and interesting issues. Two of these are: (i) how do we ensure that the benefits of globalisation can be shared by all; and (ii) how do we build a long-term view of the energy sector that focuses on sustainable development and responds to the challenge of global climate change? Of course, we will not have all the answers to these key issues today. But time is running out and we need to take action.

While we face many challenges when looking ahead, I do believe that it is possible to turn unsustainable trends into sustainable ones. Our vision must be a

Lord Alan Watson of Richmond

sustainable society with a sustainable energy system – that is, an energy system that in the long term is completely based on renewable energy sources. To me, this is the only way for us to take real responsibility for future generations. It is clearly an enormous challenge that will take both time and effort to achieve. But this challenge will be met through new and better products and services that will enter the market. Meeting the challenge will actually be a part of real development, creating better living conditions and contributing to employment as well as to the creation of new companies and economic growth.

A sustainable global society and energy system is our long-term goal, our vision. Many countries have made good progress so far. But stronger commitment and more forceful actions are clearly needed, individually and jointly. I am sure that international collaboration and discussions between stakeholders at events such as this one will contribute to this process.

Obviously, the energy sector has a large impact on the world's environment and climate. But access to energy is also instrumental for economic growth and poverty eradication. We need to ensure that citizens in all parts of the world have adequate and affordable access to energy. We need clean energy for industry and transport, for housing and heating, for production and distribution of food, for healthcare, and for most of the basic human needs. Equal access to energy is also a prerequisite for equality between men and women.

We face an increasing demand for energy for sustainable development. These increasing needs will have to be met in the very near future, but governments will also face the task of global climate change mitigation.

The ambitious market access goals of the Doha Development Agenda are the most effective way to realise the potential of trade as a tool for development, including poverty reduction and sustainable development. The gains from trade will be the largest in sectors where developing countries open their own markets.

But increased trade and investment across borders also bring new challenges for responsible behaviour. For the Swedish government, corporate social responsibility is a decisive part of a development that will help reverse the trend of declining trust in both the business sector and the process of globalisation itself.

Coming back to the energy issue – there must be two parallel paths in the approach to a sustainable energy system. One approach is energy efficiency; the other is renewable energy technology. Energy will always be needed, in the short run as well as in the distant future. In the long term, energy must be supplied in a sustainable way. This means that renewable energy sources must be developed to supply our needs.

More efficient use of energy makes it possible to use less supply to meet demand. Thus, energy efficiency measures will make it possible to depend more on renewable energy sources. International Energy Agency (IEA) analysis clearly demonstrates that energy efficiency measures could help limit our energy demand and our carbon dioxide emissions by 2030. Increased energy efficiency is crucial and we should all increase our efforts in this area. Energy investments are of great importance in this context. The IEA has estimated that meeting global energy demand will require investment of around $16 trillion between now and 2030. If we make the right investment choices we will facilitate the transition into a low-carbon future. If we make the wrong ones, we will be stuck in the past.

Broad research and development efforts are needed to give us the technical solutions for the future. We must commit ourselves, in collaboration with industry, to supporting research and development for a sustainable future. Governments can do more – and so can industry.

In my view, "Fuelling the Future" is about creating development which is sustainable for all countries in the world. I offer these remarks in the hope that they can in some way "fuel our discussions" today and tomorrow here at the OECD Forum. ■

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Roundtable on Investment and Energy

Towards an Energy Road Map

- *MODERATOR:* **PETER KEMP**, EDITOR, *PETROLEUM INTELLIGENCE WEEKLY*
- **DONALD J. JOHNSTON,** SECRETARY-GENERAL, OECD
- **THIERRY DESMAREST**, CHAIRMAN AND CEO, TOTAL
- **MONA SAHLIN,** MINISTER FOR SUSTAINABLE DEVELOPMENT, SWEDEN

With global energy demand rising on a steady curve and environmental pressures building, the coming decades promise to see governments and the private sector struggling to keep pace with the world's energy needs. How to fuel our power-thirsty future, especially in light of new major players joining the ranks of major economies? Should we invest in new technologies? Or try to reduce demand? Or work on improving efficiency? Should we resolve to exploit costly hidden hydrocarbon reserves? Should more countries go nuclear?

The questions are as diverse as the backgrounds and expertise of the various stakeholders participating in this roundtable. But their discussion made one message clear: there is no single solution, source or remedy, and only a multi-faceted approach to solving the world's energy demands can hope to succeed. The trouble is deciding who will draw up that approach.

The magnitude of the increase in demand forecast for the next 25 years is indeed remarkable. To such an extent that even Thierry Desmarest was not convinced that oil supply will be able to keep up with a 50% increase in consumption during this period. With figures from the International Energy Agency (IEA) pointing to a 1.7% per annum increase in global energy consumption, demand for oil, driven by global economic growth propelled ever faster by Chinese and Indian dynamos, may indeed soon pass petroleum's fast-approaching production peak.

Thierry Desmarest pointed out that, in an effort to meet projected energy demand, major oil companies were investing heavily to develop oil and gas supplies. A critical issue, linked to the geopolitical dimension of oil and gas, was nevertheless the possibility for international oil companies to get access to new reserves. Such access remains relatively open for gas projects but more restricted for oil developments. Investments in such oil development must be enough to cover both depletion of currently producing fields as well as incremental demand. Finding enough oil will thus require "new technically complex and very expensive developments", he said. Also, exploitation of non-conventional hydrocarbons, such as very heavy crude previously considered non-economical, will be needed. "I would like to stress that such complex projects are highly capital-intensive and that they require a lot of time, at least five years, to be developed", he warned.

Mona Sahlin and Donald J. Johnston

Thierry Desmarest

Thierry Desmarest's conclusion was common sense: we must look for alternative energies while improving the efficiency of those we have. "The scarcer and more expensive fossil fuels become, the more efficient we will need to be in our use of them. But we must also diversify the sources of primary energy through a larger reliance on renewable sources, such as solar, wind, bio-energies, and also a greater recourse to nuclear energy", he said. He then added that, in addition to alternative energies and improving efficiency, global warming represented a third area requiring urgent attention. "As fossil fuels will remain the main source of primary energy for the foreseeable future, we will need to make a major effort to capture and sequestrate the related greenhouse gas emissions", he concluded.

Mona Sahlin, a firm believer in the potential of renewable resources over the medium term, added that efforts to adapt must be underscored by new relationships of trust between government and industry. In her opinion, government must behave in a more rational, consistent, and market-based, non-distorting manner. Both speakers agreed that greenhouse gas emissions were a major issue to be addressed, and Mona Sahlin stressed that climate change should be seen as not only an environment issue, but an economic one based on "investments, infrastructure, and impact costs".

Another unifying message was that investment should keep energy production in step with global demand if we are to avoid huge, growth-choking price increases. As much as $16 trillion may have to be invested by 2030, the session was told, because finding new sources of fossil fuels and developing the technology to exploit them tends to be capital intensive. Such is the case of Canada's Oil Sands project. However, even Canada's Deputy Minister for Natural Resources, George R. M. Anderson, admitted that the approximate $10 billion price tag makes his country's project "an ambitious goal, a contribution, but not a solution to such a large scale problem". High prices drove the transformation of the energy economy in the 1970s, he said, and this will once again pull governments together to find new solutions.

Production increases, such as those envisioned by Saudi Arabia, play a part in a new global energy strategy. Earlier, Thierry Desmarest had mentioned the urgency of opening Middle East reserves. Mohammad Al Sabban, Senior Economic Advisor to Saudi Arabia's Minister of Petroleum and Mineral Resources, pledged a production increase of 4 million barrels over the next four years. But he also stressed the need for a coherent discourse and policy on the demand side – and recognition of the costs of nuclear power, coal subsidies, and oil taxation in OECD countries. When Peter Kemp called attention to the fact that "OECD governments make more money at the petrol pump than the producing countries do", Donald J. Johnston reminded the audience that he considered taxation as a force that can moderate consumption. He pointed to a common critique of US energy policy, whereby its high consumption of petroleum products can partly be explained by low taxes at the pump.

Lord Alan Watson of Richmond, Chairman Europe, Burson-Marsteller, noted that public opinion was an important dimension to the debate. He said there was a long way to go in preparing public opinion for new energy policies, and avoiding the current dilemma whereby rising prices can lead to public opinion pinning the blame on a potential victim, *e.g.* oil companies, or developing countries such as China or India.

Sir Crispin Tickell, Chancellor of Kent University, agreed that public opinion was key, and urged drawing attention to successful programmes, such as one to achieve energy-efficiency based on new technology and public/private partnerships

Peter Kemp

in the UK borough of Woking. According to one source, the Woking project cut energy consumption by a fifth in five years and resulted in savings to the borough council of nearly £4 million over nine years. Airing such examples could become persuasive tools in encouraging governments and the public to adopt working models on greenhouse gas emissions reduction.

As reflected in the roundtable discussion, a consensus is growing on the need to diversify energy sources – a transformation that implies a substantial reassessment of the role nuclear energy might play. Bertrand Barré, President of the European Nuclear Society, reminded everyone that this century's energy challenge is simple to understand but difficult to meet: “we must increase production significantly while drastically reducing carbon dioxide emissions”. In this respect, he said, “high energy prices may not be such bad news after all”. “In the OECD area”, he added, “nuclear energy alone might not be a solution, but there is no solution without nuclear power”. Rapid shifts in national energy sources are possible, pointed out Christian Stoffaës, Chairman of France's Centre for Future Studies and International Information, who said he was happy to see the nuclear option reappear in US energy debates after years of absence. France and the United Kingdom transformed their primary energy sources to nuclear and gas, respectively, in around 15 years, he commented, asserting that swift diversification is more than possible.

The gravity of the world's energy challenge, and the huge investment that will be required by 2030 to keep up with demand, will require fundamental changes in the way societies view the issue. Noé Van Hulst of the IEA warned of the danger of letting the topic drift from the public eye. In this case, the NIMBY attitude (Not In My Backyard) risks degenerating into a spirit he qualified as BANANA (Build Absolutely Nothing Anywhere Near Anybody).

Padma Desai, Director, Center for Transitional Economies, Columbia University, questioned the wisdom of politically risky energy investment strategies made by both governments and large energy firms. Thierry Desmarest answered that “when you are in this business, you have to accept the political risks associated with it and invest where the resources are located, all the while managing risks where possible”.

Eivind Reiten, President and CEO of Hydro, stated, “failure to meet demand for energy is not an option; we must continue to tell the world, to tell politicians, to tell the public about the magnitude and the time-scale we are up against in order to solve these issues”. Eivind Reiten went on to say that “the issue of sustainability, the issue of public consensus and bringing affordable energy to the third world is not only a political problem, it is a business concern”. He ended on an optimistic message, stating that many mistakes had been made in the past concerning energy projections and that “we have continuously underestimated the pace of technological advances”.

With climate change bubbling to the top of international agendas, and some experts such as Jeremy Webb of *New Scientist* seeing it as the number one problem of the 21st century, we have to recognise that environmentally friendly energy solutions can no longer be had “on the cheap”. Wrapping up the panel's discussion, Jeremy Webb implored governments to agree upon an international roadmap with concrete goals for the years ahead. Do that, he said, and the private sector would surely follow. ■

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Globalisation and Development: French Public Opinion

Challenging Change

- *MODERATOR:* **OLIVIER CHADUTEAU,** MANAGING PARTNER, DAY ONE, FRANCE
- **BRICE TEINTURIER,** DEPUTY DIRECTOR-GENERAL, TNS SOFRES, FRANCE

Olivier Chaduteau and Brice Teinturier

Though the French are known to appreciate the good life, they are remarkably pessimistic about their chances of achieving it through globalisation. This was a key message from the OECD Forum's first session. Brice Teinturier argued that the French are currently world champions in pessimism.

"The French in general consider that they are living better than their parents did", Brice Teinturier said, "but that their children will do worse than them". Drawing on a Sofres study carried out in 2005, he said that 52% of respondents believe their quality of life will worsen in the coming year. Only 4% believe they will improve.

The public's greatest source of anxiety is the country's stubborn unemployment, which has risen above 10%. "The French once believed that politics and politicians could control unemployment. François Mitterrand won the 1981 election on that assumption", Brice Teinturier continued. "He claimed there would never be more than a million unemployed people nationally – and we all know what happened next." Latest figures from the French statistics agency INSEE show there are now 2.8 million unemployed.

Other issues worrying the French when it comes to globalisation include declining purchasing power, pension security in light of reforms, the strains on the public health system and social inequalities. According to Brice Teinturier, the French believe globalisation will only make these problems worse: 75% of them say they fear the effects of globalisation. Only 23% of respondents said they are not afraid. Most of these are young people, those with the highest level of education, and the wealthiest.

"The French perceive globalisation as a force that reduces regulations", Brice Teinturier said, adding that the French would favour a more regulated globalisation, using mediation and arbitration to rein in some of the related negative aspects. This is particularly evident in the case of the environment where 80% of respondents felt more regulation is needed.

Moderator Olivier Chaduteau raised the issue of public trust, noting that politicians and the media score the lowest in that regard. Only 28% of respondents said they trusted members of parliament and only a quarter said they trusted the media. "Does this suggest we are living in a society of doubt, where elites are perceived as conniving together?", he asked.

Trust in public institutions is being eroded, Brice Teinturier emphasised, noting that at the same time, there has been a rise in trust towards citizens' groups, non-governmental and consumer organisations all over the world. "And that is why the French are asking for more regulations", he said, as they believe that rules contribute to a more secure society. "Law is a consequence of fear", he said, quoting British philosopher Thomas Hobbes. "And that means we need the common bonds, the set of common rules that allow society to function."

Olivier Chaduteau noted that rule-setting organisations such as the OECD could have an impact in this area and asked how they could regain public confidence. Brice Teinturier considered that the United Nations enjoys a good reputation in France because it is seen as respecting the rule of law. However, groups such as the OECD and the International Monetary Fund do not enjoy the same level of trust. Some see the OECD as being involved in "removing regulation".

As a result, "the French are not exactly sure what these organisations do", he said, noting that the public does not quite know whether these groups are working for, or against, globalisation. These institutions could start by doing a better job of explaining that they are working towards ensuring more effective international regulations, Olivier Chaduteau suggested. ■

Health and Development

Drugs for Development

- *MODERATOR:* **LISA BRYANT,** JOURNALIST, VOICE OF AMERICA
- **HARRY JEENE,** DIRECTOR, PROGRAMME DEVELOPMENT, AFRICAN MEDICAL AND RESEARCH FOUNDATION
- **KARIM LAOUABDIA,** DIRECTOR, ACCESS TO ESSENTIAL MEDECINES CAMPAIGN, MÉDECINS SANS FRONTIÈRES
- **MARY MALETE,** PRESIDENT, FEDERATION OF UNIONS OF SOUTH AFRICA
- **JULIAN MORRIS,** DIRECTOR, INTERNATIONAL POLICY NETWORK, UNITED KINGDOM
- **PER WOLD-OLSEN,** PRESIDENT, HUMAN HEALTH – EUROPE, MIDDLE EAST AND AFRICA, MERCK & CO., INC.

Per Wold-Olsen

Just as a healthy workforce is essential for economic and social progress, ill-health is a primary cause of underdevelopment. That is why three of the seven Millennium Development Goals (MDGs) aim to improve health in developing countries, notably to halt and reverse the spread of HIV/AIDS and malaria, as well as to cut infant mortality rates by two thirds and maternity mortality rates by three quarters – all by 2015. But as the MDGs will be subject to their first five year review by the United Nations next September, it is increasingly clear that reaching these goals by 2015 will be an uphill struggle. This was the broad consensus reached by this panel, the common thread of which was access to essential medicines. The question of patents, particularly with respect to HIV/ AIDS drugs, was also a central topic of debate.

Harry Jeene and Karim Laouabdia

An animated discussion questioned whether or not the pharmaceutical industry is doing enough to help developing countries gain affordable access to essential drugs and vaccines. Karim Laouabdia called for a “paradigm shift” as it is “unacceptable that the majority of the world’s population has no access to medical advances”. Per Wold-Olsen reviewed a number of recent efforts by his company and others in his industry that are making a difference in people’s lives by enhancing access to medical advances. He mentioned Mectizan, a treatment to prevent river blindness, which Merck distributes free of charge each year to more than 45 million people in 34 countries; in addition, another 25 million people receive free Mectizan to treat lymphatic filariasis in countries where the diseases are co-endemic. Merck also distributes two HIV medicines, Crixivan and Stocrin, at no-profit prices to the poorest countries and those hardest hit by the epidemic.

Karim Laouabdia argued that the trade-related aspects of intellectual property rights that set out “minimum standards” of protection, particularly patents, simply stopped patients in poor countries from accessing life-saving medicines. He added that this, in turn, curtails R&D investment into diseases that do not offer a profitable market. Global rules that affect access and R&D should be driven by health needs, rather than by commercial considerations, he argued.

Per Wold-Olsen highlighted that it takes enormous investment over a long period of time to get new drugs to market, with as much as ten years before the real-life benefits of a patent can actually be seen. To illustrate the risk involved, he mentioned recent efforts by Merck and two other large pharmaceutical companies which had co-operated on the development of a so-called fixed dose combination drug which combined three substances in one

2 May

Mary Malete

pill – a drug which was seen as crucial in the fight against HIV/AIDS. But the drug recently failed stability testing. He also highlighted the dangers of sending poor quality drugs to Africa, as these can cause resistance.

Julian Morris responded to the debate by saying that “it is not constructive to harp on about patents … we need to talk about improving infrastructure … and getting access to medicines”. His sentiment regarding the need for further development of healthcare infrastructure and increased government intervention was echoed by the other members of the panel. For Harry Jeene, “we need to enable Africa to take charge of its own health”. Julian Morris agreed with this view, though he warned that simply boosting wealth will not necessarily lead to wider access to adequate healthcare in developing countries, in part because of bribes, quantity controls, counterfeiting and other problems.

There is a need for a proper system and for trained doctors and nurses to deliver the right care and treatment. But for Mary Malete, this pointed to another problem with improving healthcare infrastructure in developing countries: the “brain-drain”, as educated doctors and nurses leave for more lucrative labour markets. She proposed that a form of “tariff” should be imposed on the country that receives the trained professionals that would help fund healthcare in the country of origin.

The panel agreed that much of the increased spending on healthcare in developing countries tends to accumulate in urban areas, leaving many remote, rural parts short in medical aid. The MDGs revealed other problems. Harry Jeene acknowledged that while the international community had “finally decided on some measures of progress”, most African countries were failing them badly.
He believed the problem was aggravated by a focus by some governments on realising the “easy-to-reach targets”. As Julian Morris put it, “just because they target an MDG, it does not mean they do well”. ■

Sharing the Benefits of Globalisation

Globalisation: Friend or Foe?

- *MODERATOR:* **PHILIPPE MANIÈRE,** DIRECTOR GENERAL, INSTITUT MONTAIGNE, FRANCE
- **LIONEL FONTAGNÉ,** DIRECTOR, CENTRE FOR FUTURE STUDIES AND INTERNATIONAL INFORMATION, FRANCE
- **IRMA A. GÓMEZ CAVAZOS,** ASSISTANT MINISTER FOR ECONOMIC RELATIONS AND INTERNATIONAL CO-OPERATION, MINISTRY OF FOREIGN AFFAIRS, MEXICO
- **JEREMY HOBBS,** EXECUTIVE DIRECTOR, OXFAM INTERNATIONAL
- **CLYDE V. PRESTOWITZ,** PRESIDENT, ECONOMIC STRATEGY INSTITUTE, UNITED STATES

Irma A. Gómez Cavazos and Jeremy Hobbs

Globalisation is by no means a new concept. But is today's accelerated version sustainable, with its expanding wealth, yet widening equalities and social and environmental strains? Do the benefits outweigh the costs and can the widening gaps between rich and poor be reduced? How can development programmes be kept on course, and what is the right mix of economic and social policies to ensure that benefits are both generated and shared?

Lionel Fontagné

According to Clyde V. Prestowitz, one major issue currently dominates all the questions relating to globalisation. "In today's world economy there is just one net buyer, the United States, and all other parts of the world, Asia in particular, are sellers." Global growth thus depends on the fortunes of the US economy at a moment when borrowing in that country is ballooning against a background of rising energy prices and a potential real estate bubble.

"At the same time, Asia is paradoxically saving too much and suppressing consumption in order to boost export-led growth, especially exports to the United States." Asian countries are also lending massively to the United States to ensure that they can continue importing from them. This situation is unsustainable, Clyde V. Prestowitz suggested, having led to a scenario involving a depreciating dollar and a lack of fiscal responsibility.

Irma A. Gómez Cavazos suggested that her own country's experience demonstrated that globalisation could fuel growth, but that it could not, on its own, ensure equitable development. Appropriate social policies and co-operation with other countries were also important to address social issues and exclusion. "We still have a long way to go but we are on the right path." She pointed out that following the opening up of the Mexican economy in the late 1980s and the country's accession to the North American Free Trade Agreement (NAFTA), Mexican exports had increased some 400%, while export activities now accounted for 1.8 million jobs and foreign direct investment for a further 2.1 million.

Replying to a question from the floor, Irma A. Gómez Cavazos admitted that, although many new jobs had been created, some sectors such as agriculture had been left behind and the gap between rich and poor was widening. "Government social policies are helping", she said, but since the government took only 12% of GDP in taxes, this imposed a limit on what could be achieved.

Looking at development and aid issues from a global perspective, Jeremy Hobbs suggested that globalisation had created at least as many losers as winners. Moreover, urgent action was needed if poverty reduction goals were to be achieved by 2015. "Poverty kills more people each week than the Asian tsunami, and the promised increases in development aid is half what rich country protectionist policies cost the developing world." He stressed the importance of eliminating export subsidies and of continued reform of the European Union's common agricultural policy, and saw some hopeful signs, such as renewed cross party support in the United Kingdom for boosting aid and development programmes.

"Do you believe that we can really talk of losers in the globalisation process, or is it just that some have gained more than others", asked Philippe Manière. Jeremy Hobbs argued that "the human costs are too high", pointing by way of example to the loss of income by farmers following the introduction of the NAFTA, and a 40% decline in agricultural incomes in Haiti caused by competition with subsidised US rice. "It is difficult to ask for further trade concessions from developing countries when developed ones are reluctant to make concessions themselves."

Jeremy Hobbs and Clyde V. Prestowitz

Lionel Fontagné remarked that many Europeans were alarmed over the possible effects of globalisation, and more specifically international outsourcing, on job security and social security provision. Economists on the other hand took a less alarmist view, seeing both costs and gains.

Cost differentials do matter, as does the capacity to adjust, he suggested. There was no hope of competing with emerging economy countries on wages or taxes alone. "It is better to promote the knowledge economy and promote institutional reforms in international forums." ■

Book Launch: *OECD Factbook*

Data You Can Use

• **ENRICO GIOVANNINI,** CHIEF STATISTICIAN AND DIRECTOR, STATISTICS DIRECTORATE, OECD

"Without data you are just another person with an opinion."

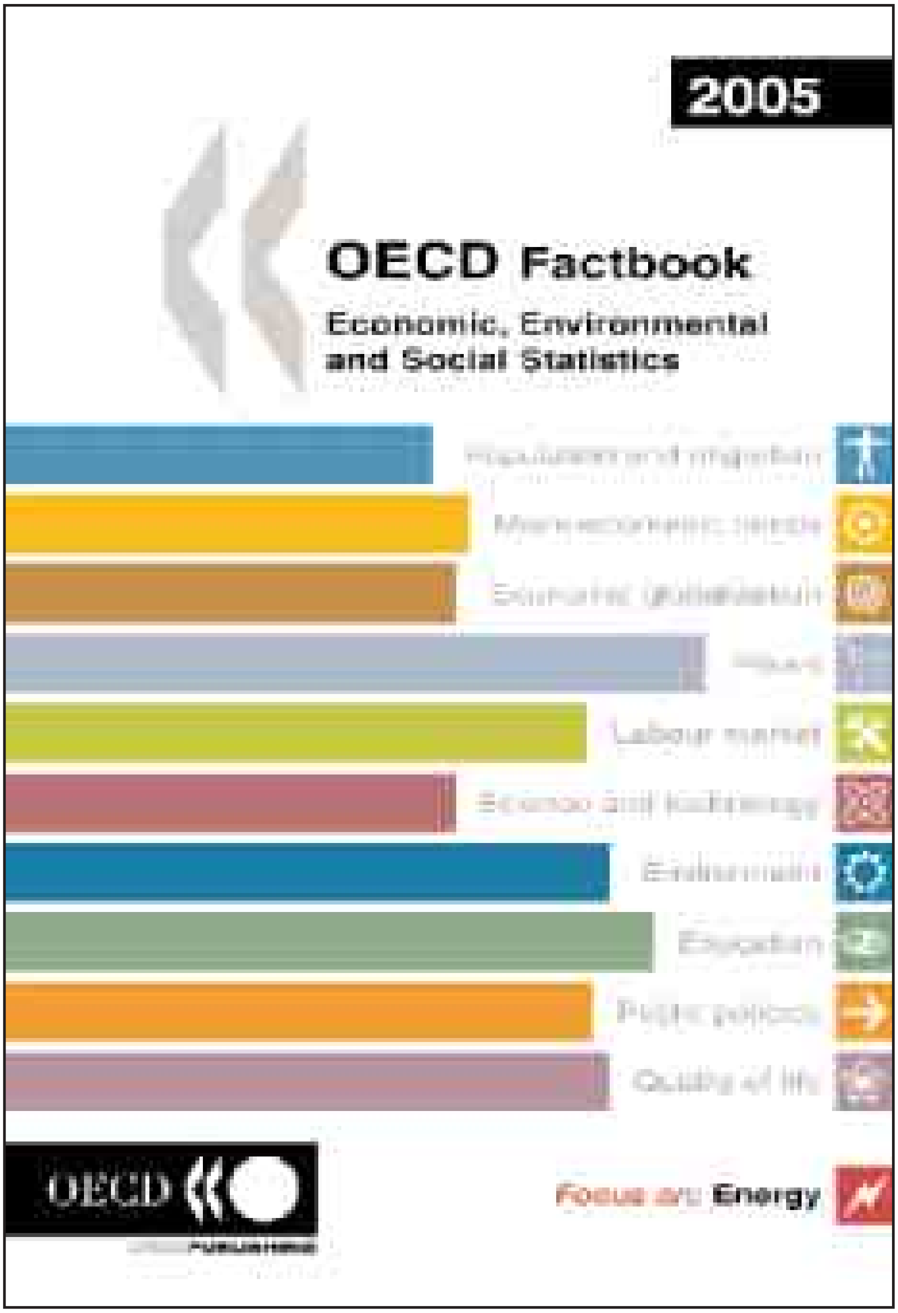
Enrico Giovannini presented the first edition of the *OECD Factbook* which aims to respond to the strong demand for high quality statistical data about the performance of countries.

But data alone were not enough either; figures had to be understood, put in context and in a proper perspective. Enrico Giovannini explained that the *OECD Factbook* is not just a book; nor is it just another bunch of statistics. It is the start of a project, aiming to make statistics more accessible and useful for decision-making. Readers can navigate through a maze of statistical data to access information interactively, by country for instance.

More than 100 indicators covering ten thematic areas, including population and migration, macroeconomic trends, but also environment, education and quality of life are included in this first OECD statistics compendium. Each theme has a two-page spread containing text, tables and graphs highlighting trends that go back ten years. Data are explained, as well as put into context.

The launch edition includes a special focus on energy, which is a central theme of this year's OECD Forum. It also contains the new OECD StatLink technology which connects the pages to excel spreadsheets behind the data which readers can download for free and manipulate for their own needs.

The *OECD Factbook* is available in print and online. The online version (wwww.oecd.org/publications/factbook) has several links to excel files, charts, books and other databases. ■



Making Globalisation Inclusive

Göran Persson, Prime Minister, Sweden

We live in a time where global progress is a real possibility. The world is richer than ever before. Great scientific advances are made in medicine and technology. Many poor agricultural economies have been transformed into rich industrialised, even post-industrial, societies. Political freedom and democratic elections are becoming the norm.

There are good reasons for optimism, even pride. But not for complacency! Human progress should be measured not by the achievements of the most privileged, but by the conditions under which the poorest throughout the world are forced to live.

Globalisation continues to have huge potential for boosting growth, trade, employment and prosperity. We have ample opportunities to advance the objectives that the OECD embodies.

Göran Persson greeted by Donald J. Johnston

But when we look at the effects of the intensified globalisation on the economy over the last one or two decades, we get a mixed picture.

The absolute gap between the richest and the poorest has never been wider. And it continues to grow. So, we see that globalisation provides for a better life for many people around the world. But we also see that its impact differs greatly between regions, economic sectors and individuals. By no means yet is it working for everyone, everywhere.

Our task is to make globalisation inclusive. We must seize the great opportunities that free trade and open markets create for all, while addressing the needs of those who risk being left behind. We must do this globally, as well as in our own countries.

A new OECD study points to the importance of domestic policies for managing the rapid changes that globalisation brings. For society as a whole, the shift of labour into new, more productive areas is of great benefit. But for individuals, these changes can carry great costs.

This is nothing new for an open, trade-oriented country like Sweden. Our economic growth is largely a product of continuous structural adjustment. We have encouraged those changes, and continue to do so. What is new is the pace of change.

Sweden, along with the other Scandinavian countries, has been coping well with globalisation. Sweden, Denmark and Finland are the top three countries within the European Union where the World Economic Forum ranks economic competitiveness.

I believe that the reason why we are doing relatively well is that we have developed policies that facilitate structural adjustment. That enables us to harness the full potential of globalisation.

It is not about protecting old and inefficient sectors. It is about facilitating change for the individual – to build bridges from the old to the new, from the shrinking sectors to the innovative, from the stagnating to the vibrant and growing.

To do so, we must provide people with opportunities to learn new things, to move or to change jobs late in life. And they need secure incomes, in case the unpredictable – an illness, unemployment – strikes.

In a rapidly changing economy, life-long education, a strong social security system and active labour market policies are key assets.

Similarly, it is crucial to give women the same rights, opportunities and pay as men. Parenthood must not be an obstacle to work. And work must not be an obstacle to parenting.

Sweden has one of the highest levels of female labour participation in the world, and one of the highest birth rates within the European Union. Few things are more important to economic and social development than a good demographic structure.

The success of the Scandinavian countries may seem surprising to some, because it is often said that in the era of globalisation, countries with general welfare policies can not be competitive. It is claimed that countries with large public expenditure cannot be successful growth nations.

The development in the Scandinavian countries during the past decade is a powerful argument against this logic. We have strong social security – but a higher level of employment and work force participation than most other countries. We have high public expenditure – but we have had greater economic growth in the past ten years than the OECD average.

We have a large public sector – but there is also a vigorous and expanding business sector that competes successfully in the world market.

That is why I am convinced that the general welfare model is modern and forward-looking. It is not only fair. It can also be a very competitive model in a globalised economy. People who feel secure dare to make changes. But if we leave people alone on the rough seas of globalisation, they might start to view globalisation as a threat.

It can be made a scapegoat, especially in countries with stagnant economies. It could be tempting to blame the forces of globalisation for all problems. That could be a dangerous situation, politically and economically. That is what we must avoid.

The OECD has an important role in this respect. With its superb analytical capacity it plays a key role in getting the facts of globalisation on the table. I hope that we will agree at this ministerial meeting to expand OECD research on the broad spectrum of issues related to globalisation.

I also wish to see an even stronger focus on areas where OECD countries together can show global leadership. One important step is to forge a strategic partnership with non-OECD members. By 2030, China and India might be two of the world's three largest economies. How can we discuss the future of globalisation without having them, and other emerging economic powers, at the table?

Of course, we can not. That is why this year's ministerial will be the most outward-looking so far.

On my way to the Forum this morning, I passed by the exhibition next door on Dag Hammarskjöld, the Swedish former UN Secretary-General. This year, we commemorate the 100th anniversary of his birth. I was reminded of his words: "Never look down to test the ground before taking your next step; only he who keeps his eyes fixed on the far horizon will find the right road."

This is how we must approach the fight against poverty worldwide and for global development. And this is an area where the OECD can show real leadership. Five years ago, world leaders agreed on the Millennium Development Goals. We pledged to cut extreme poverty in half by 2015. That means raising the living standards of 640 million men, women and children from a life-threatening level.

I view the OECD as a vital platform to achieve a sustainable and equitable global development. I consider core OECD issues such as trade, economic development and sustainable development critical for fighting poverty.

Everyone must take responsibility for global development. All government policy areas must contribute to this common goal. One set of measures must not undermine another. Today, we see this happening on an international scale: agricultural subsidies, trade barriers and debt burdens impact badly on development.

My sympathies are with the Africans when they rightly criticise the enormous subsidies to agriculture – amounting to many times the annual level of total official development assistance. It is simply not acceptable that EU agricultural policy costs an average European family some 100 euros a month extra – while at the same time hindering developing countries from getting out of the poverty trap.

We must increase awareness of – and address – such inconsistencies. To successfully fight poverty, our policies must be coherent and mutually supportive. I anticipate that OECD ministers will send a strong message to the September UN Summit on their common contribution to the achievement of the Millennium Development Goals.

We must also address debt relief. Some African countries today spend more on debt service than on health and education. We must address the urgent need to increase official development aid. All rich countries have committed themselves to spending 0.7% of their GNP on development assistance. This pledge has yet to be fulfilled.

The world does not want any more broken promises in this regard. Sweden has proposed a time-table for reaching this goal by 2015, and so has the UN Secretary-General in his recent proposal for bold UN reforms.

In the meantime, we should establish financial solutions to increase the flows of assistance without delay. Trade policy could be our most efficient tool for reaching the Millennium Development Goals. Integrating developing countries fully into

Göran Persson

the world economy will bring us closer to the goal of cutting poverty in half.

Investment in energy is important to promote economic growth. But energy investments are also crucial in order to efficiently combat climate change, one of the greatest global challenges. Energy investments are long-term and will be decisive for the development of our societies throughout a large part of this century. If we make the right choices now, we will facilitate the transition into a low-carbon sustainable future built on renewable resources. If we fail, the necessary reductions will be out of reach.

A few months ago, the Kyoto Protocol became a legally binding treaty. This is an important first step. But we need to press on. We urgently need to start looking at a climate regime beyond 2012 that halts global warming. More countries need to set caps on their emissions of greenhouse gases. This is an area where the OECD countries must lead the way. We are all responsible for our common environment, but more can be asked of the richer countries. We must lead the way in the transition to renewable, clean and energy-efficient technologies.

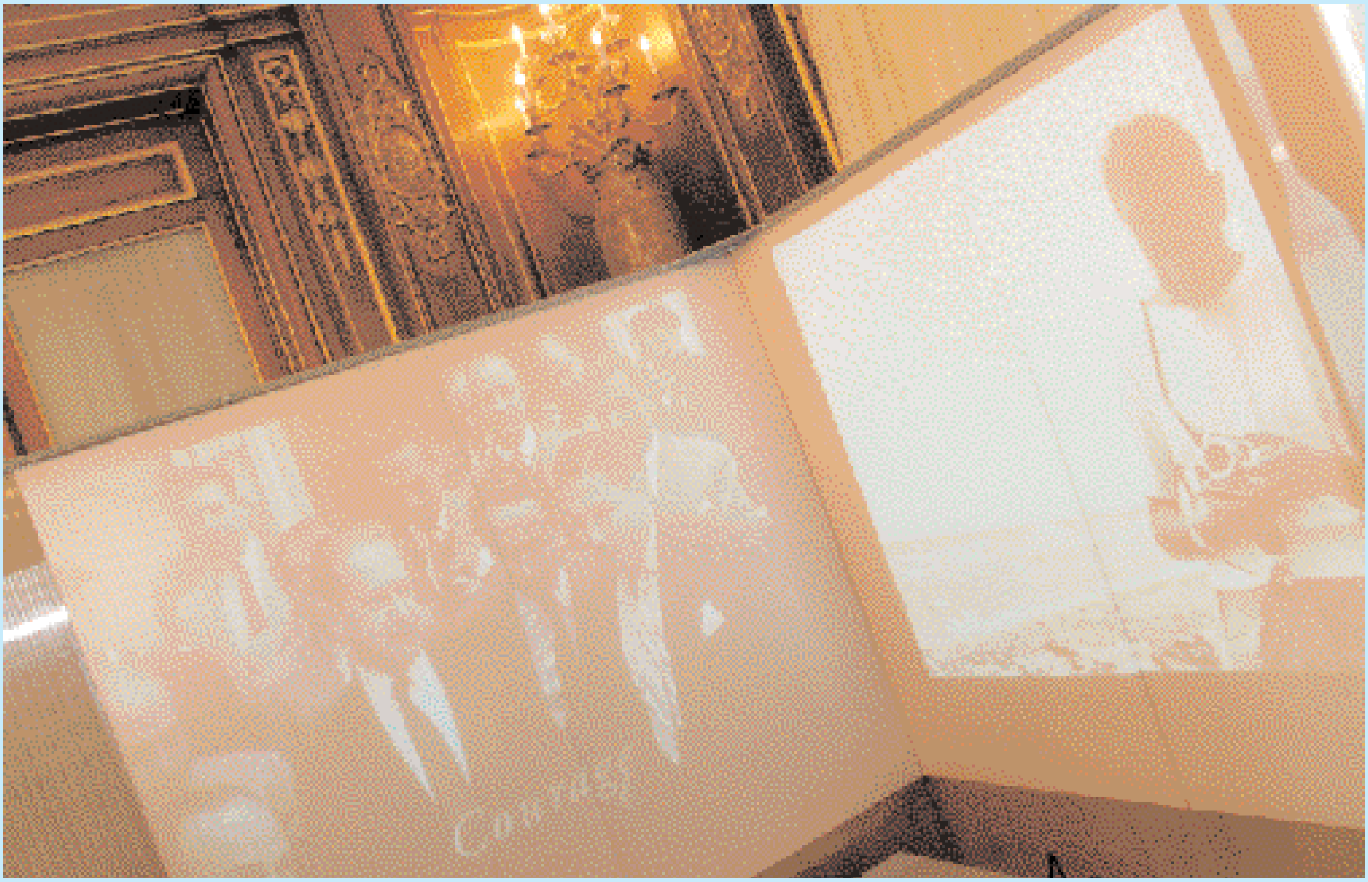
Sustainable development is an economic opportunity, not an obstacle. The search for environment-friendly technologies will trigger innovation and productivity. The markets for such technologies will be huge.

I am convinced that countries that choose to change their unsustainable production and consumption have much to gain. They will have a healthier environment, but they will also promote growth, new business opportunities and job creation.

Here we find part of the solution to the equation between greater economic growth and development that is environmentally and socially sustainable. This is an optimistic view, but I am convinced that it is valid.

How do we meet global energy needs and tackle climate change at the same time? How can trade and investment best contribute to fighting poverty? How can we make the transition to a more sustainable development while fuelling the economy? How can an open economy that uses the potential of globalisation be combined with domestic policies that ensure that no one is left behind?

Those are the key questions for this Forum and for the ministerial meeting later today. They are ambitious. They entail both trade-offs and conflicting interests, and real opportunities. This is politics. This is exciting. Let us not fear the difficult. The future is not decreed by fate. It is people in co-operation that shapes it. The choice is ours. ■



Dag Hammarskjöld exhibition at the Forum

It is Time to Change

Martin Jahn, Deputy Prime Minister, Czech Republic

Martin Jahn

It is a great pleasure and an honour for me to be here today to celebrate the tenth anniversary of the Czech Republic's membership of the OECD. When we became a member of the OECD, it was really a big step in our transformation to a free market economy. We were the first post-communist country to become a member of this prestigious organisation and we really used the expertise of the OECD. We followed the OECD's guidelines to complete the road to a free market economy which culminated last year in our membership of the European Union.

Expansion of the European Union was definitely a major step. It proved to be very successful for both the old and the new member states. For example, our economy is now growing by 4% annually, about twice the euro zone average. Our unemployment is below the EU average, and inflation is close to the EU average. According to OECD statistics, last year we had the third fastest growth of exports in the world. Only China and South Korea grew faster in terms of their exports. Obviously the impact of EU accession is tremendous.

But the Czech Republic is a small open economy and very much dependent on global growth. I strongly believe that we can only be competitive as part of a competitive European Union. And you can only have a competitive European Union if all EU members are competitive. Therefore I would like to tackle some of the issues that Europe has to deal with right now.

The first issue is the single market. That is the reason why we all joined the European Union, but we are still far from having a single market. We need to remove barriers for free movement of labour. We have to liberalise the services market. I very much appreciate the OECD's work which clearly shows that regions and countries which do liberalise trade in services achieve higher growth and employment. I understand that we have to undertake the liberalisation of services in a way that is acceptable for all member states. But this is the key to being a real power in the global economy.

The second issue is environmental protection. I believe that Europe should be a leader, a world leader, in environmental protection. But we can not lead by committing unilaterally to targets that we can hardly achieve, and to targets that seriously hamper the competitiveness of European industry. We should lead by example and by persuading other parts of the world to follow. But making further commitments to CO_2 reductions and new chemicals legislation without undertaking

Constance A. Morella introducing Martin Jahn

Martin Jahn and Constance A. Morella

sound cost/benefit analysis and without ensuring that it does not hamper European competitiveness is not very wise.

The third issue is the distribution of the EU budget. We have to focus EU budgets on research, development and innovation, the priorities of the Lisbon agenda. The fourth issue is also closely connected with the Lisbon agenda, *i.e.* better regulation and simplification of legislation. We have promised a lot, but it is time to act. European businesses are burdened by unnecessary bureaucracy and we have to deliver on promises in this regard, both at the national and Commission level.

The last issue that I would like to raise is the social welfare model in Europe. It is quite obvious that the pension system, the healthcare system and also the labour market policies in their current form are not sustainable, and have to change. I am not saying, and I have never said, that Europe should give up its social model. But it is time to change.

Europe can be a role model in terms of quality of life, or some of the successes of European industry. Being in France, obviously I have to mention Airbus and the successful A380 launch. I am also happy to say that Czech engineers and companies contributed to this success. I can also mention the very successful co-operation between French and Japanese car-makers.

But despite all that, it is time to change, because the world around us is changing, and we have to imagine the unimaginable. For example, 15 years ago it was hard to imagine that the European Union would have 25 members today and that we would be seriously discussing Turkish membership. Fifteen years ago, it was unimaginable that the World Trade Center in New York would no longer exist. Fifteen years ago, you could not imagine that IBM would sell an important part of its operations to a Chinese company in which the Chinese government owns a significant stake. You would not have imagined that Dell computers, which is one of the world's largest computer manufacturers, sources 40% of its components from China.

The world around us is changing, and we have to change too. There are new players on the global market, and it is not only China and India. It is also Brazil, Russia and Ukraine, to mention just a few. This is important for the reform of OECD, but it is also important for the changes in the European Union. We have to ask: what will Europe look like 15 years from now?

I would like to conclude by saying that I think it is absolutely vital that Europe finalises its single market without artificial barriers between the new and the old member states, and that Europe delivers on its promises in the Lisbon strategy. Then, and only then, can Europe benefit from the forces of globalisation and play a significant role in the global economy. I also hope that the OECD will help us recognise, understand and meet these challenges. ■

Jump-Starting Development

Thierry Breton, Minister for the Economy, Finance and Industry, France

Let me begin by reaffirming the convergence of views between Sweden and France, both of which consider the Millennium Development Goals a priority, as is shown by the Task Force on Global Public Goods that we have established jointly and that will soon be presenting its initial thoughts.

The year 2005 is crucial for achieving the Millennium Development Goals. The OECD, the World Bank, the UN Secretary-General and the Economic Commission for Africa have all sounded the alarm, and it is clear that we need a clean break from a policy of gradual adjustment if we are to meet our goals by 2015. At our current rate of progress, the number of people living on less than one dollar a day will not be halved until 2150, and universal primary education will only become a reality in 2130. I could continue to give any number of such examples, but we are all aware of the urgency of the problems.

At the same time, we must not be naïve or hypocritical. Managing the integration of billions of people into the global trading system will be no easy task. And although each of us has rights, each of us must also assume certain responsibilities if we are to ensure that this process takes place in a way that is orderly and positive for all concerned. This is true for developed countries, but also for emerging and developing countries.

Thierry Breton

Fortunately, in 2005 we will have a number of opportunities to co-ordinate our efforts, for we face tensions on many fronts – oil, monetary and broader financial tensions, not to mention tensions in the field of trade. The G8 Summit in July, the UN Summit in September and the WTO Ministerial Conference in Hong Kong in December will provide us with opportunities to work together towards achieving the Millennium Development Goals and keeping the contract that we, the rich countries, made with poor countries at Monterrey, as well as making progress in better regulating globalisation. In this regard, the programme of our meeting very clearly identifies the priority areas in which OECD member countries must make progress, *i.e.* trade and official development assistance. For myself, I would add to that list the urgent need to step up R&D efforts in developed countries, and I do not think that there will be disagreement in this organisation that has worked hard and long on the subject.

France shares the emphasis placed by the OECD on rapid completion of the Doha Round. We must make the concerns of the poorest countries, especially in Africa, the primary objectives for this Round. France is working to ensure the success of the WTO Conference in Hong Kong in December and the completion of the current round of talks in 2006 with a broad-based and balanced outcome.

However, trade liberalisation in the Doha Round is not the cure-all solution for the poorest countries' problems. The World Bank acknowledges that it could have very limited or even negative effects on many low-income countries, especially in Sub-Saharan Africa. We drew the international community's attention to this fact in 2003, when we proposed a trade initiative for Sub-Saharan Africa. In addition to the Doha Round, it is crucial to devise specific solutions to help the poorest countries reap the benefits of trade. I would like to mention three avenues that we are pursuing in France:

- First of all, the developed countries must make a commitment to improving the system of tariff preferences that they grant to the poorest countries. The European Union already provides access without any quotas or customs duties to all exports from the least developed countries as part of its "Anything But Arms" initiative. It would be helpful if all the developed countries followed suit. Developed countries should also commit themselves to simplifying their system of preferential rules of origin, since their complexity is the main reason that these preferential tariffs are not always used.

- Secondly, we should promote the development of South/South trade, by encouraging emerging countries to open up their markets to African products. Today, developed countries are the only ones offering truly preferential access to products from the least developed countries, even though some of the emerging countries could be major export markets for them. I believe this is necessary if we are to have balanced globalisation. Regional integration in Africa also plays a part in developing South/South trade. For this reason, Economic Partnership Agreements between the European Union and African regional groups will be a powerful tool for development.

- Finally, France is in favour of increasing "Aid for Trade" to help developing countries reap real benefits from trade liberalisation. But we must bear in mind that capacity building is not enough to offset the risks that liberalisation will create for some developing countries, especially those that benefit from tariff preferences or that are importers of agricultural products. We need to discuss measures to help these countries adjust.

Integration into international trade is no doubt a necessary condition for development but it is not the only one. A number of poor countries have fallen into poverty traps and cannot escape from them without stable and predictable outside financial support. It is up to us rich countries to provide them with the resources they need to achieve the goals that they have set in their Poverty Reduction Strategies.

The 2004 figures from the OECD's Development Assistance Committee (DAC) are encouraging in this regard.

Thierry Breton and Donald J. Johnston

Between 1999 and 2004, official development assistance increased by 20 billion euros, but OECD countries are still far from living up to their part of the contract. Development financing still falls far short of the needs and absorption capacities of poor countries. The World Bank estimates that they need an additional $50 billion per year and Jeffrey Sachs puts the figure at $70 billion.

The simplest solution would be to increase even more rapidly the budgetary resources allocated for this purpose. The European Union assumes its responsibilities in this field. Four member states already devote 0.7% of their GNI to official development assistance. Seven others have made commitments to join them, including France. Today, 0.42% of our GNI is devoted to development. We have decided to reach 0.5% of GNI by 2007 and 0.7% by 2012. Nevertheless, our effort in this field is still insufficient.

This is why France supports the adoption of innovative financing mechanisms:

- We are working with the United Kingdom on an international finance facility for immunisation.

- We are also working on other international contributions. France, Germany, Spain, Brazil and Chile brought up several possibilities in the framework of the quadripartite group. In light of the analysis conducted by the World Bank and the IMF, we can focus our efforts on those that seem most promising, such as contributions levied on air transport. The technical procedures for implementing these levies, especially at the regional level, need to be examined carefully.

Universal participation is not indispensable, even though it would serve the interest of development, as more resources would be raised. This should be our ultimate goal, but in the short term, progress can be made with the participation of a smaller group of countries. This is why France and Germany have proposed creating an international levy on air transport to finance the fight against HIV/AIDS.

Thierry Breton, Donald J. Johnston and Göran Persson

A levy on air transport makes economic sense, as underscored by the report prepared by the World Bank. In fact, the level of taxation on this sector is lower than on other means of transport. Several options seem to be technically feasible. A levy on airline tickets could be easily introduced and there are no legal obstacles. In the countries that choose not to participate, there could be voluntary participation.

This pilot project is intended to set an example. France wants to use it to show the value added that international solidarity levies can contribute to providing stable and continuing resources to developing countries. This pilot project would complement very effectively the IFF pilot project for immunisation. Several countries have already indicated that they would be willing to join us, such as Spain. An agreement on this pilot project might be reached as early as the meeting of UN finance ministers at the end of June. I would like to add that, in a globalised world in which global public goods are playing a growing role, the global financing of these goods is becoming a central issue and will have to be addressed at the UN General Assembly in September.

I would like to conclude by saying a few words about the other major contribution that developed countries can make to developing countries, namely, strong and stable growth that will enable us to absorb their exports.

In this regard, the emergence of a stronger, more integrated and more democratic Europe, with a strengthened economic executive, will naturally act as a pole of stability conducive to the sound management of globalisation.

However, all of us, both here in Europe and in the other developed countries, know that to achieve lasting growth we must meet two major challenges in the years to come:

- The first is competition with emerging economies in which wages are lower. This requires us to specialise in activities with high innovation content. R&D expenditure and innovation are the keys to this challenge, for they will promote creativity and the renewal of markets. The future competitiveness of our economies in developed countries can only be ensured through strong policy commitment and major R&D investments.
- What is more, because of the retirement of the post-war generations and low population growth, the future growth of our “rich” economies will depend more than ever on productivity gains. As you well know, these gains can only be achieved through innovation and, consequently, through a significant increase in our R&D expenditure.

As a former manager of several large high-tech companies, I am particularly aware of these issues and I can assure you that the French government is determined to meet these two challenges, in co-operation with our European partners in the framework of the Lisbon Strategy.

In 2003, R&D spending in France amounted to 2.2% of GDP, still short of the government’s objective, as set out in the Lisbon Strategy, of 3% of GDP by 2010, with 2% financed by the private sector. Even though we are making rapid progress, we also lag behind a number of countries, such as Finland, Japan, Sweden, and the United States.

For my part, I see two areas on which France must focus in the near term:

- With public R&D expenditure at 0.9% of GDP, we are close to the quantitative target. However, we must take steps to ensure that this expenditure is used more effectively, particularly in public research. This will mean forging closer ties between public researchers and the private sector, which is more a matter of changing attitudes than of increasing financial incentives.
- Private spending, on the other hand, stands at 1.2% of GDP, so this ratio must be raised rapidly. In my view, this can best be achieved by creating the most favourable possible economic and tax environment, but also by stepping up public-private exchanges and by ensuring that the smallest companies, which are potentially highly innovative, have access to outside financing. This is not always easy for them to find, since innovation is by nature a risky activity. I intend to propose a status of “young innovative enterprise” that should make it easier to finance innovation in small companies. ■

Creative Societies, Dynamic Economies

Globalisation and Culture: Just Entertainment?

- *MODERATOR:* **ALAN RIDING,** JOURNALIST, *NEW YORK TIMES*
- **ANNE GARRIGUE,** DEPUTY SECRETARY-GENERAL, ASIA PRESSE CLUB, FRANCE
- **HAROLD HYMAN,** FOREIGN POLICY EXPERT, RADIO CLASSIQUE, FRANCE
- **SUSAN NAPIER,** MITSUBISHI PROFESSOR OF JAPANESE STUDIES, UNIVERSITY OF TEXAS, UNITED STATES
- **TSUTOMU SUGIURA,** DIRECTOR, MARUBENI RESEARCH INSTITUTE, JAPAN

Susan Napier

Can a new “cultural globalisation” save struggling capitalist economies? The *Creative Societies, Dynamic Economies* panel seemed to think so, at least if Japan’s recent record is a reference. Tsutomu Sugiura led the discussion, describing Japan as a successful example of how a country can boost its economy by investing in creative resources and exporting its cultural output.

“Capital power is not enough for us to compete successfully in the globalised world”, stated Tsutomu Sugiura. “The most important resources for our society today are ideas and the creativity of workers.” For Tsutomu Sugiura, this is more than idealistic rhetoric. Despite a decade-long recession, the export of Japan’s contemporary popular culture has tripled, becoming a global dynamic force. Culture-related products were booming, he added. Even the pharmaceutical sector had a cultural orientation which helped explain its high profits, he claimed, emphasising a correlation between cultural proclivity and market returns.

Of course, one of the most important elements in Japanese exports of late has been the global popularity of its animation, not just video games, but relatively new forms like *anime* and *manga*. “About half of Japanese film and cinema studio’s output is animated, comprising a far wider range of works than conventional animation culture in the West”, said Susan Napier, adding that not all of these are made for children either. “*Anime* offers something different from Hollywood cinema”, she said.

Harold Hyman remarked that the Japanese had set up a mini-boom by overcoming

Tsutomu Sugiura

what he saw as an earlier lack of creativity, alluding to Japan's post-war industrial expansion. Playing devil's advocate, Harold Hyman wondered what concrete proposals could emerge from the discussion. He asked his fellow panellists whether they would favour appointing a Minister of *Manga*, for instance.

Anne Garrigue pointed out that it was not only an export of Japanese animation, but a spreading of Asian culture. "There are signs of this everywhere", she said, referring to the current banality of formerly exotic imports such as feng shui, yoga, acupuncture and sushi. "Ten years ago, no one knew what shiatsu was!" Anne Garrigue argued that globalisation has resulted in a cross-breeding of cultures where we pick and choose the bits that we like and adapt them. Zen is now a mass phenomenon, used in a way that is not used in Japan, such as a zen guide to cleaning your closet.

At times there seemed to be some confusion in the discussion between culture and entertainment, just as between expression and business. "We have to define culture", says Tsutomu Sugiura. "Anything that enriches human life is culture." According to Tsutomu Sugiura, every country has an equal chance of becoming a leading actor in the cultural world. "There are no superpowers when it comes to culture", he says, explaining that the new society of "culturalism" will supersede capitalism with the increasing importance of talented people, capturing people's attention, and knowledge or creativity.

The panel agreed that creativity could become a driving force in global economies and societies, not least in business, but at times the discussion left the dividing lines between entertainment business and cultural development of the 21st century rather blurred. While the popularity of Japanese culture might partially be a counter-reaction to American cultural domination, or as Anne Garrigue put it, "an interest in older cultures that have historic depth", moderator Alan Riding raised the concern that Japan's *anime* and *manga* could themselves be seen as simply another cultural imperialism, with all the same trappings of mass consumption and popular mania. Anne Garrigue confirmed that this seemed to be the view in China, where *mangas* are not always available on the open market.

A final concern from the floor pointed to the danger of a "creative divide" since the technology needed for animation and creativity was not available to everyone, eventually resulting in the bulk of creative output on the market coming from large corporations in wealthy countries. Susan Napier replied that the social adhesion of the *anime* and *manga* fan base alone would bring people together and encourage a mix of cultures. Those in the room who felt that today's expanding global culture could not be explained satisfactorily by a fascination with Japanese entertainment exports remained unconvinced. ■

Anne Garrigue

Unlocking the World's Energy Potential

Back to the Energy Future

- *MODERATOR:* **EMMANUEL LECHYPRE,** ASSOCIATE EDITOR, *L'EXPANSION*, FRANCE
- **DAVID L. AARON,** DIRECTOR, CENTRE FOR MIDDLE EAST PUBLIC POLICY, RAND CORPORATION
- **PADMA DESAI,** DIRECTOR, CENTER FOR TRANSITIONAL ECONOMIES, COLUMBIA UNIVERSITY, UNITED STATES
- **DULAT KUANYSHEV,** AMBASSADOR OF KAZAKHSTAN TO FRANCE
- **EIVIND REITEN,** PRESIDENT AND CEO, HYDRO

With world energy demand expected to jump 60% by 2030 and the limits of fossil fuel reserves starting to make themselves felt in the marketplace, the world energy industry faces a testing future. The industry has no choice but to come up with new solutions on the one hand, and improve the sustainability of current energy sources on the other. Competition for resources is intensifying, while suppliers are themselves becoming more demanding. What concrete steps can be taken?

Padma Desai said she expected "demand to continue to creep higher in the coming years". In addition, the business environment is evolving – "oil companies just can not operate the way they did in the old days". She mentioned Venezuela which was adapting its negotiation position to include social and educational clauses in oil contracts. Indian and Chinese oil purchasing companies, run by state agencies, "are ready to cater for new strategies like these", she said, but more traditional oil companies are simply not used to this kind of agreement.

Dulat Kuanyshev and Eivind Reiten

Eivind Reiten agreed that a new *modus operandi* needs to emerge within the oil and gas industry, with a focus on technological innovation. "We stand at a unique and critical moment in time", he said. Demand is increasing, the energy is becoming more difficult to discover and environmental constraints are getting more challenging. To illustrate his point, Eivind Reiten referred to the giant Ormen Lange gas field, located 120 km from Norway's North coast. The field is about a kilometre deep, in sub-zero temperatures and in the middle of strong currents. Despite the extreme conditions, Hydro hopes to make this field profitable. When full production is reached, it is expected to meet 20% of British demand.

"Only ten years ago, it would have been inconceivable to deliver gas in this way", Eivind Reiten said, arguing that oil companies have to make vast new investments in technology to ensure the supply of the future. “Some people have said the world is not running out of oil; but the world is running out of patience with oil companies”, he remarked, adding that with prices and energy company profits at a record high, the industry has no excuse not to invest in new drilling and extraction technologies.

Dulat Kuanyshev presented the point of view of a relatively new, but active player in the energy industry. In 2004, Kazakhstan gas exports exceeded one million barrels per day, but that figure is expected to triple by 2015. “Today it is Kazakhstan’s turn to face the challenge of countries that find oil.” He argued that by diversifying the economy they could overcome the oil curse that so often afflicts countries because the discovery and development of a natural resource can crowd out other local industries, making them less competitive as the value of the local currency rises.

One task is to develop upstream and downstream activities in an effort to become more than just a supplier of raw materials. Since the country is landlocked, Kazakhstan has also been working on developing new ways of delivering its oil and gas to customers. The BTC pipeline, which links Baku, Tbilisi and Ceyhan, is in discussion. A Southern option that could pass through Iran, is also being considered, Dulat Kuanyshev noted, and a pipeline to Western China should be finished by the end of 2005.

David L. Aaron

Eivind Reiten

David L. Aaron focused on the security and stability issues that cloud the industry’s outlook. “We are significantly dependent on the part of the world that is the most unstable at the current time.” The Venezuelan example shows that even stable sources may want to renegotiate their contracts. However, uncertainties are not limited to the supply side. High demand from countries such as China and India will intensify the market competition for resources. The United States has virtually “discarded” its energy conservation policy, he argued, by favouring tax breaks for Sports Utility Vehicles over electric cars.

For David L. Aaron, nuclear energy represents an essential source in a diversified energy policy and is key to developing other, “greener” technologies such as fuel cells. “But environmentalists still need to be convinced that nuclear energy can make positive contribution to the environment”, he warned. Furthermore, “nuclear waste requires a technological breakthrough and that remains a major problem”.

In the end, the world’s countries are all in the same boat when it comes to energy. That means we need to develop coordinated and concrete strategies to deal with issues like waste and proliferation, and “not fight over the deck chairs on the Titanic”, David L. Aaron concluded. ■

Europe's Economy: Which Way to Lisbon?

Re-energising Europe

- *MODERATOR:* **PIERRE ROUSSELIN,** VICE-DIRECTOR, EDITORIAL DEPARTMENT FOR INTERNATIONAL AFFAIRS, *LE FIGARO,* FRANCE
- **JEAN-PHILIPPE COTIS,** CHIEF ECONOMIST, OECD
- **STEFAN LÖFVEN,** DEPUTY PRESIDENT, THE SWEDISH METALWORKERS' UNION
- **HAMISH McRAE,** ASSOCIATE EDITOR, *THE INDEPENDENT*, UNITED KINGDOM
- **JOHN MONKS,** GENERAL SECRETARY, EUROPEAN TRADE UNION CONFEDERATION
- **MARIA JOÃO RODRIGUES,** PRESIDENT, EUROPEAN COMMISSION'S ADVISORY GROUP FOR SOCIAL SCIENCES
- **JAN-HOST SCHMIDT,** DIRECTOR, DIRECTORATE FOR ECONOMIC AND FINANCIAL AFFAIRS, EUROPEAN COMMISSION

Five years ago, at a European Council meeting in Lisbon, the European Union launched an ambitious plan to become the most competitive and dynamic economy in the world by 2010. The goal, no less, was to overtake the US economy as the world's leading "knowledge-based" economy. Now, in mid-route, the European Union seems to have lost its way, posited the moderator, Pierre Rousselin. Is there still time to recover the lost ground?

Jean-Philippe Cotis recalled the mood of confidence pervading Europe in the wake of the successful launch of the euro in 1999 and the Lisbon Agenda in 2000, and how that confidence has now given way to disenchantment. That said, he distinguished clearly between developments in the main economies of continental Europe, and those of the Anglo-Saxon world and Scandinavia. He identified Europe's low rate of labour participation, caused in large part by costly policies to encourage early retirement, as one of the region's main economic problems.

Jean-Philippe Cotis warned that Europeans have now little room for policy manoeuvre in the event of an exchange rate or oil price shock and that several governments are now tempted to "throw out the baby with the bath water", alluding to growing opposition to European integration and globalisation. He proposed a "new code of conduct" for Europe, based on two main principles. First, Europe must avoid grandiose objectives, which create unrealistic expectations and ultimately generate disappointment. And second, national governments must assume political responsibility for the reform process outlined in Lisbon and stop hiding behind Brussels. The principle of services liberalisation must also be reaffirmed, as well as more emphasis placed on measures to stimulate demand.

Stefan Löfven agreed that Europe needs higher growth, but that growth should not be an end in itself. The objectives of the Lisbon strategy remain valid, but can only be attained if we acknowledge that growth and social cohesion are mutually dependent. He highlighted the rapid changes affecting the world economy, and the need for Europe to both reposition itself and upgrade existing economic activities. Governments must guarantee core labour rights on a global basis, and must ensure that the gains from future growth are fairly distributed. He defended the right of workers to work less, but in exchange for renouncing wage increases.

Hamish McRae was optimistic about Europe, but pessimistic about the Lisbon

Hamish McRae

John Monks and Maria João Rodrigues

process. The whole process, he argued, has been too top-down, marked by too much official rhetoric about investment in research and development, and human capital, and too few initiatives to dismantle barriers to entrepreneurs or to explore the potential of new tax regimes.

In Hamish McRae's opinion, Europe has two options. One, it can ignore the Lisbon Agenda, refocus policies on more concrete objectives, and "tell people to loosen up and spend more". Or two, the European Union can try to become an enabling and promoting organisation, particularly in key technology areas and higher education. He provocatively suggested that the European Union should consider abandoning efforts to boost co-ordination among universities and promote competition instead. To resolve its education problems, the European Union must first understand them. And to do this, it must identify the reasons why so many educated Europeans now emigrate to Anglo-Saxon countries, where they are making a vital contribution to the dynamism and success of these economies.

John Monks warned that it was not only trade unions that opposed unfettered economic liberalisation, but also ordinary people and democracy itself. He acknowledged that growth is too slow, but argued that reform must take "the high road", and focus on promoting innovation, creativity and, most importantly, investment. He called for better employment services, good social benefits, and measures to address the negative demographic trends affecting Europe. The limited countercyclical capacity of Europe's Growth and Stability Pact makes it now "obsolete". He called for measures to boost confidence and demand, including "maybe a little more inflation". The premature retirement of workers has its origins in the labour culture of the 1970s, and the desire by employers to replace old workers, but admits that this culture must now change.

Maria João Rodrigues strongly defended the Lisbon Agenda, although she acknowledged that "bottlenecks" had appeared. This was mainly a problem at national level which, she was confident, would soon be resolved. In October, national parliaments will begin debating domestic programmes to implement, and hopefully revitalise, the Lisbon strategy. In the next phase, she called for the creation of "partnerships for change" at national level. The emphasis must be put on fostering innovation, life-long learning and increasing total employment.

Jan-Host Schmidt said people should not despair, but outlined a rather gloomy future if Europe failed to tackle its problems of growth and jobs. "Without reform, we can not sustain our welfare state" – this means increasing the number of people in the labour market and extending working life. Nordic countries accepted this reality. He also highlighted the lack of "ownership" as a major weakness of the Lisbon Agenda, but expected this to be addressed by national reform programmes.

Finally, from the floor, Mario Baldassarri, Italy's Deputy Minister of Economy and Finance, suggested that the conference session should have been entitled "Europe's economy: No Way to Lisbon". He claimed that everyone agreed on the need for innovation, high technology and structural reforms, but that we should not have to undertake these reforms with inappropriate macroeconomic policy.

Several questions from the floor sought to draw attention to a perceived lack of progress in liberalising European economies. Ann Mettler, of the Lisbon Council, spoke of a division between policy makers and real entrepreneurs.
The European Union has no partners for change; it is discussing reform with firms and agents with vested interests. "How can there be progress without people who want change? It is no wonder that over 400 000 European science and technology graduates are now working in the United States." ■

Jan-Host Schmidt

Financing for Development

Not Just a Matter of Aid

- *MODERATOR:* **RICHARD MANNING,** CHAIR, OECD DEVELOPMENT ASSISTANCE COMMITTEE
- **AHMAD MOHAMED ALI,** PRESIDENT, ISLAMIC DEVELOPMENT BANK
- **JAGDISH BHAGWATI,** PROFESSOR OF ECONOMICS, COLUMBIA UNIVERSITY, UNITED STATES
- **RUTH JACOBY,** DIRECTOR-GENERAL FOR INTERNATIONAL DEVELOPMENT CO-OPERATION, MINISTRY OF FOREIGN AFFAIRS, SWEDEN
- **MASAHIRO KAWAI,** PROFESSOR OF ECONOMICS, INSTITUTE OF SOCIAL SCIENCE, UNIVERSITY OF TOKYO, JAPAN
- **GUNVOR KRONMAN,** CHAIRPERSON, DEVELOPMENT POLICY COMMITTEE, FINLAND

Ahmad Mohamed Ali

"Spring is in the air for aid", said Jagdish Bhagwati. This, however, was the sole note of cheery optimism in this session. Despite increases in global aid and boosted global efforts to focus on the needs of developing countries, the number of people surviving on less than $1 a day also continues to swell. This trend is far from encouraging as the deadline for the Millennium Development Goals (MDGs) approaches. Development policies rely heavily on aid and have not yet proven effective. New methods of financing development are clearly necessary, as are increased trade, stronger institutions and a greater effort by rich nations to invest for development.

Ruth Jacoby and Masahiro Kawai

Gunvor Kronman pointed out that only about 70% of all aid pledged actually comes through. She added that despite official development assistance (ODA) reaching record highs of nearly $80 billion last year, an additional $50 billion will be needed annually in order to achieve MDGs by the target date of 2015.

"Freedom from want, freedom from fear and freedom to live in dignity".* Ruth Jacoby quoted the three UN cornerstones for global development but simultaneously reminded those present that time was ticking away towards the September UN summit, which will review progress on the MDGs. She noted that development is a shared responsibility between both developed and developing countries, and reiterated that the Monterrey Consensus of March 2002 called for freer trade, more foreign investment,

* See UN (2005), *In Larger Freedom: Towards Development, Security and Human Rights for All*, Report of the Secretary-General, available at www.un.org.

Jagdish Bhagwati

debt relief and efficient government fundamentals as pre-requisites to realising the MDGs.

Gunvor Kronman said that faster and more significant debt relief was needed, pointing out that aid is currently used largely to service existing debts. She suggested that "full cancellation of the debt of poor countries is now politically feasible, economically necessary and socially responsible". She then went on to say that any hope of approaching the projected MDG targets by 2015 will require a series of new initiatives and pointed to three sources of financing: i) the International Finance Facility put forward by the United Kingdom; ii) various international taxes including the much debated Tobin tax on speculative international capital flows; and iii) global premium bonds that act as a high-rate savings bond whose proceeds could be channelled to an MDG-related global fund.

Ahmad Mohamed Ali agreed that, with just a decade to go, Africa's hopes of achieving the MDGs looked unlikely. He admitted that progress has been made in some areas, but health, one of the most crucial, was not among them. He suggested "ploughing money into developing vaccines as an alternative way of meeting a part of the development goals", an approach which would also help those countries that receive larger sums of aid than they are able to absorb.

He went on to cite some of the initiatives that the Islamic Development Bank had implemented to help its members work towards achieving their MDGs (23 of the bank's 55 members are among the world's least developed countries). A common thread was the need for greater collective involvement. Indeed, he stated, the eradication of poverty will require the full participation and co-ordination of the international community.

Masahiro Kawai also felt that better co-ordination was needed among donors. Too many small-scale donors were causing considerable difficulties for recipient countries, particularly in terms of the cost of handling and managing projects. Collective participation would greatly reduce the time, efforts and duplication. He mentioned that lessons could be learned from recent progress made in the Mekong area which had opened up to trade and investment, in particular with its neighbours, had "beefed up" infrastructure and had taken direct responsibility for development.

Many panellists cited capacity building, particularly through training, as a way of unlocking local potential and ensuring that developing countries share the responsibility for using aid efficiently. But Ahmad Mohamed Ali warned that this should not be seen as a panacea to all ills, adding that brain-drain is frequently a problem in these countries.

Other clear messages that came to the fore included the need to avoid tying aid to contracts or suppliers from donor countries; better policy coherence domestically and internationally; and greater co-ordination within the international community and between donors. ■

Global Energy Mix

Nuclear Energy: a Serious Option?

- *MODERATOR:* **JEREMY WEBB,** EDITOR, *NEW SCIENTIST*, UNITED KINGDOM
- **PIERRE GADONNEIX,** CHAIRMAN AND CEO, EDF
- **DONALD J. JOHNSTON,** SECRETARY-GENERAL, OECD
- **ANNE LAUVERGEON,** CHAIR OF THE EXECUTIVE BOARD, AREVA
- **BRUNO REBELLE,** INTERNATIONAL PROGRAMME DIRECTOR, GREENPEACE INTERNATIONAL
- **SIR CRISPIN TICKELL,** CHANCELLOR, KENT UNIVERSITY, UNITED KINGDOM

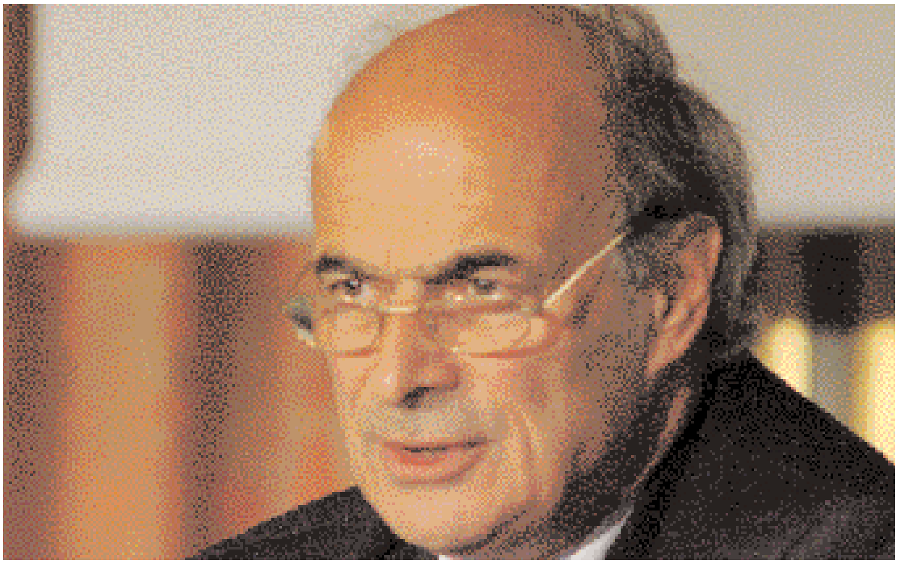
"We have a major problem over energy", warned Sir Crispin Tickell, thus setting the tone of the debate on this critical topic. "Although I welcome the rising gas and oil prices as a deterrent to the use of fossil fuels, there is an ever-increasing need for fossil-fuel alternatives as the world's population rises." He alluded to nuclear power as a shadow in the debates of the OECD Forum 2005, "Fuelling the Future".

But this lively panel debate put nuclear energy centre-stage, addressing its pros and cons, and above all attempting to clarify the role of nuclear power in the global energy mix. The debate presented the spectrum of the nuclear debate, from nuclear power companies to Greenpeace. Yet the panellists agreed that there exists a strong need to find and implement alternative energies, especially renewable ones.

Sir Crispin Tickell briefly summed up some of the major arguments for and against nuclear power. Positives include no carbon emissions, safer management, and new technologies that have emerged within the nuclear industry. More familiar perhaps are the arguments against it which include radioactive waste disposal, decommissioning of old plants, safety issues, proliferation and uranium supply. Justifying the costs of financing nuclear projects over other projects is another challenge, particularly given frequent public opposition to this energy source.

The main gap that Sir Crispin Tickell identified lies in having a realistic idea of what energies cost. He called for a critical costing exercise to establish exactly how much different sources really cost.

Developing new technologies is the key, according to Pierre Gadonneix, especially as rising prices of energy sources that are low on reserves can only help make alternative energies even more worthwhile. Electricity,



Pierre Gadonneix

2 May

Sir Crispin Tickell

in particular, is attractive to producers because it provides them with choices, Pierre Gadonneix said. It can be produced from various sources; it can tie into sun, water, or wind, for example. As for nuclear sources, he confirmed that prices are competitive with those of fossil fuels. But above all, there is one way forward. "Our first resource should be our capacity of innovation", Pierre Gadonneix said.

Bruno Rebelle was less convinced, cautioning that even if there is not much nuclear waste, there is still too much of it. He insisted that nuclear energy brings only marginal gains on carbon emissions, and that it is a costly form of energy. Further, he pointed out that uranium resources would be depleted over the next 70 years, and advocated large investments in renewable resources instead of continuing to invest in fossil fuels or nuclear options.

"We must look at facts honestly", said Anne Lauvergeon. She said that in the face of climate change, a swelling global population and growth in the developing world, nuclear power must play a role in the global energy mix; ruling it out is certainly not an option. The recent decision to build a new reactor in Europe demonstrates the economic case, she said. She also pointed out that uranium will be available for much more than 70 years provided that prices are high enough to warrant extraction. In that time, new resources, conventional and unconventional, will become increasingly available.

Anne Lauvergeon agreed that waste is seen as a problem for the public, but that "significant progress has been made in dealing with it". This year, a serious debate will be held in France on the issue. "Yes, waste has built up in France, but only a small amount." She mentioned Finland, where stakeholders have agreed on a waste storage solution in an area of dense, stable granite where the waste will be held and monitored over time. In addition to competitive nuclear power, Anne Lauvergeon also called for energy savings, renewables, cleaner transport, hybrid cars, fuel cells, clean coal, etc., as well as for a global and fact-based model to find the right balance of energies for the world.

Donald J. Johnston who said he "grew up in an era of 'Atoms for Peace'", warned that we will soon hit a ceiling with the amount of carbon dioxide particles in the air. This will lead to an inevitable change in the environment. Our only hope is to slow it down, and nuclear energy has a role to play as a bridging technology. But it is also a "proven technology", and it is time to put public fears about it to rest.

"What kind of international regulatory framework can we have, which tackles proliferation, while running the plants correctly and safely?" continued Donald J. Johnston, agreeing with Sir Crispin Tickell that climate change is one of our greatest challenges today. Considering what he called the "minimalist solutions" proposed by the Kyoto treaty for slowing carbon dioxide emissions, he asked Sir Crispin Tickell: "Are we too late?" Sir Crispin Tickell replied by saying that we need to put the problem into perspective and suggested, tongue-in-cheek, to offer a special super-prize to reward those who found answers to the disposal of nuclear waste. "We need to opt for technology", he said.

While most agreed that the global energy mix depends on circumstances, Bruno Rebelle insisted that non-proliferation was a primary issue which demanded strict rules and safety guidelines to be adopted by those countries wishing to operate a plant.

Panel moderator Jeremy Webb concluded that, although nuclear energy was important, all panellists, for and against nuclear energy, agreed that it was not a total solution. There is a need for rational tests and a democratic debate to engage the public and bring people on board. "That is the only way nuclear power will become widely acceptable", he said. In the meantime, Jeremy Webb recommended heavy investment in research into other alternatives as a critical step. ■

Anne Lauvergeon

Shaping Public Opinion on Globalisation and Development: Role of the Media

The Global Medium and the Message

- *MODERATOR:* **OLIVIER CHADUTEAU,** MANAGING PARTNER, DAY ONE, FRANCE
- **THIERRY GUERRIER,** DEPUTY DIRECTOR, FRANCE INFO
- **JAN LUND,** FOREIGN POLICY EDITOR, *MORGENAVISEN JYLLANDS-POSTEN*, DENMARK
- **IBRAHIM SEAGA SHAW,** CORRESPONDENT IN FRANCE, *AFRICA WEEK MAGAZINE*, UNITED KINGDOM

Ibrahim Seaga Shaw

In an increasingly globalised world, where people have instant access to countless sources of information, how do we define the goals and responsibilities of any individual media outlet? Olivier Chaduteau opened by asking the three panellists if they perceived a serious crisis in the media.

"I do not see a crisis", responded Jan Lund, who instead preferred to look at the increase in media channels and the ever-growing importance of the Internet as new challenges. "Our big challenge is credibility – people will not listen to you unless you are telling them the truth. And if you are not, they will find it just a mouse-click away." Jan Lund attributed the fall of the iron curtain to television, explaining that the media in the Soviet bloc could no longer hide or manipulate the truth once the people had access to Western television. "It was no longer possible to lie to them."

"On the whole, I tend to be optimistic", said Thierry Guerrier, who preferred to describe the current state of the media as a "mutation" rather than a "media crisis". He characterised today's listeners as demanding sceptics. "When the demand for coverage of events like terrorist crises is not met by the media, the listeners become sceptical, and they go elsewhere", he said.

Ibrahim Seaga Shaw, who clearly felt that the media were not doing enough, sided with these demanding audiences. "Globalisation has helped the media, but the media are not working hard enough to give explanations", he said. "There has been less and less interpretation of news." He cited the media's lack of political context when reporting on poverty in Africa. "No one mentions the lack of free trade between Africa and Europe."

This turned the focus of the debate onto the educational role of the media. Jan Lund did not think it was possible for today's media to educate its audiences. "In this new world we communicate more than ever, but we have lost the monopoly on news", he said. "We have to be more informative, not educational", he insisted. "You can not make the reader stay because they can go somewhere else."

Jan Lund agreed with Olivier Chaduteau's question of whether readers, with news resources available from around the world, could educate themselves. "Yes, they find out what they need or want to know. We can not shove it down their throats, so we have short stories and also more in-depth stories. But it is harder today to shape public opinion."

This viewpoint was challenged from the floor. "The media need to raise issues and define the agenda", and while the media are not training institutes, the way in which the media define problems is "fundamental".

"I agree", countered Jan Lund, "but from a European perspective, we no longer have monopolies – there are no more State-run newspapers or TV stations". People want "news you can use", he summed up with a decidedly commercial touch.

Thierry Guerrier took a more middle-of-the-road stance, saying that in radio they try to give the listeners more clues. He described his radio station as "an agent in decision-making". "We know the

Jan Lund

competition is international with the Web, for better or worse, and so there is a need for vigour and vitality and, an increase in the number of sources of information."

Thierry Guerrier stated that France Info regularly sent their own journalists to places like Brazil or Togo to cover stories first-hand, something that not all radio stations did.

Olivier Chaduteau picked up on the theme of independent reporting, or rather a lack thereof. "Media tend to move together at the same time on the same stories, without analysis", he said, citing as an example the stereotypically negative stories on Africa that tend to focus too heavily on the negative aspects, such as AIDS and conflict.

Ibrahim Seaga Shaw challenged the other panellists – it is not enough to ask "where, when, what happened", but journalists also need to ask "why". "It is not enough to show images that provoke people to send aid", he insisted, "but to educate the readers and give the news some context".

Thierry Guerrier summed up by declaring that while the media had work to do,

Thierry Guerrier

perspective was needed. "Feelings and emotions are key to the way in which we present the news and how we provide accounts of events", he concluded. ■

Between sessions ...

Corporate Social Responsibility

Good Company

- *MODERATOR:* **ALISON MAITLAND,** MANAGEMENT WRITER, *FINANCIAL TIMES*
- **GIOVANNI DAVERIO,** DIRECTOR GENERAL FOR FAMILY, SOCIAL AFFAIRS AND CORPORATE RESPONSIBILITY, MINISTRY OF LABOUR AND SOCIAL AFFAIRS, ITALY
- **YVES-THIBAULT DE SILGUY,** SENIOR EXECUTIVE VICE-PRESIDENT, SUEZ
- **PATRICIA FEENEY,** EXECUTIVE DIRECTOR, RIGHTS AND ACCOUNTABILITY IN DEVELOPMENT, UNITED KINGDOM
- **THOMAS ÖSTROS,** MINISTER OF INDUSTRY AND TRADE, SWEDEN
- **FRITZ VERZETNISCH,** PRESIDENT, ÖGB – AUSTRIAN FEDERATION OF TRADE UNIONS

Thomas Östros

Business behaviour is improving, but there is still much to be done. That was the key message of this lively debate. Corner-cutting on social, environmental and ethical standards – especially in the developing world – has been one way some multinational companies have traditionally tried to get ahead of the competition. But today the ideals of sustainable development and corporate responsibility are slowly imposing themselves, at the very least on the discourse level. And disseminating these principles through communication and peer pressure, such as principles espoused by organisations like the OECD, has helped their advance towards becoming societal norms.

Yves-Thibault de Silguy

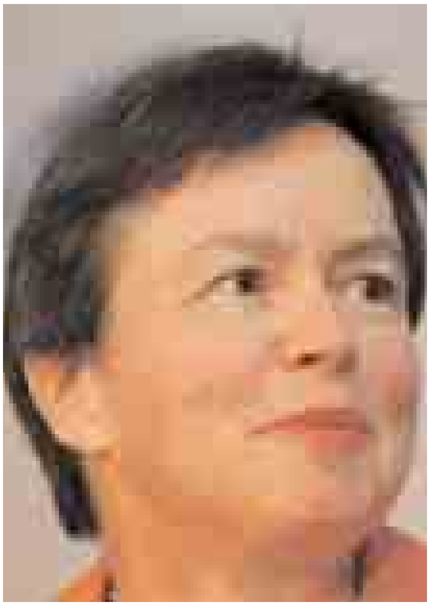
Is this approach tough enough? Thomas Östros pointed out that attempting to introduce corporate social responsibility (CSR) into international law, for instance, would be at best a sluggish process – and could open the door to protectionism. A non-judicial approach is better. The OECD Guidelines for Multinational Enterprises (MNE) go beyond discourse – they were designed to be a common reference point for consensus-building between employers, employees, civil society and governments. Among the tools for developing a culture of corporate social responsibility, they are a benchmark to which stakeholders the world over can refer.

A self-declared free trade advocate, Thomas Östros thought that the OECD

Guidelines should be strengthened, such as by building in stronger solidarity with developing countries. While he recognised that wages and labour regulation vary across the globe, certain standards – such as the right for labour to organise, and the prohibition of extreme forms of child labour – are universal and can not be lowered. "ILO core standards are good guidelines," he said, "but rules and wages have to be adapted to local customs." And on the domestic level, CSR means "having measures so people feel safe as we restructure our economies".

Yves-Thibault de Silguy said that his company's reputation was based on the public's perception of how it handles sustainable development and CSR. "Economic, environmental, social, and ethical concerns are all essential elements of today's corporate culture", he said, adding that "while the need for CSR is universal, solutions are local". He stressed the need for private-public partnership to advance the agenda, presenting some successful SUEZ's projects in France as an example.

Yves-Thibault de Silguy then explained the modern corporate's best approach to CSR:



Alison Maitland

Giovanni Daverio

"Today, one must cease to have a defensive attitude towards CSR. Success in addressing the challenges of sustainable development means thinking in terms of opportunities rather than in terms of constraints."

Keeping in step with Yves-Thibault de Silguy's emphasis on domestic concerns, **Giovanni Daverio** said that his country had taken steps to address CSR issues for small and medium enterprises (SMEs). To avoid government expenditure increases, the Italian plan promotes self assessment, while encouraging SMEs to adopt cost-free CSR policies communicated via local chambers of commerce. In order to do this, Giovanni Daverio calls for "developing indicators to assess company performance". His ministry has been working with the University of Milan to develop such CSR indicators to rate company performance. "Companies should be able to praise themselves for what they have done regarding CSR", he said.

But CSR is more than just a domestic issue, **Fritz Verzetnisch** reminded the panel. He said that one way to work towards CSR is by promoting the same labour standards worldwide. "We must work toward improving compliance with OECD Guidelines, and peer pressure is not enough", he said. "Governments should make compliance a requirement for access to export credits, and we should also tackle the issue globally by addressing the supply chain."

The OECD MNE Guidelines were drawn up with exactly this global level in mind, and **Patricia Feeney** brought them back to the forefront of discussion. She described the Guidelines as a useful benchmark because they: i) are very broad; ii) engage countries responsible for 70% of global foreign direct investment; iii) are backed by governments; iv) contain complaint mechanisms; and v) are good for finding boundaries. But the lack of human rights provisions in the guidelines is a drawback, she said, especially with regard to investment guidelines for conflict zones. In general, the MNE Guidelines' network of national contact points is making significant progress because they help in changing company behaviour. But the process should be further developed to better deal with the waves of corporate lawyers now involved in arbitrating cases. ■

Patricia Feeney

Development and Information Technology

Information World

- *MODERATOR:* **TOR TOLSTRUP,** COMMENTATOR, *MORGENAVISEN JYLLANDS-POSTEN*, DENMARK
- **JEAN-PHILIPPE COURTOIS,** CEO, MICROSOFT EUROPE, MIDDLE EAST AND AFRICA
- **WILLIAM J. DRAKE,** PRESIDENT, COMPUTER PROFESSIONALS FOR SOCIAL RESPONSIBILITY
- **MODY GUIRO,** SECRETARY-GENERAL, SENEGAL NATIONAL CONFEDERATION OF WORKERS
- **MALEDH MARRAKCHI,** GENERAL DIRECTOR, MINISTRY OF COMMUNICATION TECHNOLOGIES, TUNISIA
- **L. MARTIN VAN DER MANDELE,** PRESIDENT, RAND EUROPE

Remember the digital divide? Since the e-bubble burst and with leading minds now focused on the likes of trade, energy and climate change, public debate about the haves and have-nots in technology has diminished. But has the divide? "No", according to participants in this panel.

Information technologies (IT) can eliminate the constraints of distance and remoteness and spread knowledge, data, images and sounds instantly around the world. Yet many in developing countries and elsewhere still fear that the IT revolution will widen the yawning gap between rich and poor.

How can IT drive development instead of aggravating inequalities? What can business do to boost the deployment of such technologies throughout the developing world? And what is the proper role of governments and intergovernmental organisations in this complex and rapidly-moving sector? Tor Tolstrup asked whether it is fair and realistic to assume that IT will serve as a tool of development or if it will simply highlight the divide between developed and developing countries.

Maledh Marrakchi and L. Martin van der Mandele

According to L. Martin van der Mandele, IT is already a great enabler of progress in developing and emerging countries. He pointed in particular to the use of advanced mobile telephony including broadband connections which allow access to the Internet without having to install fixed links to homes. "Four major multinationals are investing in this sector in Africa, and one company alone is pouring in $750 million. The capital is available", he asserted. "There really is no digital divide. If a divide exists at all, it is a generational one."

Speaking about the business contribution, Jean-Philippe Courtois stressed the importance of adopting a long-term stance. By way of example, he cited Microsoft's partnership approach that involved

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Tor Tolstrup and Jean-Philippe Courtois

delivering innovative solutions, fostering economic development and public-private initiatives, building local capabilities, and facilitating trust and predictability. Specific instances included producing a mobile refugee registration kit during the Kosovo crisis, helping local vendors in developing countries to promote their turn-key solutions and establishing a training platform for local IT industries in the Middle East.

Jean-Philippe Courtois said that companies wishing to play a role in closing the digital divide must follow a series of basic rules. He pointed out that, over the years, Microsoft has "learned to rely on five key pillars", namely: i) matching solutions to real problems; ii) focusing on growth; iii) enabling government reforms through public/private partnerships; iv) building long-lasting capabilities through IT education and training; and v) doing this in a consistent and prolonged manner that breeds trust and predictability.

By way of contrast, Mody Guiro considered that the burgeoning information and communications revolution was exacerbating existing inequalities. "How can you talk about developing IT in a country where half the population is illiterate", he asked rhetorically. Moreover, he felt that by underpinning outsourcing strategies, the new technologies were encouraging businesses to act like 19th century capitalists, only this time by exploiting workers using their brains rather than their muscles. At the same time, education and culture were being turned into global marketable products.

Mody Guiro acknowledged nonetheless that these developments could not be rolled back – "we need to engage in dialogue about how to manage this revolution and how to set up appropriate structures to fight against exclusion."

Tor Tolstrup believed that while IT could highlight the gap between rich and poor, it also had a key role to play in growth and development.

Maledh Marrakchi illustrated how wide the gap still was by noting that 96% of Internet servers were located in industrialised countries that represented a mere 16% of total world population. In some developed countries, half the population was connected to the Internet, whereas in Africa only one citizen out of every 250 enjoyed such a connection. Industrialised countries and multinational corporations could and should play a major role to ensure that the developing world benefits from IT. This would be to the advantage of everyone.

So far as the overall role of governments and intergovernmental organisations was concerned, L. Martin van der Mandele believed that they could contribute most positively by helping to develop competencies, enabling entrepreneurship and limiting their regulatory intervention to a few necessary items such as protection of intellectual property rights, privacy and Internet abuse.

William J. Drake emphasised the importance of IT and Internet governance for developing countries – "if you read some of the press reports you will get the impression that the UN is trying to take over the Internet, but this is not what is really going on." He went on to explain that governments in many developing countries were concerned because they felt that they were not allowed to participate adequately in discussions about governance arrangements, and that decisions were made by industrialised country governments and the private sector without attention being paid to their interests.

"North-South divisions on Internet governance produced a stalemate that almost wrecked the first phase of the World Summit on the Information Society (WSIS)", William J. Drake continued. A working party has been established to overcome this deadlock, and it now seems likely that a new forum will be established to address IT governance on a broader basis. Proposals will be brought forward to replace the US-based ICANN (Internet Corporation for Assigned Names and Numbers) with a new body that includes enhanced government representation – "intense discussions still lie ahead". ■

Mody Guiro

Climate Change and Energy

No Silver Bullets

- *MODERATOR:* **SPENCER REISS,** CONTRIBUTING EDITOR, *WIRED MAGAZINE*, UNITED STATES
- **MOHAMMAD AL SABBAN,** SENIOR ECONOMIC ADVISOR TO THE MINISTER OF PETROLEUM AND MINERAL RESOURCES, SAUDI ARABIA
- **CORRADO CLINI,** DIRECTOR GENERAL, MINISTRY FOR ENVIRONMENT AND TERRITORY, ITALY
- **EYSTEIN GJELSVIK,** DEPUTY HEAD, ECONOMIC AND SOCIAL AFFAIRS DEPARTMENT, NORWEGIAN CONFEDERATION OF TRADE UNIONS
- **LARS G. JOSEFSSON,** CEO, VATTENFALL AB

Lars G. Josefsson

"There are no silver bullets in this game" according to Lars G. Josefsson. There was general agreement among the panellists that, despite the implementation of the Kyoto protocol, efforts to combat climate change were running well behind schedule.

With total global emissions of greenhouse gases amounting to 37 billion tonnes of carbon dioxide equivalents in 2000, no one is denying that climate change is an imminent and serious concern. But views differ on how to best combat this escalating problem, though the panel did agree that the Kyoto protocol, which came into effect in February 2005, is only a minor step in the right direction. Corrado Clini said that the ambitious target of reducing greenhouse gas emissions by more than 5% by 2012 will be unachievable if the present situation continues.

A major problem facing those championing cleaner fuel is that of supply, which the panel believed would be insufficient to meet global demand. But at the same time, this rise in demand for oil, specifically by the developing world, is escalating the debate over alternative energy sources. Mounting demand from China and India, the two most populous nations in the world, is causing particular concern.

Oil took centre-stage in light of surging prices. On the one hand, as highlighted by Eystein Gjelsvik, higher prices can benefit the battle against climate change as renewable sources of energy become increasingly competitive. On the downside, however, the scenario can also serve to renew interest in coal, a major source of CO_2 emissions.

Eystein Gjelsvik also expressed the need for a long-term strategy where energy efficiency, clean coal plants, renewable sources of energy – including natural gas – and combined heat and power plants would all be keys to reducing CO_2 emissions.

An intervention from the floor echoed these sentiments, saying that energy efficiency, renewable nuclear energy, fossil fuels with CO_2 storage and fuel switching are all part of the solution.

The prime concern of the panel's only representative from the oil production side, Mohammad Al Sabban, was the inequality of fossil fuel taxation. He mentioned that a number of countries have imposed hefty taxes on oil in an effort to curb greenhouse gas emissions, but coal remains subsidised. He asked that taxation of fossil fuels should

Mohammad Al Sabban

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Spencer Reiss and Mohammad Al Sabban

reflect the real carbon content of the fuel. Mohammad Al Sabban expressed fear that oil exporting countries will suffer massive losses as a result of the implications of the Kyoto protocol.

Another participant from the floor wanted to know what the revenues from these taxes were actually used for. Corrado Clini responded that Italy, which introduced a carbon tax in 1999, is currently financing some 120 projects in the developing world with its tax revenues.

There was general agreement among the members of the panel that technology will be crucial in generating cleaner energy in the future. Lars G. Josefsson urged that "we must be open to all technological progress". He emphasised that it is time for the business community to take a stand, saying that the issue of climate change had been left to politicians and NGOs for far too long. He then underscored that the business community is in a position to contribute essential experience and know-how in the race to find and implement sustainable, environmentally-friendly energy sources.

Lars G. Josefsson mentioned that technology for burning fossil fuels without emitting CO_2 technology already exists, but there is a need for more investment and development for this technology to become internationally viable. The way to finance this, he said, is not necessarily through taxing the emissions, but by setting up a global system, for emissions trading. He added that "we must do all we can to set the correct price on emissions, and pricing must be as global as possible".

Lars G. Josefsson then emphasised three issues that must be taken into consideration when evaluating the great battle against climate change. First, that we must all accept that climate change is taking place; second, that there are no quick solutions, and third, that we must all take responsibility.

Eystein Gjelsvik added that the cost of reducing emissions varies from country to country, and that it is essential that richer countries take more of the financial burden. He also said that advancing technology may lead to job losses, and that there is a need for good labour market policies to counter any ill-effects of such a trend. He called for broader international co-operation, saying that the Kyoto protocol was a good starting point. Corrado Clini also advocated a global approach, rather than efforts to solve the problem on a country-by-country basis. He championed the WTO as a driving force behind such efforts. The two final comments supported this view:
Lars G. Josefsson stressed that "we need to stop this game of who is going to lose and who is going to win", while Mohammad Al Sabban said "we are not here to place blame or point fingers … but to work together". ■

Corrado Clini

The Future of Socially Responsible Investment?

Beyond the Third Way

SPECIAL SESSION ORGANISED BY E-RÉFLEXION

- *MODERATOR:* **FRANCIS MATHIEU,** PRESIDENT, E-RÉFLEXION, FRANCE
- **SAMUEL ROUVILLOIS,** PHILOSOPHER, E-RÉFLEXION, FRANCE

Francis Mathieu and Samuel Rouvillois

Lunchtime sessions at the OECD Forum always draw a crowd for their challenging and original themes, and 2005 was no exception.

How can we give the international economy a human face? Can business logic ever really be "human-friendly"? Is the state the answer? To take on questions like these and to encourage some fresh thinking on globalisation and investment, French university students created the e-réflexion group in 1999. The association holds seminars in the Paris area twice a month to discuss and reflect on these issues. "We are interested in creating an economic environment that respects the individual", said Francis Mathieu.

The group organised this special session at the OECD Forum with Samuel Rouvillois, a philosopher and theologian, who has written books on humanity in the workplace. The son of a senior civil servant, Samuel Rouvillois' position as a member of the Congregation of Saint John's Brothers was proudly demonstrated by his attire: a traditional monk's habit. Samuel Rouvillois was named one of the *World's 100 Global Leaders for Tomorrow* at the 2001 Davos Economic Forum.

For many people in business, establishing a humane company or economy is less about religion than about Socially Responsible Investment (SRI). Though fashionable today, this is in fact a movement with a long tradition. Ancient Jewish laws, for instance, gave directives on how to invest according to ethical principles. In the 18th century, Christian Quakers practised a form of SRI to support their priorities of social justice and non-violence.

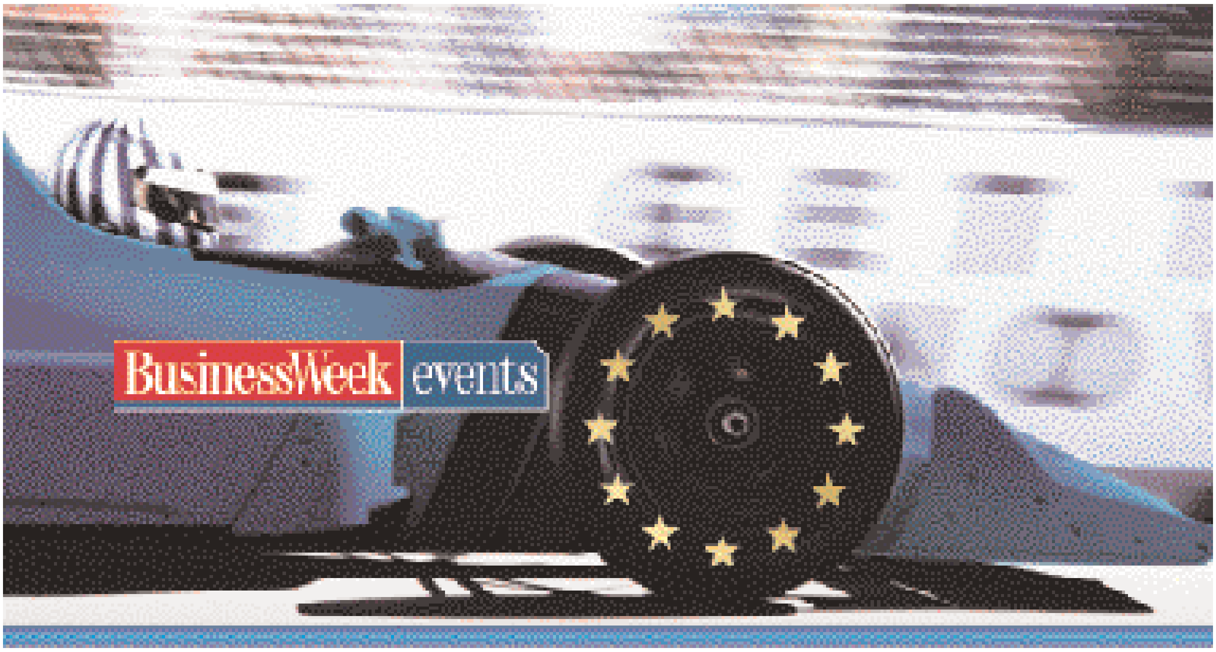
"It used to be that SRI funds would exclude certain companies, based on that company's behaviour", said Francis Mathieu. "But an approach that rates companies from best to worst ethical performer has become more popular." Ethical rating agencies analyse corporate behaviour and hand out good or bad ethical marks to companies.

Though Samuel Rouvillois understands that establishing a company's ethical credibility is important, he emphasised that it can be tricky, and that there are limits to the ratings approach. "Companies tend to boast about their ethical behaviour by putting forward the specific areas in which they are effective, rather than presenting a complete picture of their social actions", he said.

Evaluating the end result of a company's presence in a community – its true value – is also challenging because economic activity tends to produce both negative and positive effects. "What is the sum of this equation? Does the positive even out the negative?"

Samuel Rouvillois added that people interested in investing responsibly must accept the shortcomings of ethical rating the way it is practised today. Socially responsible investment should move beyond a system of good and bad marks. In fact, the best way to encourage humane corporate behaviour is through pressure by shareholders and consumers.

Samuel Rouvillois also touted the use of micro-credit – the practice of providing very small loans to the poorest of the poor so that they can start micro-businesses – as a means of making globalisation work for all. He was not painting a socialist view of the world but was suggesting that socialising rights tended to deny individual freedoms as they become ensnared in political interests. Finding another way demanded fresh thinking and maybe new economic models if we are to develop a globalisation with a human face. ■



EUROPEAN LEADERSHIP FORUM 2005

28 - 29 November, London

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Combating Counterfeiting

Crime of the Century?

- *MODERATOR:* **STEPHEN POLLARD,** HEALTH PROGRAMME DIRECTOR, CENTRE FOR THE NEW EUROPE
- **JEFFREY B. KINDLER,** VICE-CHAIRMAN, PFIZER
- **KUNIO MIKURIYA,** DEPUTY SECRETARY-GENERAL, WORLD CUSTOMS ORGANIZATION
- **JIM THOMSON,** CEO, THE CENTRE FOR MENTAL HEALTH, UNITED KINGDOM
- **PAUL VANDOREN,** DIRECTOR *AD INTERIM*, DIRECTORATE GENERAL FOR TRADE, EUROPEAN COMMISSION

Although the four panellists represented completely different interests, they presented a united front against all forms of counterfeiting and piracy. Speaking for industry, consumer, regulatory bodies and enforcement sectors, the panellists put forward what they hoped would be an open-and-shut case: counterfeiting is not a victimless crime, and we are all potential victims. They focused on three major areas: personal safety, public safety and economic development.

Jim Thomson opened with a passionate call for action: "We should leave this place committed to 'doing' something," he said, citing as his inspiration the Nigerian Dora Akunyili, who successfully fought against counterfeit pharmaceuticals in her country after her sister became a victim. Counterfeit medicines are a particular problem. "How do we know what we are taking and who do we turn to when the side effects kick in, or the medicine does not work?" he asked. "Who do individuals managing epilepsy turn to when, unwittingly taking a fake, they have a seizure at work and lose their job, their driving license, or worse?"

He described in dramatic detail the ease with which anyone with a credit card can purchase, over the Internet and without a prescription, unlimited quantities of restricted drugs, including methadone and rohypnol, which is illegal in some countries but available in others. Moving slightly off-topic to criticise leniency on self-medication in some countries (which Jim Thomson believes leads to unregulated use, often unwittingly, of counterfeit drugs), he tells the audience about the death of a young man in the United Kingdom who tried to treat himself for schizophrenia with medications purchased on the Internet.

Jeffrey B. Kindler also pointed out the dangers that every consumer faces from counterfeit goods such as shampoos, razors, batteries, baby formula, auto parts, electronics, and, of course, medicines. "Not benefiting from the full advantages of genuine products may be the least that consumers have to worry about," he warned. "Documented reports have shown that consumers have a great deal more to worry about from products that are unsafe by any standards."

Jim Thomson argued that consumer use of counterfeit goods in affluent countries is also prompted by a "stigma" attached to certain medical conditions. This means that many people prefer to buy some of their medications anonymously (particularly Viagra or anti-depressants) and from unreliable sources. Jeffrey B. Kindler attributes technological advances such as the Internet as "extraordinary conduits in allowing counterfeiters to flourish and ply their trade". Consumers in developing countries typically do not have a choice, he said. "Counterfeit goods may be all that is available", he added, and cited a recent World Health Organization survey of seven African countries which revealed that a high percentage of anti-malarial drugs failed quality testing.

Several of the panellists brought up broader public safety issues, such as the increased involvement of criminal organisations in

Jim Thomson and Paul Vandoren

the trafficking of counterfeit goods. “This is not surprising, considering the particularly lucrative nature and the low risk involved when compared to other criminal activities”, said Paul Vandoren. “The scale of the problem and values at stake make fighting against piracy and counterfeiting as complex to tackle as drug trafficking or money laundering.”

Kunio Mikuriya agreed with this comparison, saying that counterfeiters used the exact same techniques and routings to distribute their goods. He even went as far as to declare counterfeiting “the crime of the century”. Criminal organisations frequently re-invest “dirty money” to produce and purchase counterfeits for money laundering purposes, he said, adding that Interpol had revealed growing evidence that the proceeds of intellectual property right (IPR) infringement were used to fund terrorist groups.

According to a World Customs Organization (WCO) estimate for 2004, about 7% of the world merchandise trade – over $500 billion – might have been trade in fake goods. “There has been a significant shift in the nature of IPR-infringement goods in the 1990s from luxury goods to a range of mass-produced commodities for everyday consumption including cosmetics, electronics, cigarettes, and toys”, said Kunio Mikuriya. Faced with these challenges, customs administrations are working hard to establish and improve their own national legal frameworks.

Kunio Mikuriya

His own organisation had developed model legislation that incorporates best practice around the world, in collaboration with the private sector.

Jeffrey B. Kindler pointed out that “counterfeiters can make knock-off goods more cheaply than innovators and manufacturers can, with no R&D, marketing or advertising costs”. He also described the way that counterfeiters cheat governments out of tax revenues, discourage foreign investment and innovation in developing countries, and threaten the growing role of intellectual property rights in developed economies. The OECD has just announced that it will be updating its 1998 study on the economic impact of counterfeiting across different industries on business, consumers, and governments.

While the panel members were at one, the floor offered some dissent. A participant argued that the panel had made three assumptions: that there was always a question of safety, that all counterfeits are worse than the originals, and that counterfeiting existed for economic reasons. “Counterfeiting exists because it’s profitable”, the participant began, “but consumers also buy counterfeited goods because prices for real goods are often too high, leaving some consumers with no choice. And what about when consumers prefer fakes?”

However, the panel was unable to find any positive sides to counterfeiting. “Counterfeiters have to copy an original idea, and that discourages growth and innovation”, said Jeffrey B. Kindler. Paul Vandoren stated that, beyond any quality or safety issue, “it is the idea that has been stolen”, whether for a drug or a designer handbag.

Another participant in the audience suggested that an umbrella organisation should be set up to fight counterfeiting, funded by taxes from the private sector. But the panellists agreed that the two most important steps to start combating piracy and counterfeiting are to raise awareness of the problem among governments and consumers, and to increase co-operation between the public and private sectors. They plan on focusing on – but not targeting – counterfeit-producing countries like China, India, Russia and Ukraine (which, according to the panel, accounts for two thirds of all counterfeit goods manufactured), and to draw close attention to the results of the forthcoming OECD study. The biggest challenge will be whether any decisions can be carried out effectively.

Jeffrey B. Kindler summed it up, saying that there were encouraging signs from many governments with the adoption of International Patent Laws, but warned the audience that while “legislation is easy”, enforcement is another matter.

Stephen Pollard and Jeffrey B. Kindler

Globalisation, Outsourcing and Structural Adjustment

Two Sides of the Global Equation

- *MODERATOR:* **JEAN-MARC VITTORI,** EDITORIAL WRITER, *LES ÉCHOS*, FRANCE
- **CARL BENNET,** CHAIRMAN OF THE BOARD, GETINGE AB, SWEDEN
- **JAGDISH BHAGWATI,** PROFESSOR OF ECONOMICS, COLUMBIA UNIVERSITY, UNITED STATES
- **TAIN-JY CHEN,** PRESIDENT, CHUNG-HUA INSTITUTION FOR ECONOMIC RESEARCH, CHINESE TAIPEI
- **JOHN J. SWEENEY,** PRESIDENT, AMERICAN FEDERATION OF LABOR-CONGRESS OF INDUSTRIAL ORGANIZATIONS
- **KARIEN VAN GENNIP,** MINISTER FOR FOREIGN TRADE, NETHERLANDS

Tain-Jy Chen

Judged the "hottest topic of the year" by moderator Jean-Marc Vittori, globalisation and outsourcing have emerged as a source of great public uncertainty in the developed world. "So, what is globalisation really good for?" asked Jean-Marc Vittori, "and what do we do to get the best and not the worst from it?"

Jagdish Bhagwati made an impassioned defence of globalisation, and sought to de-dramatise public anxieties. Outsourcing is not new, he insisted, but has long been a feature of the manufactured goods sector. What is new is that it has spread to previously non-traded sectors, namely services, and is now hitting the middle classes as well as the working classes. "When a New York restaurant buys Brie cheese from a French farm, that is outsourcing, but nobody complains."

Jagdish Bhagwati turned to the data for backup. The number of jobs leaving the United States as a result of outsourcing is running at about 200 000 a year, a tiny proportion of the total labour market turnover. Moreover, the United States is outsourcing "low-value" services, but it is creating new high-value jobs in services that are being exported to developing markets.

"Fears arise from looking at only one side of the equation", says Jagdish Bhagwati, although he acknowledges that these fears are real, and must be addressed. For him, the answer lies in flexibility and teaching people how to cope with this anxiety. Indeed, he optimistically believes this should be an easy task for many countries in Western Europe, thanks to their strong educational systems.

Tain-Jy Chen provided a detailed and fascinating account of the process of industrialisation in Chinese Taipei which, in the space of 30 years, has seen both sides of the outsourcing equation. Indeed, the catalyst for Chinese Taipei's industrial development was its status as a favoured destination for outsourcing activities by foreign multinationals. As it built up expertise, outsourcing spread to encompass product design services and logistic services, driving up demand for skilled workers and their wages. And as Chinese Taipei prospered, it in turn began to outsource basic manufacturing tasks to mainland China. As a result of this circular process, Chinese Taipei reversed the traditional "brain-drain", and well-paid skilled workers remained at home. Globalisation and outsourcing may have consequently driven up income disparities internally, but they have also generated a more equitable world at the international level.

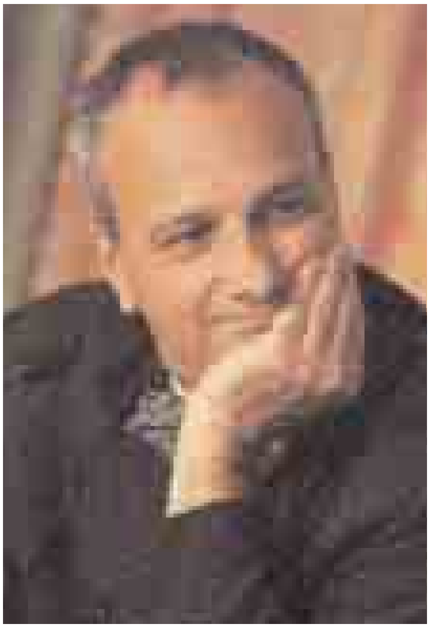
Carl Bennet also presented a positive view of the forces of globalisation, from the point of view of a Swedish multinational in the healthcare sector with activities spread across the globe. Although an urgent need for rethinking and change is essential in Europe, he sees no reason to fear globalisation. Corporations no longer correspond to the image of a factory that transforms raw materials into final products. Nor are they vulnerable to the same shocks as in the past. As competition intensifies, companies will progressively outsource more and more parts of their businesses, but they should not go bust. The era of large scale destruction of whole industrial sectors is over. Many European companies already prosper in sectors that have largely abandoned manufacturing operations in Europe, thanks to creative design and management, and many more can do so in the future. But Carl Bennet nonetheless believes that it is necessary for Europe to develop its service sector, undertake strategic research, and ensure that knowledge and innovation is made available to small and medium-sized companies.

Carl Bennet

Karien van Gennip

John J. Sweeney agreed with some of the comments from the other panellists but saw unfettered globalisation, and "its unruly offspring, outsourcing," as a fundamental threat to decent work and workers' welfare. Indeed, he feared that companies are being drawn into a "race to the bottom" that is driving down wages and eroding basic worker rights, and that this "process must be stopped". He acknowledged that globalisation is here to stay, but that core global labour rights must be guaranteed, in international trade deals for example.
John J. Sweeney cited the example of the 1994 North American Free Trade Agreement, which led to a huge outflow of jobs from Canada and the United States and into Mexico. According to him, these jobs are now leaving Mexico for China: "we have to put a stop to all of this … and if believing that is called protectionism, then John Sweeney is a protectionist".

Karien van Gennip provided a renewed and spirited defence of globalisation: "it is not a zero sum game, it has numerous positive effects and it is here to stay."
She highlighted the results of a government study in the Netherlands that found no evidence of mass relocation of firms. Indeed, just 9 000 jobs have been lost as a direct result of outsourcing, less than 1% of annual job market turnover. These job losses are still painful for the people and communities they affect, the minister added, but can be addressed by good transition management on the part of government. Indeed, governments have a key role to play in helping the adjustment to globalisation and have to identify areas for action and change. By ensuring adequate levels of social protection, life-long learning processes, increased labour market flexibility and "aggressive action to improve the business and investment climates", Karien van Gennip believes that European economies can prosper in the era of globalisation. ■



Jean-Marc Vittori

Beyond the Millennium Development Goals

Roll on the Millennium?

- *MODERATOR:* **DIDIER POURQUERY,** EDITORIAL DIRECTOR, *METRO*, FRANCE
- **MICHEL CLERC,** PRESIDENT, RIGHT TO ENERGY ASSOCIATION–SOS FUTUR, FRANCE
- **JOHN EVANS,** GENERAL SECRETARY, TRADE UNION ADVISORY COMMITTEE TO THE OECD
- **SUSAN GEORGE,** VICE–PRESIDENT, ATTAC
- **PAULA LEHTOMÄKI,** MINISTER FOR FOREIGN TRADE AND DEVELOPMENT, FINLAND
- **AMI R. MPUNGWE,** DEPUTY CHAIRMAN, NAMITECH EAST AFRICA LTD., TANZANIA

Paula Lehtomäki

The understated tone used in a number of interventions by members of this panel was deceptive, reflecting more a feeling of concern than anything else. This session sought to give an idea about where progress on the Millennium Development Goals (MDGs) stood, especially against the background of the Helsinki Process on Globalisation and Democracy, in which most of the speakers had participated.

The Helsinki Process was created at the initiative of the Finnish government, in association with the Tanzanian government, in December 2002 at a conference in Helsinki on the problems of global governance and the future of North-South relations. Its main purpose is to search for novel and empowering solutions to problems of global governance. It does this through discussion in a forum for open and inclusive dialogue between major stakeholders. The process seeks to promote solution-oriented co-operation between governments, civil society organisations and the corporate sector.

Paula Lehtomäki recalled how, in the 1970s, the first Helsinki Process sought to bring the East and the West closer on issues of security and human rights. "The big discrepancy of the 21st century is no longer between East and West but between North and South", she said. To bridge this discrepancy, it is imperative to overcome the democratic, coherence and compliance deficits that exist in today's global society.

The democratic deficit rises from a failure by Northern governments to fully appreciate the concerns and needs of governments, civil society groups and the business sectors in the South. This, she argued, can only be overcome through the creation of strong North-South partnerships. The coherence deficit refers to a global disconnection regarding democratic, development and security issues. This deficit must be addressed through greater trade and development policy coherence on behalf of governments and international organisations. Finally, the compliance deficit is the result of a Northern unwillingness or inability to live up to the policy proposals that are put forward in the interest of development. Only by solving these three deficits can the MDGs be realistically achieved.

Ami R. Mpungwe commented that the role of the private sector was critical, and observed that in the developed world,

Ami R. Mpungwe

companies were getting bigger and bigger, while in Africa they were getting weaker and weaker. He said, “Africa has been the missing link of the globalisation chain, and as long as it remains missing, the world will be unable to reap the full benefits of globalisation”.

Ami R. Mpungwe called for increased official development assistance as well as partnerships between the public and private sectors. “But”, he added, “the private sector will only flourish in a peaceful and stable environment and with policies that are supportive of investment”. International liberalisation, especially on behalf of rich countries, and integration of world markets can help create such an environment, he said.

Susan George said that although no less than 189 countries had endorsed the MDGs, many had not yet made firm commitments. “Democracy stops at the state level and many people do not feel represented at the international level”, she said, pointing to the exclusion of NGOs from the World Trade Organization process and the lack of a Southern voice in World Bank and IMF policies. Overcoming the democratic deficit will require democratising these institutions.

Susan George

Developing countries had huge problems, such as hunger, which would not be solved in a hundred years, far beyond the initially foreseen date of 2015 for the MDGs. The compliance deficit, she argued, “definitely exists, given that governments simply fail to do what they say they are going to do”.

She called for introduction of measures like a tax on international capital flows (the so-called Tobin tax), as well as the closing down of international tax havens. “We can not live in a cocoon in the North, even if we are well off; the more we can bring people together, the quicker we can (solve these problems)”, she said.

John Evans said people in the North and South often faced similar problems. For example, workers asked themselves “is globalisation going to get rid of my job?” and clearly belonged on the same side of the negotiating table. Governments had failed to persuade people in the North and the South that they were not fighting for each other’s jobs. He said that a top priority for achieving the MDGs must be to bring the financing agenda forward. But achieving the MDGs will also require building the notion of decent work into development. “Workers must have rights, security and a voice”, he said.

Energy specialist Michel Clerc called for more coherence in intentions and actions by NGOs, companies and organisations such as the World Bank. He also urged the value of bringing in the private sector to help achieve the MDGs because “they have the means, the expertise, and the technology”, and are also able to offer certification and training which would help raise levels of professionalism.

Both John Evans and Michel Clerc expressed concerns related to China, which they felt was hindering the development process tackled by countries in the South. Labour standards in China remained a problem, and the end of the textile trade agreement within the WTO framework was a major blow to employment in several countries, such as Cambodia and France, panellists argued.

Didier Pourquery then said that the Helsinki Process would be meeting in September to discuss progress and asked Paula Lehtomäki if she could elaborate on the type of concrete actions that could be expected from this conference.
Paula Lehtomäki answered that she expected a lively discussion, but that concrete actions must come from participating governments; the goal of the Helsinki Process is to make proposals. ■

Raising Ambitions for the Doha Development Agenda

Talking up Doha

- *MODERATOR:* **FLOYD NORRIS,** JOURNALIST, *INTERNATIONAL HERALD TRIBUNE*
- **STEVE RUEY-LONG CHEN,** DEPUTY MINISTER, MINISTRY OF ECONOMIC AFFAIRS, CHINESE TAIPEI
- **ALFREDO VICENTE CHIARADIA,** SECRETARY OF TRADE AND INTERNATIONAL ECONOMIC RELATIONS, ARGENTINA
- **MUKHISA KITUYI,** MINISTER OF TRADE AND INDUSTRY, KENYA
- **THOMAS ÖSTROS,** MINISTER FOR INDUSTRY AND TRADE, SWEDEN
- **DIPAK PATEL,** MINISTER OF COMMERCE, TRADE AND INDUSTRY, ZAMBIA
- **RACHID MOHAMED RACHID,** MINISTER OF FOREIGN TRADE AND INDUSTRY, EGYPT
- **JIM SUTTON,** MINISTER FOR TRADE NEGOTIATIONS, NEW ZEALAND
- **IGNACIO WALKER,** MINISTER OF FOREIGN AFFAIRS, CHILE

The Doha round of trade negotiations, launched by the 148 members of the World Trade Organization (WTO) in November 2001 in the Persian Gulf city of Doha, is different from previous rounds in that it places development at the heart of negotiations. But the Doha talks have been rocky since the start, finally stalling in Cancun, Mexico in 2003, when industrialised and developing countries locked horns over agricultural subsidies, tariff barriers and other non-tariff issues, such as labour standards. The next summit of WTO members is planned for December 2005 in Hong Kong, with commitments called for before then. Indeed, the WTO warns that without signs of progress or a breakthrough by the summer, the Hong Kong talks will hang in the balance.

Floyd Norris compared the various WTO negotiation rounds to a favourite film serial of the early-American cinema in which, each week, the main character faced certain death. “Somehow”, he said, “she always managed to survive and return to her escapades in the next episode”. But he then asked: “Is the Doha round being kept alive only because no one wants to be responsible for killing it? Or because there is a genuine hope for advancement?”

All speakers voiced support for the Doha Development Agenda (DDA), warning that the trade negotiations have been stalled for far too long and they should resume. “We must urgently restore political momentum”, said Steve Ruey-Long Chen. For him, WTO members need to strike a balance between their different priorities. “You have to step into each other’s shoes,” he said. He also reminded the audience that the Uruguay Round, which was “one of the most successful rounds of trade negotiations in the 20th century”, lasted twice as long as the four years it was originally scheduled for. “The ambitions for the DDA are even higher than those for the Uruguay Round, as they embrace development issues as well as trade liberalisation in a short time frame”, he said.

Most members of the panel emphasised that the Doha round needs to raise rather than lower its ambitions. “We all have sensitive business sectors, we all have congresses and constituencies”, said Alfredo Vicente Chiaradia. “Regardless of

Steve Ruey-Long Chen

our different capabilities, we need to overcome this." The emphasis should be on agriculture because no other business area can have as great an impact on development. One in five people in the world live in extreme poverty. He pointed out that two thirds of these people live in rural areas where farming is the dominant source of income. "A fair and equitable trading system contributes to development much more than aid", he said.

Mukhisa Kituyi argued that anything that stalls negotiations ahead of the summit planned for December in Hong Kong simply blurs the development prospects of developing countries. Trade, however, will not solve all the problems of the developing world. Confronting the prickly issue of agriculture will greatly improve the situation of Kenya's rural poor.
Mukhisa Kituyi also expressed frustration with the tendency of negotiators to seek exemptions and derogations rather than tackling trade disagreements head on. "It is a way to avoid having to deal with the issues", he said.

Jim Sutton warned that the 2006 deadline is looming, noting that "the recent rate of progress will not get us there". He stressed that there are no soft options in this situation and that any minimalist strategy is doomed to fail. "History is waiting and we do not know if we are going to measure up," he warned. "We are going to have to tell our grandchildren that we had the opportunity to pull millions of people out of poverty, but we missed that chance because it was politically difficult."
Egypt is very committed to playing an important role in jump-starting the Doha talks, said Rachid Mohamed Rachid, who also stressed the urgency of an agreement, in particular in the areas of agriculture and services. "We have wasted precious time," he said, "and there is very little time to waste". He cited trade as a strong catalyst for reform, and underlined that trade – not just development – is the way forward.

Thomas Östros pointed out that local populations need to be prepared for the changes ahead. "We need a more ambitious policy to see that people feel secure in this structural change", he said, namely creating new jobs when old jobs leave the country. Like the other panellists, Thomas Östros would like to see trade negotiations made easier. "There is too much money and time spent on complicated trade procedures", he said. "One major problem during negotiations is that we all seem to fall into a mercantilist view of trade." While he advocated increasing market access, he stressed that trade barriers that exist between developing countries, much larger than North-South barriers, must also be reduced.

For Dipak Patel, "there is an apprehension of liberalisation" in the least developed countries. He said that people in his country are reluctant to believe in the

Dipak Patel

Ignacio Walker

promises of globalisation. These promises have been dangled in front of them for several years and free trade now suffers from a credibility gap as a result. "After 15 years of waiting to believe in globalisation, you can not tell the poorest countries in the world that trade liberalisation will take them out of poverty", he reminded the packed audience. "It is just not possible when they have been living off less than one euro a day." He pointed out that his country was pushed into liberalisation and that as a result, Zambia was de-industrialised within ten years. He added that entry into other markets is proving to be quite difficult.

Ignacio Walker approached the topic optimistically. He said there is still time to make a difference before the Hong Kong Ministerial. He argued that small countries like Chile have a great deal to gain from multilateral trade agreements. "Small countries need rules to the game, much more than big countries do", he said. "Otherwise it would be the law of the jungle."

Chile has already made great efforts to liberalise, signing 14 bilateral free trade agreements and lowering tariff barriers unilaterally. Chile's tariff barriers fell from 15% in 1990 to 2%-3% today. "But bilateral agreements are no substitute for multilateral agreements", Ignacio Walker said, "and negotiations are advancing much too slowly". ■

Globalisation of Higher Education

Services for Global Minds

- *MODERATOR:* **CHRIS BROOKS,** DIRECTOR, PUBLIC AFFAIRS AND COMMUNICATIONS DIRECTORATE, OECD
- **RACHID BENMOKHTAR,** PRESIDENT, AL AKHAWAYN UNIVERSITY, FORMER MINISTER OF EDUCATION, MOROCCO
- **ARNOUD DE MEYER,** DEPUTY DEAN, INSEAD, FRANCE
- **RICHARD DESCOINGS,** DIRECTOR, SCIENCES PO (INSTITUT D'ÉTUDES POLITIQUES), FRANCE

Rachid Benmokhtar and Arnoud de Meyer

Universities and other institutes of higher education have long provided local and national communities with essential centres for producing and disseminating knowledge and understanding, and the roles that they play combine cultural, economic and social features. Today, university-level establishments across the world are competing for the best students in what has become an international market in higher education.

For example, the three leading countries in this competitive process also reflect leanings towards fee-based education. The United States, Australia and the United Kingdom generated revenues of $80 billion, $40 billion and $20 billion respectively from foreign students in 2003.

"Governments are pushing their higher educational establishments to boost these efforts, largely as a means of generating income", commented Arnoud de Meyer. But is that what higher education should be? Against this background, can universities and similar establishments continue to play their broad historic roles and, at the same time, compete successfully as service providers in the global marketplace? Can the particular educational needs of developing and emerging countries be accommodated within this framework? And are there development models that can help institutions seeking to expand the international dimension of their activities?

Rachid Benmokhtar drew a basic distinction between internationalisation and globalisation. He suggested that the former involved features such as obtaining a mix of nationalities among students and faculty, and forming research partnerships with institutions in other countries. This is a positive process that also respected different cultural traditions.

In contrast, globalisation involves developing a single educational model and then trying to sell that model everywhere in the world without any regard for the local context and environment. "The United States would like to push this idea through the WTO so that higher education can be treated as a trade service provision", Rachid Benmokhtar claimed. "Disturbingly, there has so far been no real debate on this issue."

Arnoud de Meyer identified a number of different basic models that establishments

Richard Descoings

such as business schools could adopt in becoming more international.
The "Chicago export model" involved disseminating the institution's "proprietary knowledge" to other countries. "You can do this if you have people like Nobel Prize winners in your faculty", he suggested. Under the "Harvard import model", the world's "foreign" talent is persuaded to come to the institution.

"You can also try to set up partnerships with institutions in other countries", Arnoud de Meyer continued. "These are very dependent on individuals, and if key personnel leave, the partnership may fall apart." Projects involving a large number of institutions are especially difficult to keep together. Rather, by creating twin campuses in France and Singapore, and by forging strategic alliances with a small number of other business schools including Wharton in the United States, INSEAD is pursuing an international "network" approach.

Richard Descoings discussed several aspects of the globalisation of higher education institutions. Firstly, he said, knowledge transfer from professors to students would retain a predominantly national focus for many years to come, as the majority of student populations come from domestic communities. A small share of students already study in countries other than their own, but this is largely reserved to the elite. Secondly, he argued, higher education is being globalised in a "qualitative" way as curricula, teaching materials and professors are no longer necessarily sourced domestically, thus adding a globalised component to education. Thirdly, the research side of universities is perhaps becoming the most globalised. "Today, it is unthinkable for a research team in a science field to not be in contact, at all times, with other similar research teams around the world", he said. Similarly, the market for top researchers is, in his opinion, "completely globalised".

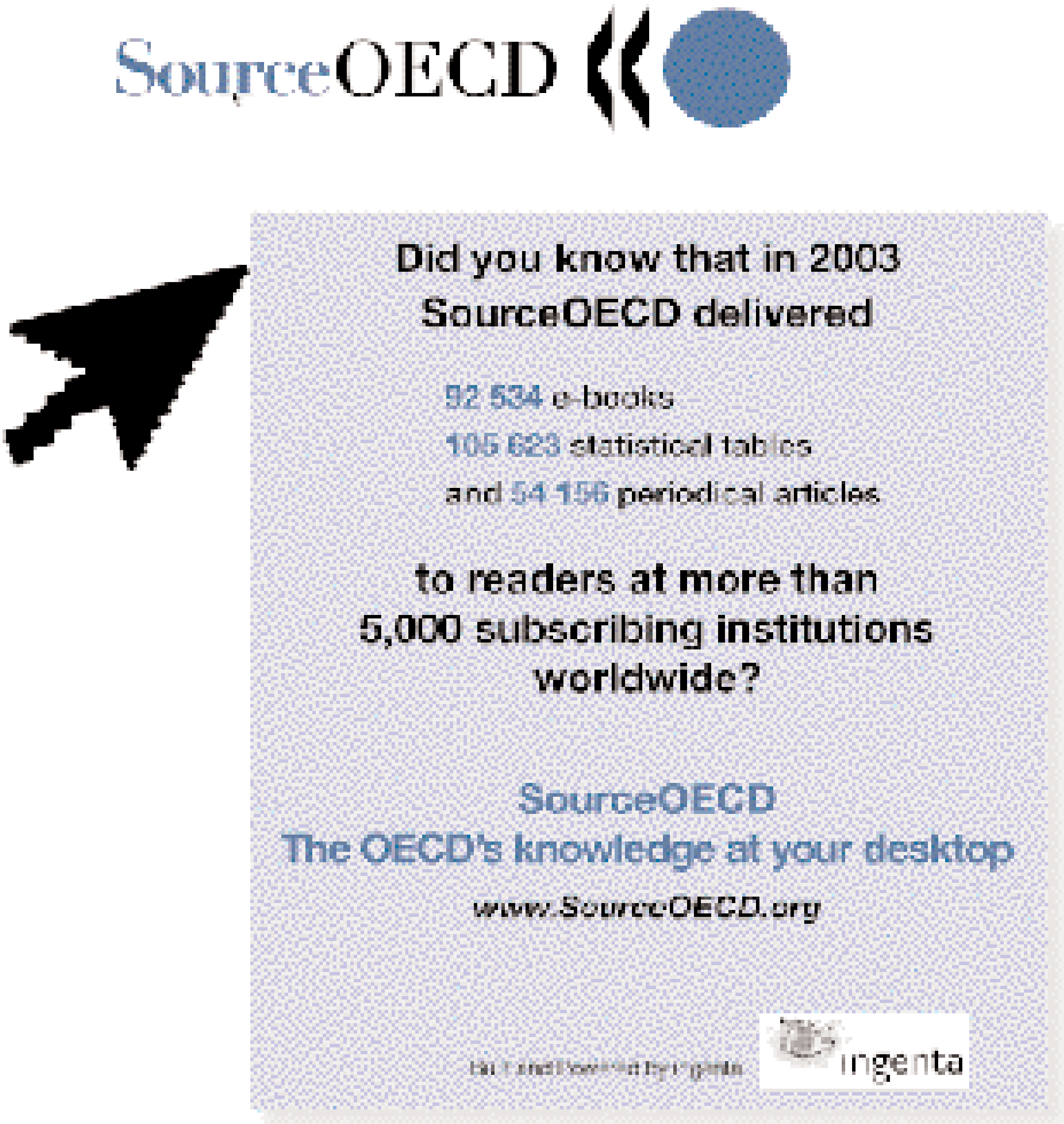
Finally, he argued that technological advances have meant that diffusion and "valorisation" of knowledge through university colloquia, fora and conferences are considerably more globalised today than 20 years ago.

A participant from the audience asserted that universities need not feel that they are unable to become more international merely because they do not wear an elite sticker. "Nottingham for instance has been running a campus in Malaysia for the last ten years and is also setting up a joint venture in China."

Rachid Benmokhtar stressed the importance of educating students who could think in conceptual terms and later take on leading roles, and not just to train specialists in a narrow sense. This responsibility of universities is especially important in developing countries that have to catch up, and where well-educated graduates are needed to help improve the living standards of everyone.

Panel moderator Chris Brooks summed up by suggesting that a balance was needed. This included supporting the local role of higher education institutions, for example, as generators of employment, while at the same time educating people to understand the inescapable fact that we live in an interdependent world. ■

Chris Brooks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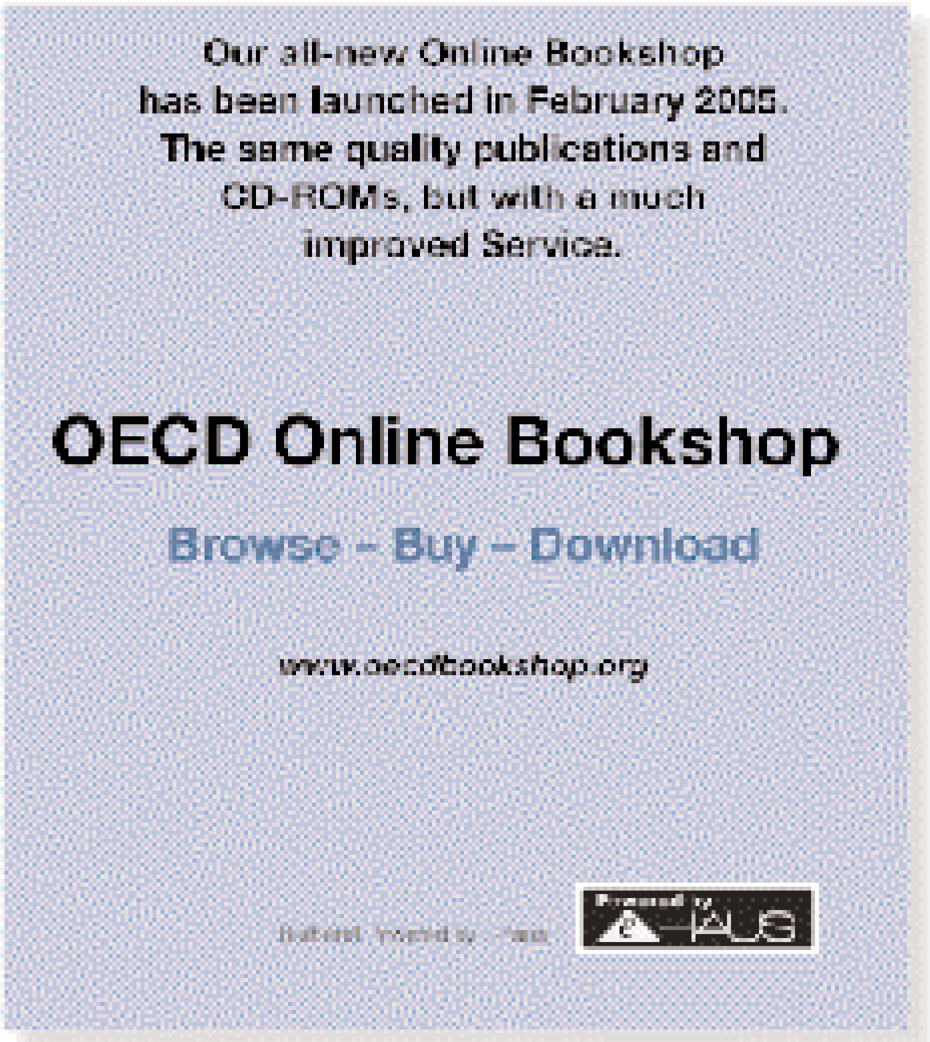

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