



Taking care of the fundamentals
Security, Equity, Education and Growth

Observer^{oecd}
SUPPLEMENT



9 789264 198487



Sponsors from left to right: AARP, Air France, Areva, Boeing, CEPII, EDF, Galeries Lafayette, GMF, MSD, Société Générale, SUEZ, Unilever

OECD Forum: uniquely placed to improve policy-making		Withstanding future financial shocks	
Donald J. Johnston, Secretary-General of the OECD	2	Maintaining global financial stability	38
Globalisation is a positive force, but...		All nations must co-operate or say goodbye to any hope of environmental security	
Guy Verhofstadt, Prime Minister, Belgium	4	How to ensure environmental security	39
Globalisation and security: Striking a balance		Education: The door of hope	
Annemie Neyts-Uyttebroeck	6	Keynote address by First-Lady Laura Bush	41
<u>MAY 13, 2001</u>		Sustainability is everybody's business	
Fresh perspectives on co-operation		Sustainable development: Public/private partnerships	44
OECD Forum 2002 Essay Competition	17	Teaching democracy: A vital challenge	
Nobel minds reflect on the future		The role of education in promoting democracy and building tolerant societies	45
Entering the 21st century	20	The future of the euro	
Varied recipes for coping with globalisation		Keynote discussion with Guy Quaden, Governor National Bank of Belgium	47
Public concerns about globalisation	21	One war, many battles	
Rather than slowing or reversing globalisation, security concerns are accelerating it		Fighting bribery and corruption	48
Do heightened security concerns risk reversing globalisation?	23	Better ways to use your brain	
Europe and the southern Mediterranean: A great divide?		The brain and learning: A revolution in education	49
The Middle East – Towards Arab and Euro-Med regional integration	24	Nuclear power: making sense of a debate	
Resolving the crisis		The contribution of nuclear energy to sustainable development	51
The Japanese economy: the way forward	26	<u>MAY 15, 2001</u>	
Sharing the benefits of globalisation		Growth is good	
Globalisation and equity	27	The world economy in 2002	53
Guidelines on multinational behaviour help push up standards		Towards a healthy world	
Transparency, responsibility and progress: The role of the OECD guidelines for multinational enterprises	29	Health, trade and development	54
Development against terrorism		Sustainable development and Johannesburg: education, communication and trade are key	
Helping prevent terrorism and violent conflict: The development dimension	30	How to achieve success at the Johannesburg World Summit on Sustainable Development	55
<u>MAY 14, 2001</u>		Entrepreneurship works	
Terrorism and money		Entrepreneurship and economic transition	56
Combating the financing of terrorists (in co-operation with the FATF)	33	Reap what you sow, export what you reap	
Is literacy the core of promise or peril?		Policy coherence: Development dimension of agricultural trade	57
Literacy as the cornerstone of sustainable societies	34	Troubled waters for transport security	
The profits and costs of social responsibility		Transport: Efficiency and security	59
The social dimension of sustainable development	35	A panel in partial agreement	
Insurance in an insecure world?		The multilateral trading system: Making the Doha Declaration work for all countries	60
What role for the insurance industry in managing new security risks?	37	Numbers everywhere	
		Measuring globalisation: Are the statisticians getting it right?	61
		Children of the world	
		Keynote address by Carol Bellamy, Executive Director, UNICEF	62

OECD Forum: uniquely placed to improve policy-making

Opening address

DONALD J. JOHNSTON, SECRETARY-GENERAL OF THE OECD

The OECD Forum represents a significant step in the development of the Organisation and I am delighted to welcome you today to this third OECD Forum.

The agenda of this year's Forum is very ambitious, dealing with security, equity, education and growth, questions that are among the most complex and important issues we face at a global level. We know very well that many international conferences deal with those subjects. So, what is the real added value of this particular forum? That is a good question, which I would answer in the following way.

The OECD is an intergovernmental organisation dealing with all the major challenges facing public policy-makers in developed, but also developing countries. Historically, it had little contact with the world beyond the administrations of the governments of our Member countries. But to be of real value to policy-makers – and I include of course parliamentarians – the OECD must bring to its solid professional analysis both the political and social dimensions of policy recommendations.

The arrival of the information society has altered forever how power relates to knowledge – which used to be reserved to those privileged enough to possess it. More important, the complexity of interconnections between all areas of public policy has made it imperative that good governance “broker” a vast resource of knowledge and interests flowing from diverse people in all parts of the globe. This is not easily done. Think of specific issues, like education, health, food safety, taxes, gun control, preservation of the foundations of sustainable development, the air, soil, water and biodiversity, the plight of children and women in development, even the protection of specific species, and you begin to see why the world has generated so many voices supporting so many issues in so many ways. Communications technologies are now available to help people develop informed views or, in some cases, misinformed ones, since these technologies also lend themselves to the dissemination of demagogic ideological positions on single issues.

The OECD has been the venue for a remarkable brokerage of ideas on public policy on intergovernmental issues for over half a century. It is only logical that it should attempt to bring into those deliberations the views of what we loosely call civil society. That is what the

Forum is all about, and hence the important role to be played by Minister Neyts-Uyttebroeck, who this week will relay to the OECD ministers attending our annual Ministerial Council what you are telling us here. No other public forum of which I am aware has such a direct input to those charged with the creation and application of public policy.

But there is also another very important dimension. You, the participants at this Forum, have a lot to contribute to the work of OECD ministers and experts. The representatives of civil society among you possess a range of ideas based on your own very valuable expertise. Nobody has a monopoly on the ideas needed to face today's challenges. Governments need your input, and in return, you need support from governments to help you achieve your own objectives and to implement the policy measures you are promoting.

This leads to my central message. The OECD Forum represents not only an opportunity to put forward our own views, but to listen



Donald J. Johnston



Annemie Nyets Uyttbroeck and Donald J. Johnston

carefully to the views of others, without bias, as dispassionately as possible. We must always try to put ourselves in the position of others and look at facts from the viewpoint of those with whom we may disagree.

Here I make a plea for an understanding of the complexities of democracies. Elected representatives are today overwhelmed with information and the aggressive positions of single interest groups. But all policies are interconnected and interdependent and, inevitably, involve trade-offs. I sense that some representatives of civil society are not prepared to accept trade-offs to the particular position they are setting forth. Yet politicians have to make these trade-offs.

Let me illustrate my point with a relevant example. On Friday (three days before the start of the Forum) I received a request to cancel a panel on nuclear energy. Some critics reject nuclear as an option

for sustainable development in the attempt to curb greenhouse gas emissions. Perhaps they are right. Perhaps they are wrong. But to try to suppress open, well-informed discussion on the subject is, for me, intolerable. The global energy mix is one of the most important issues for the future of the planet and touches a wide range of scientific, economic and social issues. The OECD Forum is designed to address those kinds of issues, to try and get at the facts and expose them for debate in the democratic systems of our respective nations.

In conclusion, let me cite Thomas Jefferson, when responding to an enquiry about the philosophy of the University of Virginia which he founded: "Here we follow truth wherever it may lead".

Let us make that the credo of our Forum and of the work of the OECD. With that in mind, may the discussions and debates begin. ■

Globalisation is a positive force, but ...

Keynote address

- Moderator: **CHRISTINE OCKRENT, FRANCE TÉLÉVISION**
- **GUY VERHOFSTADT, PRIME MINISTER OF BELGIUM**



Guy Verhofstadt and Christine Ockrent

The face of the world has changed significantly since last year's Forum. Obviously there were the terrorist attacks of 11 September, and the recession that followed. In addition to these events came a crisis in the Middle East, the rise of the far right in Europe, the collapse of the Argentinian economy and clashes with anti-globalisation demonstrators during the summit meetings in Gothenburg and Genoa.

A feeling is gradually setting in that, with every day that passes, the world is becoming increasingly unstable. In my view this fear is highly exaggerated. However, I am struck that the crises I have just mentioned – with the possible exception of the Middle East conflict – are often perceived as symptomatic of a seemingly uncontrollable process of globalisation.

It is precisely this process of globalisation that concerns us here today. Globalisation is an autonomous phenomenon, driven by advances in technology and communications. It is therefore as irreversible as the moon's trajectory. Our problem, as rich nations, is that for too long we have allowed globalisation to develop as an autonomous process. I strongly believe that globalisation must be much better managed than it is today.

First, while European countries have undeniably benefited from growing trade and investment, especially among themselves, the capacity of developing countries to exploit the benefits of globalisation has been much more disparate. The peoples of Asia, meaning one third of the world's population, are freeing themselves from a daily struggle to find food, clothing and somewhere to live. But a group of some twenty countries, primarily African countries, has seen the gap separating them from the rich countries of the North grow even wider.

Civil war, natural disasters, disease and poor governance are partly to blame for the dreadful position in which these countries find themselves. However, our own selfishness is also an agent of destruction. We profess adherence to free trade, but a form of free trade that protects our own markets for textiles and agricultural products, products of major importance to these poor countries. Worse still, the use of export subsidies allows us to flood the markets of these countries with our surplus production.

In this respect, the Doha meeting offered a ray of hope. But since then, this ray of hope seems to be fading. In the steel sector, for example, there have been major increases in customs tariffs and, more recently, in the agricultural sector there have been sharp increases in output subsidies. The protectionist measures in some countries delay or prevent much needed structural reforms in others.

This brings me to my second argument. Last year, when I chaired the European Council, I initiated a dialogue – after the G8 summit meeting in Genoa – with some of the “voices of anti-globalisation”. I believe that most of the people who fall within this category are deeply concerned by the way the world is evolving and that it is critical for governments to undertake open dialogue with these citizens.

My third point is that while Europe may not be a television hit, it is still in many respects a political model for the organisation of our world. Europe has after all managed to eliminate the large divide between its rich and poor regions. Beneath this successful performance lies the process of economic co-operation, something that is fundamental to the countries of the OECD. Opening of markets, financial assistance and co-operation are all elements that have been used during successive enlargements of the European Union. And each time, the combination of these elements has resulted in a spectacular increase in the prosperity of new member states. We must apply the same method in central and eastern Europe over the next

decade. And it should also be applied globally to bring prosperity to the poorest countries.

The European experience leads me to my fourth idea – that it is an illusion to think that the world will be united without government. The globalisation process, for all its positive effects, has worrying aspects which require both governmental and intergovernmental action – the predicament of poor countries, environmental dangers and the internationalisation of crime, are just a few examples of such worrying aspects. The external affairs of nation states are increasingly becoming the world's internal affairs.

And now for my fifth idea: earmarking 0.7% of our gross national income to development assistance should not be a final objective, but a starting point. The government I lead recently drew up a scheme that would enable us to fulfil by 2010 the promise we made on this score at the United Nations 30 years ago. Other governments have already taken this decision. Together we represent but a small minority of OECD nations. I consider 0.7% of GDP to be a decent minimum that a rich country should set aside for the poorest regions of the world.

In my opinion, the 0.7% should be complemented by specific debt relief for the poorest countries. It is for this reason that my country has drawn up a concrete proposal entitled the “Prospective Aid and Indebtedness” (PAIR) initiative. This would consist of a fund financed by the 23 richest countries. Each of them would contribute 0.1% of their gross domestic product to the fund during the next fifteen years. This mechanism would make it possible to accelerate debt reduction for the 40 poorest countries and to finance new human development programmes. I put forward this proposal at the Monterrey Conference on Financing for Development last March. And I intend to submit it tomorrow at the OECD Ministerial Council.



Guy Verhofstadt

Discussions about globalisation sometimes resemble a type of intellectual therapy, a pastime for the intelligentsia. But it is not only that.

In Europe, we had the class struggle a hundred years ago, with its bitter clashes and fanatical ideological divides. But, we should do everything in our power to ensure that this does not happen at an international level. We cannot accept a situation in which we alone remain rich and the others stay poor. Making others richer will also enhance our prosperity. But, a peaceful evolution towards a more just world will require more serious efforts by the governments of the developed world. ■

Globalisation and security: Striking a balance

Opening address

ANNEMIE NEYTS-UYTTEBROECK, MINISTER OF STATE FOR FOREIGN AFFAIRS, BELGIUM

For globalisation to work there will be costs, though many of these are costs worth paying. Globalisation as such is a politically neutral process. It can be used or misused, for better or for worse. Globalisation in itself is not making the world a less secure place to live in. It has been stated that globalisation has facilitated international crime, e.g. in financial matters, or that drug cartels could not operate without the existing international communication network. Indeed, even the dramatic events of 11 September have been partly blamed on globalisation. But such a line of reasoning clearly confuses two distinct issues. Globalisation may be a necessary condition for new forms of international crime or terrorism to arise, but it is not a sufficient condition.

On the contrary, there are good reasons to think that globalisation has contributed, on the whole, to peace and security. The implosion of the Soviet empire and the opening up of China, both politically and economically, would not have been possible without globalisation. International travel, international telecommunications, international commercial relations have made this world an increasingly interconnected world. Globalisation has facilitated the emergence and the integration of market economies and enhanced regional forms of co-operation. Through interdependence, globalisation has contributed to the stability of countries, regions and the world at large.

Globalisation is therefore an asset, much more than a liability. Globalisation has opened new avenues. Most of them lead to a more prosperous and a more secure world, but not all. Some roads are risky. It is these risks that we are called upon to identify. New risks which globalisation has generated are clearly within the purview of our regulatory powers: corporate governance, financial crime, corruption, fiscal loopholes, to name but a few. Others are on the fringes of our powers: the economic downfall of a country or the political collapse of a nation. Some new risks are transitory and closely linked to the economic conjuncture of a country or a region, others affect our societies in depth and have a structural nature.

Regarding the latter, I am deeply concerned with the still growing divide between North and South, rich and poor, “haves” and “have-nots”, knowledge “haves” and knowledge “have-nots”. The world today is twice more inegalitarian than in 1960. Beyond income inequalities, the gap between rich and poor can (and should) also be measured in terms of a country’s infrastructure density, or in terms of quality of health and education. The point is that we are not just talking about money. More is involved, something close to what we call the dignity of man. It is my strong feeling that the divide between rich and poor remains one of the major challenges that we will have to tackle in the years ahead.

The sources of instability and insecurity can be diverse, and so are their effects. One of the most obvious direct effects of insecurity is that it undermines confidence and therefore the very cornerstone of the market. As regards the indirect effects, these may be multifarious, but most of them come down to an increase in transaction costs in



Annemie Neyts-Uyttebroeck

international affairs: higher insurance premiums, more intrusive border controls hamper international transactions and are obstacles to integration and globalisation.

Faced with these new risks and challenges, it is up to us, as politicians, to act. Public outpourings of emotion in reaction to domestic political events such as elections or assassinations demonstrate a desire to be heard and the need for a new community of vision. Not that we should aim at “mastering” the process of globalisation – that would be an illusion. But we can, and should work on the fringes of the process and tackle the excesses and imbalances that the process generates, and which can degenerate into insecurity.

By devising new policies, by setting up appropriate frameworks of regulation, we are not in the business of killing globalisation, but of channelling globalisation towards desired results. The European Union could, dare I say it, stand as a model of balanced policies for the world as a whole.

When regulating globalisation for security reasons and when devising new policies for tackling structural challenges, we should pay particular attention to a double relationship between threat and remedy: first, we will have to strike the right balance between efficiency and security; second, we should be aware of increasing the so-called asymmetry of threats, which compel us to reflect on the adequacy between threat and remedy; finally, we must reflect on the cost on the global economy of our regulatory efforts. Public budgets will be affected. New regulatory schemes may affect transaction costs. New controls on international traffic may hamper trade flows. Productive resources may be deviated to less productive services, e.g. in the field of defence and police.

These and similar costs may indeed consume part of the peace dividend of the post-Cold War period, but only part. The real test as regards these costs is what the world would look like without these regulatory interventions. These new costs, when respecting the proper balance between efficiency and security, may be well worth paying. ■



OECD Forum at the CNIT, Paris.

© OECD 2002

Single copy:
€ 15ISBN 92-64-19848-2
Tel.: +33 (0) 1 45 24 82 00
Fax: +33 (0) 1 45 24 18 15
sales@oecd.orgPublished in English by the
Organisation
for Economic Co-operation
and DevelopmentLes éditions de l'OCDE
2 rue André-Pascal 75775
Paris cedex 16, extrel@oecd.org
www.oecd.orgOECD FORUM MANAGER:
John West

EDITORS-IN-CHIEF:

Rory Clarke and John West
SENIOR EDITORS:

Will Davis, Sue Kendall-Bilicki

ASSISTANTS:

Elodie Beth
Meera Dominick
Alexandra Gaskell

Loreau Lyons

CONTRIBUTORS:

Peter Gaskell

Alan Katz

Patricia Ochs

Brian Rohan

Lynn Selhat

LAYOUT:

Linéale Production

PUBLICATION COORDINATOR:

Nadine N'diaye-Robinson

PHOTO RESEARCH:

Silvia Thompson

WEB EDITION:

Nadine N'diaye-Robinson

MARKETING DIRECTOR:

Toby Green

LOGO AND DESIGN:

Linéale Production

PRINTING:

OECD Boulogne

Applications for permission to reproduce
or translate all or parts of articles from
the OECD Forum 2002 Highlights,
should be addressed to:
Head of OECD Publications,
2 rue André-Pascal,
75775 Paris, cedex 16, France.Reprinted and translated articles should
carry the credit line "Reprinted from
the OECD Forum 2002 Highlights,"
plus date of issue.Signed articles reprinted must bear
the author's name.Two voucher copies should be sent
to the Editor.Signed articles express the opinions
of the authors and do not necessarily
represent the opinion of the OECD.
All correspondence should be addressed
to the Senior Editor. The Organisation
cannot be responsible for returning
unsolicited manuscripts.

- **Tom Arnold**, Chief Executive, Concern Worldwide, Ireland
- **Judith Ayres**, Assistant Administrator, United States Environmental Protection Agency
- **Christopher Ball**, Chancellor, University of Derby, United Kingdom
- **Hélène Ballande**, Friends of the Earth, France
- **Bruna Basini**, Deputy Editor, Expansion magazine, France
- **Carol Bellamy**, Executive Director, UNICEF
- **Jagdish N. Bhagwati**, Professor, Economics Department, Columbia University, United States
- **Lorenzo Bini Smaghi**, Director for International Financial Relations, Ministry for Economy and Finance, Italy
- **Nicholas Biwott**, Minister for Trade and Industry, Kenya
- **Joëlle Bourgois**, Permanent Representative of France to the OECD
- **François Bourguignon**, Professor of Economics, École des Hautes Études en Sciences Sociales, France
- **Boutros Boutros-Ghali**, Secretary General, Organisation Internationale de la Francophonie
- **Jorge Braga de Macedo**, President, OECD Development Centre
- **Chris Brooks**, Director, Public Affairs and Communications, OECD
- **Jermyn Brooks**, Executive Director, Transparency International
- **Laura Bush**, First Lady of the United States
- **Maria Livanos Cattau**, Secretary-General, International Chamber of Commerce
- **Dae Whan Chang**, President and Publisher, Maeil Business Newspaper and TV, Korea
- **Yvonne T. Chua**, Director of Training, Philippine Centre for Investigative Journalism
- **Leonardo Clerici**, President, Istituto di Skriptura, Italy
- **Corrado Clini**, Director General, Ministry for the Environment, Italy
- **Bertrand Collomb**, CEO, Lafarge, France
- **Bruno Comby**, President, Environmentalists for Nuclear Energy, France
- **Helena Conruyt-Angent**, General Advisor, Ministry of Economic Affairs, Belgium
- **Kathleen Cooper**, Under Secretary for Economic Affairs, United States Department of Commerce
- **David Crane**, Economics Editor, The Toronto Star, Canada
- **Andrew Crockett**, General Manager, Bank for International Settlements
- **Bronwyn Curtis**, Managing Editor, Bloomberg Television, United Kingdom
- **François David**, Chairman and Managing Director, COFACE; Chairman, CEPPI Club, France
- **Belmir de Azevedo**, President, Sonae SGPS, SA, Portugal
- **Henri de Castries**, Chairman of the Management Board and CEO, AXA, France
- **Léo Delwaide**, President, Antwerp Port Authority, Belgium
- **Padma Desai**, Director, Centre for Transitional Economies, Columbia University, United States
- **Ileana Di Giovan Battista**, Director of International Economic Co-operation, Ministry of Foreign Affairs, Argentina
- **Évelyne Dourille-Feer**, Economist, Centre d'Études Prospectives et d'Informations Internationales (CEPII), France
- **Arkady Dvorkovich**, Deputy Minister, Economic Development and Trade, Russian Federation
- **Leo Esaki**, Nobel Prize Winner, Technology, Shibaura Institute of Science, Japan
- **John Evans**, General Secretary, Trade Union Advisory Committee to the OECD
- **Magdi Farahat**, Minister Plenipotentiary, Permanent Mission of Egypt to the United Nations, Geneva
- **J Kayode Fayemi**, Director, Centre for Development and Democracy, United Kingdom
- **Anna Fielder**, Director, Office for Developed and Transition Economies, Consumers International
- **Jean-Paul Fitoussi**, Professor, Institut d'Études Politiques de Paris
- **Niall FitzGerald**, Joint Chairman, and CEO, Unilever
- **Lionel Fontagné**, Director, Centre d'Études Prospectives et d'Informations Internationales (CEPII), France
- **Yves Franchet**, Director General, European Commission/Eurostat
- **Brant Free**, Senior Vice President, Chubb Corporation, United States
- **Julio Frenk Mora**, Minister of Health, Mexico
- **Ahmed Galal**, Executive Director, Egyptian Centre for Economic Studies
- **Jean-Daniel Gardère**, General Manager, Centre français du commerce extérieur (CFCE)
- **Reimer Geiger**, Deputy Director, Financial, Fiscal and Enterprise Affairs, OECD
- **Raymond Gilmartin**, Chairman, President & Chief Executive Officer, Merck & Co. Inc, United States
- **Almira Ginyatullina**, Chief of the Board, Bishkek Chamber of Commerce, Industry and Handicrafts, Kyrgyzstan
- **Enrico Giovannini**, Chief Statistician, OECD
- **Ronnie Goldberg**, Senior Vice President, United States Council for International Business
- **Edward Goldsmith**, Founding Editor, The Ecologist, United Kingdom
- **Charmian Gooch**, Co-Founder and Co-Director, Global Witness Limited, United Kingdom
- **Pierre-Henri Gourgeon**, President and Chief Executive, Air France
- **Jorge Rodriguez Grossi**, Minister of Economy, Chile
- **Cicero Habito**, Forum essay competition winner, Philippines
- **Bob Harris**, Senior Consultant, Education International
- **Gudmund Hernes**, Director, International Institute for Educational Planning, UNESCO
- **Dean Hirsch**, President, Chief Executive, World Vision International, United States
- **Paul Hohnen**, Consulting Senior Adviser, Global Reporting Initiative
- **Wolfgang Hübner**, Head of Transport Division, OECD
- **R. Glenn Hubbard**, Chairman, Council of Economic Advisors, United States

- **Harold Hyman**, Interviewer and Morning News Anchorman, Radio Classique, France
- **Lelio Iapadre**, Professor, University of Rome "La Sapienza", Italy
- **David Ignatius**, Executive Editor, International Herald Tribune
- **Toshiro Ikemura**, Paris Bureau Chief, The Yomiuri Shimbun
- **Takatoshi Ito**, Professor, Research Centre for Advanced Science and Technology, University of Tokyo, Japan
- **Pierre Jeannot**, Director General & CEO, International Air Transport Association
- **Donald J. Johnston**, Secretary-General, OECD
- **L. Craig Johnstone**, Vice President, The Boeing Company
- **Yaacov Katz**, Director of the Education Department, Israel
- **Parag Khanna**, Forum essay competition winner, Switzerland
- **Sachie Kikkawa**, Forum essay competition winner, Japan
- **Joongi Kim**, Professor of Law, Yonsei University, Korea
- **Morio Kimura**, Governor of Aomori Prefecture, Japan
- **Hideaki Koizumi**, Senior Chief Scientist, Hitachi Ltd., Japan
- **Charles Kovacs**, Vice Chairman of the Supervisory Board, SPB Investment Limited, Hungary
- **Bruno Lamborghini**, Chairman, Olivetti Tecnost, Member of the Olivetti Board of Directors, Italy
- **Anne Lauvergeon**, Chairwoman and CEO, AREVA, France
- **Daniel Lebègue**, Director General, Caisse des Dépôts et Consignations, France
- **Jacques Lesourne**, Counsellor, Foresight Studies, EDF, France
- **Clarie Lo**, President, Financial Action Task Force on Money Laundering (FATF), and Commissioner for Narcotics, Hong Kong, China
- **Tom Luce**, Founder and Chairman, Just for the Kids and the National Centre for Educational Accountability, United States
- **Leanne Macmillan**, Director, International Strategy, Amnesty International
- **Philippe Manière**, Editor in chief, Expansion magazine, France
- **Claude Martin**, Director General, WWF International
- **John Martin**, Director, Education, Employment, Labour and Social Affairs, OECD
- **Barry McGaw**, Deputy Director, Education, Employment, Labour and Social Affairs, OECD
- **Pradeep Mehta**, Secretary General, Consumer Unity and Trust Society, India
- **Paul Mentré**, Counsellor, EDF, France
- **Gérard Mestrallet**, Chairman and CEO, SUEZ, France
- **Juan Millán**, Governor, State of Sinaloa, Mexico
- **Maïte Millogo**, Forum essay competition winner, France
- **Takahiro Miyao**, Professor, Centre for Global Communications, International University of Japan
- **John Monks**, General Secretary, Trades Union Congress, United Kingdom
- **Siegmar Mosdorf**, Member, Bundestag, Germany
- **Martina Motlova**, Deputy Minister of Environment, Czech Republic
- **Kenizé Mourad**, Writer, Turkey
- **Robert Mundell**, Nobel Prize Winner, Professor of Economics, Columbia University
- **Annemie Neyts-Uyttebroeck**, Minister of State for Foreign Affairs, Belgium
- **Ronald Noble**, Secretary General, Interpol
- **William Novelli**, Executive Director and CEO, AARP, United States
- **Christine Ockrent**, Journalist, France Télévision
- **Kenichi Ohno**, Professor, National Graduate Institute for Policy Studies, Japan
- **Angela Orozco**, Minister of Foreign Trade, Colombia
- **Supachai Panitchpakdi**, Director-General Designate, World Trade Organisation
- **John Page**, Director, Poverty Reduction and Economic Management Network, World Bank
- **Beatriz Paredes Rangel**, Speaker of the House of Representatives, Mexico
- **Laurence Parisot**, CEO, Institut Français de l'Opinion Publique
- **Robert Pasternack**, Assistant Secretary, Special Education and Rehabilitative Services, United States Department of Education
- **Andrew Peek**, Forum essay competition winner, United States
- **Mark Pieth**, Professor of Criminal Law and Criminology, Basel University, Switzerland
- **Clyde Prestowitz**, President, Economic Strategy Institute, United States
- **Guy Quaden**, Governor, National Bank of Belgium
- **Govindasamy Rajasekaran**, Secretary-General, Malaysian Trades Union Congress
- **Valerie Reyna**, Senior Research Advisor, United States Department of Education
- **Burton Richter**, Nobel Prize Winner, Professor in the Physical Sciences, Stanford University, United States
- **Maria Joao Rodrigues**, General Co-ordinator, National Programme for Innovation, Cabinet of Prime Minister, Portugal
- **Michael Roeskau**, Director, Development Co-operation, OECD
- **Martina Rosakova**, Forum essay competition winner, Slovak Republic
- **Guy Ryder**, General Secretary, International Confederation of Free Trade Unions
- **Gideon Sagee**, Chairman, Israel Small and Medium Enterprises Authority
- **Il Sakong**, Chairman & CEO, Institute for Global Economics
- **Christian Sautter**, Deputy Mayor, Paris
- **Brigita Schmögnerová**, Executive Secretary, United Nations Economic Commission for Europe
- **Christian Schricke**, Secretary-General, Société Générale, France
- **Susan Sclafani**, Counsellor to the United States Secretary of Education
- **Charles Secrett**, Executive Director, Friends of the Earth, United Kingdom
- **Cvetka Selsek**, President of the Management Board, Chief Executive Officer, SKB Banka D.D., Slovenia
- **Aril Seren**, Secretary General of the Federation of Euro Asian Stock Exchanges
- **Emile Servan-Schreiber**, CEO, NewsFutures.com, France
- **Ibrahim Seaga Shaw**, President and Executive Editor, Expo Times, Sierra Leone
- **Manfred Spitzer**, Chairman of the Psychiatric Hospital, University of Ulm, Germany
- **John Sweeney**, President, American Federation of Labour and Congress of Industrial Organisations (AFL-CIO)
- **Christopher Tabilo Heavey**, Forum essay competition winner, Chile
- **Stefan Tangermann**, Director, Food, Agriculture and Fisheries, OECD
- **Robert Taylor**, Research Associate, Centre for Economic Performance, London School of Economics, United Kingdom
- **Roberto Toscano**, Minister Plenipotentiary, Ministry of Foreign Affairs, Italy
- **Laurence Tubiana**, Environmental Counsellor to the Prime Minister of France
- **Simon Upton**, Chair, OECD Round Table on Sustainable Development
- **Adolfo Urso**, Minister of Foreign Trade, Italy
- **Shunichiro Ushijima**, Economic Adviser to the Minister of State for Economic and Fiscal Policy, Japan
- **René Valladon**, Federal Secretary, Force Ouvrière (CGT-FO), France
- **Paul Van den Bergh**, Monetary and Economic Department, BIS
- **Jan Vandemoortele**, Principal Advisor, Bureau for Development Policy, UNDP
- **Guy Verhofstadt**, Prime Minister, Belgium
- **Lucia Vitali**, Professor of Insurance Economics, University of Rome, Italy
- **Jean-Marc Vittori**, Editorial Director, Expansion magazine
- **Luzius Wasescha**, Director General for World Trade, State Secretariat for Economic Affairs, Switzerland
- **Jeremy Webb**, Editor, New Scientist, United Kingdom
- **Douglas C. Worth**, Secretary General, Business and Industry Advisory Committee to the OECD



Making the most of life after 50.

AARP is a nonprofit, nonpartisan membership organization of more than 35 million people 50 and over. By providing information and education; legislative, consumer, and legal advocacy; community service opportunities; and a range of products and services, we help our members make the most of life after 50.

AARP
601 E Street, NW
Washington, DC 20049 USA
Phone: +1 202 434 2402
Email: info@aarpp.org
www.aarp.org

Profiter pleinement de la vie après 50 ans.

AARP est une organisation d'adhésion non-partisane, à but non-lucratif, regroupant plus de 35 millions de personnes âgées de 50 ans et plus. Elle fournit des renseignements et de la formation, aide à la défense de ses membres tant sur le plan législatif et juridique, qu'en tant que consommateurs, et leur offre l'opportunité d'agir comme bénévoles au sein des collectivités locales. En fournissant également un large éventail de produits et de services, AARP aide ses membres à profiter pleinement de la vie après 50 ans.



making the sky the best place on earth

AIR FRANCE

**The Air France international network.
Fly away and discover the world.**

More than 450 destinations via Paris-Charles-de-Gaulle hub. www.airfrance.com

Member of 



Adresse | <http://www.cepii.fr>



CEPII
 CENTRE
 D'ETUDES PROSPECTIVES
 ET D'INFORMATIONS
 INTERNATIONALES

Rechercher [The CEPII's Business Club](#)

English version
 Le CEPII
 Equipe
 Axes de recherche
 Documents de travail
 Bases de données
 Publications
 Réunions
 Partenaires
 Offres d'emplois
 Contacts
 Liens
 Presse
 E-mailing
 Aide

Version française
 The CEPII
 Staff
 Research Areas
 Working Papers
 Databases
 Publications
 Meetings
 Partnerships
 Jobs
 Contacts
 Links
 Press
 E-mailing
 Help

Actualités

Lieu d'échanges et d'analyses sur l'économie mondiale

Rencontres avec des experts français et étrangers sur des thèmes d'actualité économique internationale

Quarante sociétés membres : entreprises, organisations professionnelles et syndicales, établissements publics

Forum of information and analysis on the world economy

Forum of dialogue with French and foreign experts on international economics major issues

More than 30 meetings per year with participation of 40 firms representatives from the french business world



CEPII

© CEPII 2001

9, rue Georges Pitard - 75015 Paris - Tél. : (33) 1 53 69 55 00



EDF: Controlled Growth

The EDF Group, Europe's leading electrical utility and an investor in 22 countries world-wide, has 42.9 million customers, including 31.9 million in France. Increased sales in 2001 of 40.7 billion Euros (+18.3%) marks both the parent company's strong global dynamism and its good capacity for reaction in the face of the opening of the markets.

In an open and keen market, the EDF Group stepped up its growth in 2001 to establish a network of companies in Europe and fully implement its skills for added value as the world's foremost electricity company.

The share of sales revenue outside electricity in France now comes to 35%, the objective being 50% in 2005. The Group features genuine growth relays throughout the world: the contribution of the Group's member companies to its sales revenue has climbed to 31.2%.

During the year 2001, all of the customer categories in France were able to benefit from an average drop in electricity prices despite a rise of 1% in November 2001. EDF's tariffs are still among the most competitive in Europe.

The EDF Group has enhanced its commitment to a long-term strategy which combines the three requirements of sustainable development: sustained growth, ongoing action to preserve the quality of the environment and a commitment not to achieve economic progress without social progress for everyone, an idea which expresses the acknowledgement of the right to energy.

In 2002, EDF will strengthen its positions in Europe and pursue the balanced development of all its activities, based in particular on synergies between its member companies. EDF also intends to combine economic efficiency and the general interest by committing itself to a modernised public service.

THE DEPARTMENT STORE CAPITAL OF FASHION
LE GRAND MAGASIN, CAPITALE DE LA MODE

G A L E R I E S
Lafayette

DUTY FREE SHOPPING
DÉTAXE À L'EXPORTATION

WELCOME SERVICE
BUREAU D'ACCUEIL

INTERPRETERS
INTERPRETES

PRIVATE WEEKLY FASHION SHOWS
DÉFILÉS DE MODE HEBDOMADAIRES

CURRENCY EXCHANGE OFFICE
BUREAU DE CHANGE

LAFAYETTE GOURMET:
DE LUXE GROCERY
ÉPICERIE FINE

RESTAURANTS

GALERIES LAFAYETTE - 40, BD HAUSSMANN 75009 PARIS. MÉTRO CHAUSÉE D'ANTIN-LA FAYETTE
OPEN MONDAY THROUGH SATURDAY FROM 9.30 AM TO 7.30 PM.
LATE NIGHT OPENING EVERY THURSDAY UNTIL 9 PM. TEL.: 01 42 82 36 40
OUVERT DE 9 H 30 À 19 H 30 DU LUNDI AU SAMEDI. NOCTURNE JUSQU'À 21 H LE JEUDI. TÉL.: 01 42 82 36 40
www.galeriesslafayette.com

G | M | F The German Marshall Fund of the United States

STRENGTHENING TRANSATLANTIC COOPERATION

The German Marshall Fund of the United States (GMF) is an American institution that stimulates the exchange of ideas and promotes cooperation between the United States and Europe in the spirit of the postwar Marshall Plan. GMF was created in 1972 by a gift from Germany as a permanent memorial to Marshall Plan aid.

Through its work in the United States and Europe, GMF has pursued its founding mission to create a closer understanding between partners on both sides of the Atlantic. GMF's programs promote the study of international and domestic policies, support comparative research and debate on key issues, and assist policy and opinion leaders' understanding of these issues.

FOR MORE INFORMATION

on GMF's grantmaking, fellowship, and/or partnerships,

please contact:

Julianne Smith, German
Marshall Fund, 11 Dupont Circle
NW,
Suite 750,
Washington, DC, 20007.
Tel: (202) 238-4003.
Fax: (202) 265 1662.
Email: jsmith@gmfus.org.
www.gmfus.org

Hope Through Lasting Solutions



We believe that lasting solutions to address the major health problems of the developing world will be achieved through comprehensive public/private partnerships.

The Merck Mectizan Donation Program, as well as the African Comprehensive HIV/AIDS Partnerships with the Government of Botswana and the Bill & Melinda Gates Foundation, are two partnerships that exemplify our long-term commitment to make medicines accessible around the world.

Continued efforts to train physicians and nurses in sub-Saharan Africa, and a partnership with the World Bank in Senegal also demonstrate the value of working together to bring the best of healthcare to those in need.

Nous sommes convaincus que de grands partenariats publics/privés nous permettront d'atteindre des solutions durables qui répondent aux problèmes de santé du monde en voie de développement.

Le programme de dons Merck Mectizan ainsi que le vaste partenariat africain avec le gouvernement du Botswana et la Fondation Bill & Melinda Gates sont deux exemples de notre engagement à long terme de rendre les médicaments accessibles dans le monde entier.



Nos efforts constants pour former les médecins et les infirmières de l'Afrique subsaharienne ainsi que notre partenariat avec la Banque Mondiale au Sénégal démontrent également la valeur des

collaborations visant à apporter les meilleurs soins médicaux aux personnes qui en ont besoin.



Merck & Co., Inc., 12801 North Dallas Parkway, one global pharmaceutical company. Present in most countries outside the United States as Merck Sharp & Dohme (MSD).

An international strategy • Une stratégie internationale

The Société Générale Group is one of the largest banks in the eurozone. The Group employs 85,000 people worldwide in three key businesses :

- **Retail Banking** : Société Générale Group serves 13,4 million retail customers worldwide.
- **Asset Management & Private Banking** : Société Générale ranks third in the eurozone in terms of assets under management (EUR 298 billion in 2001).
- **Corporate & Investment Banking** : SG is the fourth largest bank in the eurozone based on net banking income.

La Société Générale est un des groupes financiers les plus importants de la zone euro. Avec plus de 85 000 personnes dans le monde, son activité se concentre autour de trois grands métiers :

- **la banque de détail** compte 13,4 millions de clients en France et à l'international.
- **la gestion d'actifs**. Le Groupe est n°3 parmi les banques de la zone euro par le montant des actifs gérés (298 Md EUR fin 2001).
- **la banque de financement et d'investissement** SG est n°4 de la zone euro de par son produit net bancaire.



GROUP



www.socgen.com

RETAIL BANKING • ASSET MANAGEMENT • CORPORATE AND INVESTMENT BANKING



Groupe mondial de services, SUEZ offre des solutions globales dans l'énergie, l'eau et la propreté, pour les particuliers, les entreprises et les collectivités. A travers sa filiale Ondeo, SUEZ dessert ainsi plus de 115 millions de clients en eau sur 5 continents. *Vous apporter l'essentiel de la vie.*

Global services group, SUEZ provides solutions in energy, water and waste services for individuals, businesses and municipalities. Through its subsidiary Ondeo, SUEZ serves 115 billion customers with water, over 5 continents. *Delivering the essentials of life.*



Meeting everyday needs of people everywhere

Our purpose in Unilever is to meet the everyday needs of people everywhere – to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

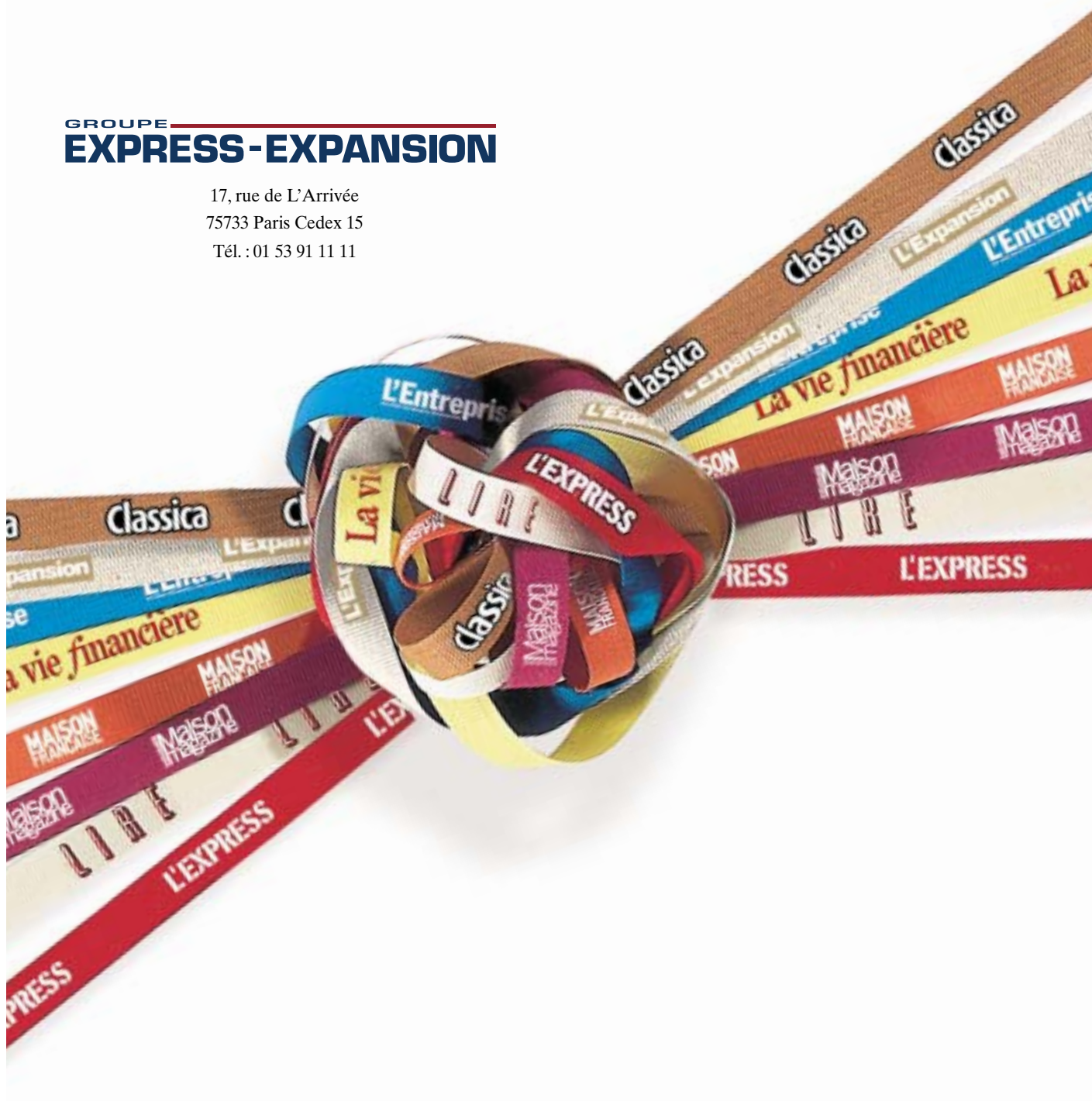
Unilever believes in sustainable development – meeting the needs of the present without compromising resources for future generations. This commitment begins and ends with our consumers. We believe that by constantly evolving to meet their changing needs, we can continue to develop our business in a profitable as well as socially and environmentally sustainable way.



www.unilever.com

GRUPE
EXPRESS-EXPANSION

17, rue de L'Arrivée
75733 Paris Cedex 15
Tél. : 01 53 91 11 11



Actualité, économie, finance, culture, art de vivre
huit grandes marques de Presse Magazine
s'attachent entre elles pour satisfaire
les centres d'intérêts des cadres et des hauts revenus.

Fresh perspectives on co-operation

OECD Forum 2002 Essay Competition

- **MODERATORS: HAROLD HYMAN,** INTERVIEWER AND MORNING NEWS ANCHORMAN, RADIO CLASSIQUE, FRANCE
- **TOSHIRO IKEMURA,** PARIS BUREAU CHIEF, THE YOMIURI SHIMBUN, JAPAN

The OECD Forum Essay Competition for tomorrow's leaders was launched in 2002 with the generous support of the government of Japan. Students under the age of 25 from the world over were invited to submit essays on the topic of "The state of the world in 2002 – how international co-operation can make the world a better place".

Some 114 essays from 43 countries were submitted. The winning essayists participated in an opening panel of OECD Forum 2002. Set out below are highlights from the eight winning essays.



Medicine and globalisation: Making the world a better place

Cicero R. Habito
(Philippines)

I am a graduating medical student from the Philippines, where despite recent improvements, more than half of the population cannot afford a full course of antibiotics. It is not as much a reflection of poverty as it is of the degree of drug overpricing. The minimum daily wage in my country is 200 pesos, not even half the cost of a single dose of Co-Amoxiclav. Patients often need three doses a day for seven days. On the other hand, in other countries like India, 200 pesos would be more than enough to pay for a full day's requirement of medication. There, drugs are widely produced and readily available to the population, to such an extent that foreign tourists and travellers have been noted to carry home supplies of common over-the-counter remedies.



Members of the panel

How can international co-operation make the world a better place? In my country, the supply of drugs is controlled by a known small group of drug importers and producers. This had been going on for decades, until recently, when the government initiated a parallel importation programme for common drugs. Under this plan, the market has been flooded with much cheaper, but equally potent drugs sourced from India. In return, it is hoped that this will force local wholesalers to rethink their pricing policies, and in the long term, encourage entrepreneurs to produce the drugs at an even lower cost locally. This, for me, is a concrete example of how a local problem can be solved by international co-operation.



Geodiplomacy

Parag Khanna
(Switzerland)

Each year, the US Department of State issues a *Patterns of Global Terrorism* report in which terrorism is defined as "premeditated, politically motivated violence perpetrated against non-combatant targets by sub-national groups...". This January, however, a seminar of Islamic scholars in Mecca

promulgated a new definition: "All acts of aggression committed by individuals, groups or states against human beings, including attacks on their religion, life, intellect or property." How are we to advance international co-operation if we cannot agree on what we are co-operating for or against? Co-operation can only make the world a better place when it rests on a foundation of common assumptions.

When Iranian President Seyed Mohammed Khatami called upon the United Nations General Assembly to declare 2001 the "Year of Dialogue Among Civilisations," he emphasised that through "such a dialogue the realisation of universal justice and liberty may be initiated." As he correctly implies, there is no universal agreement on what constitutes "universal justice". The danger of this lack of consensus lies in the fact that achieving justice – when demanded at all costs – often requires the use of force, even war. Warfare has traditionally been understood as open and armed hostility between combatants of sovereign states. Yet in 1999, two Chinese colonels published *Unrestricted Warfare*, a treatise on conducting war "which transcends all boundaries and limits... using all means, including armed force or non-armed force, military and non-military, and lethal and non-lethal

means to compel the enemy to accept one's interests." Clearly we are no longer able to collectively distinguish between terrorism and war, a precarious and unsustainable situation where both means are employed in the name of anybody's justice.

World politics is undergoing a systemic transformation in which traditional international co-operation between states is being subsumed by a new global political process: geodiplomacy. In this more inclusive form of global co-operation, problem-solving requires the active participation of multiple stakeholders: governments, the private sector, international organisations, labour, civil society, academia and religious communities.



Developing a global mind through international co-operation

Sachie Kikkawa
(Japan)

In the technology-driven global economy, there is another element that must not be forgotten – the human beings that make up our workforce, the traditional and fundamental driving energy in a nation's prosperity. But, in contrast to the world's enthusiastic response to technology, the world has not been placing enough emphasis on these human beings. International co-operation to expand the knowledge base of the public to improve the workforce is imperative for achieving global prosperity.

The post-technological revolution which has brought nations much closer together requires a "global mind" within each human being in order for the nations to function well as a whole. A "global mind" requires cultural sensitivity, the flexibility to accept globalisation, the willingness to co-operate with others. Yet, the world is experiencing tragedies from self-centred or locally-centred minds, for instance, the world tension produced by the events of September 11th and the consecutive global economic crises. These tensions come from the lack of "global mind." Thus, co-operatively nurturing a "global mind" throughout the world, to the same degree and as quickly as the nations nurture computer or technology literates, will reduce present and future tensions, which are hazardous to global prosperity.



International co-operation – coming together to achieve common goals

Patrick Kiyemba
(Uganda)

Politically, international co-operation helps people all over the world to ensure that there is good governance. Where there is good governance, human rights are respected, and strong political systems ensure peace and stability.

International co-operation in the economic field can lead to improvement in the quality of life. Through trade, resources can move from one part of the world where they are in abundance to another part of the world where they are scarce and badly needed. For example, through selling organic products to Europe, the lives of people in Africa can be saved, as in return Africans can import badly needed medicine. Through international trade, people in the less developed countries are enjoying goods and services that they would not have enjoyed if such co-operation did not exist.

Through international co-operation, there is also transfer of technology and skills from one part of the world to the other. In Uganda for example, many people have acquired skills and appropriate technology thanks to the German government through the Gesellschaft für Technische Zusammenarbeit (GTZ). International co-operation is also instrumental in the research area, such as for the problem of AIDS. In Uganda there are many research projects that have made a breakthrough contribution to international problems, such as the research conducted by Sir Albert Cook which reversed the dreadful effects of sleeping sickness.



The development of a country can be helped by business

Maïté Millogo
(France)

The unstable political situation of a large number of countries is in fact a brake on their development. This is notably the case with those countries having problems of corruption, or where the authorities lack concern for the welfare of the majority of the population. This is especially clear in countries where inadequate resources are allocated to basic health and education. Unfortunately,

international co-operation generally has few options to influence the actions of certain governments, and development must await reform of the internal political progress. And reform cannot exist without the will of the population. However, one option available to developed countries is to support the growth of small businesses in the third world, with aid that bypasses corrupt government institutions to bring assistance directly to the people undertaking commercial initiatives. For the development of a country often takes place through this internal economic dynamism, led by entrepreneurs.

Agents of international co-operation must therefore make use of all the means at their disposal to help individuals in developing countries find their place in the economy. But the principal difficulty of such outside help is to respect the traditions and customs of each country, so that economic progress does not come at the cost of countries losing their national identities. We will then be able to see the birth of a better world, where there will not be a one-size-fits-all economic model imposed on developing countries, but rather different systems, each sensitive to the specific needs and strengths of different cultures.



International development goals

Andrew Peek
(United States of America)

The shot was low and hard, arching in a relentless curve towards the goal. A sure score, right until the soccer ball struck Daoud Nabavi in the head and he fell to the field, motionless, oblivious to the play that still swirled around him. One of the Americans, however, jogged over to where Nabavi lay still, rolled him over, and began to speak to the Iranian in a soothing voice. The game stopped eventually, and the stretchers came, but that one moment of a 1996 international high school exhibition match had transcended nearly two decades of official hostility.

In a more general way, this one soccer game symbolised the success of international co-operation more incisively than do innumerable policy reports. The most effective forms of international co-operation do not occur between functionaries and governments, even like-minded ones. They do not appear

in joint military operations, or in official state dinners in the White House, Kremlin, or Temple Mount. The most enduring examples of co-operation between nations occur at the personal level, between people with similar interests and aspirations. One soccer game, of course, did not engender a thaw in relations between the two hostile states, but in the long run, it facilitates the same result. If Iran and the United States were to go to war, Nabavi would likely be more hesitant to take up arms against an enemy he knows to be decent, as the American would similarly hesitate as well.

Although both teams fought hard, the soccer match ended with the Iranians winning by one goal, a penalty kick with less than one minute to go. After the game, I saw Daoud walking towards the locker room with several of his team-mates, and I paused for a moment, wondering if he would remember. Nabavi looked back once, and caught my eye. He rubbed his bright-red cheek sheepishly with one hand, and then shouted in accented but understandable English, "Nice kick. Thank your friend for helping me up." And with a final wave, he was gone, and the latest round of US-Iran détente had made another small step forward.



International co-operation based upon respect

Martina Rosakova
(Slovak Republic)

How, and to what extent, can international co-operation help create a better world? The positive role international co-operation can play is well known. The co-operation of the Allies in the world wars clearly played a critically important role in history. But such alliances were created in difficult circumstances, and the world wars resulted in tensions between countries and the division of the planet. But the end of the Second World War also brought about the necessity of global economic co-operation. In 1947, with the Marshall Plan, economic assistance from the United States supported the rebirth of the European countries that had been destroyed during the war. Unfortunately, the countries of Eastern Europe that could have been helped and saved after being pillaged during the war could not take advantage of this assistance due to the influence of the Soviets. Now, with the fall of the Iron Cur-

tain, we can once again consider an important initiative, allowing for the expansion of worldwide economic co-operation to be brought to all countries.

It is necessary that this co-operation proceed in a way that avoids the conflicts of the past to create a more humane world. By focusing on the principle of helping others, we can help realise more peaceful relations between countries. It is true that the symbol of France, "liberty, equality and brotherhood," can serve as the model for the entire world. Such work must be based on the respect that is essential in the framework of encountering different cultures. It is about finding co-operation and not simply imitation. Each country brings to the international community its unique characteristics, its different ways of doing things. It is very important to introduce children to the ways of international co-operation, to ensure a future of mutual tolerance and respect for the needs of others. In fact, the key to meaningful co-operation between countries, of effective improvement of today's world, can be summarised quite simply by the notion of respect.



Democracy consumers

Christopher Tabilo Heavey
(Chile)

"Democracy is the worst system devised by the wit of man, except for all the others", Winston Churchill.

Humans are no longer what they used to be. In western culture, humans were the centre

of life on earth. God gave us the power to dominate creation, and the interaction between us has been the centre of philosophy over the past twenty centuries. Through history, we developed a lot of ways to relate: family, communities, states, political parties, etc. We also dominated our environment, changing the things the way we wanted, making new things.

Then, in the interaction with the markets we became consumers. So now, when we want something from our family members, school classmates or from the state institutions, we act like consumers: we want it ready to use, at the lowest price and with an excellent look. In the past twenty years my country, Chile, has welcomed the free market system as a cornerstone of its institutions. It changed the way many of my fellow Chileans who now think and interact more like consumers.

But, we must also perform another role: citizenship. Citizens are part of a state, of a community, and cannot exclude themselves from a basic right and duty: participation. It's strange how many refuse this concept. Leaders then gather the attention of their countrymen, pushing them to do the things they assume are urgent. Power comes from people, but most of these leaders try to retain it between their hands. Democracy is a weak political system because it limits the power of the leaders, yet needs active citizens to function properly. So, we must learn how to play our role as citizens. International co-operation must focus on protecting democratic governments by enhancing education of its citizens. ■

OECD ONLINE BOOK SHOP

It's quick and easy

- Bookmark_it** 📌 Go to www.oecd.org/bookshop
 - Browse_it** 📖 View most of our books for free on screen before you buy
 - Buy_it** 💳 Use our **secure** online payment system by credit card
 - Read_it** 📄 If you buy online, you will immediately be offered a **free download** of the book (pdf) before **_it** arrives in the post.
- ... then **_it** arrives

... because our aim is to create more than just a website for you to buy our books online.

Nobel minds reflect on the future

Entering the 21st century

- **MODERATOR: ANNEMIE NEYTS-UYTTEBROECK**, MINISTER OF STATE FOR FOREIGN AFFAIRS, BELGIUM
- **LEO ESAKI**, PRESIDENT, SHIBAURA INSTITUTE OF TECHNOLOGY, JAPAN
- **ROBERT MUNDELL**, PROFESSOR, COLUMBIA UNIVERSITY, UNITED STATES
- **BURTON RICHTER**, PROFESSOR, STANFORD UNIVERSITY, UNITED STATES



From left to right Robert Mundell, Leo Esaki and Annemie Neyts-Uyttebroeck

Maximising creativity, accessing technology and stabilising the world monetary system: these are three challenges that, according to the panel of Nobel Prize winners, we are likely to face over the next 10-15 years. **Annemie Neyts-Uyttebroeck** argued that these challenges are not limited to a single country, culture, or continent – answers have to come from across cultures and borders, an approach that Nobel Prize winners have always taken.

Looking to strike a balance between humanity and technology, **Leo Esaki** offered some insights into the Zen philosophy and its potential role in fostering creativity. Leo Esaki's rationale for a "modern" educational system where creativity prepares students to react to unpredictable challenges of the future stems from his own experience in electronics, where totally new ideas have frequently driven progress. "No amount of research and improvement on the vacuum tube could have led to the birth of the transistor, which led to a whole new generation of technological development", he said. "Intellectual creativity provides the engine for progress."

But, since economic progress is driven by the rich and powerful countries, generally in pursuit of more wealth and power, there is little incentive for them to ensure that the poorer countries get a fair share of the advantages. This was the view of **Burton Richter** – what is needed is a "referee" and

the best candidates at present are the NGOs. Internet access, for example, could provide instant availability of the latest knowledge to scientists and researchers in developing nations. But because of what **Burton Richter** described as bad policy-making in developing countries, the telephone use required is too expensive. He said developing nation governments must find a way for schools and researchers to have cheap access to the Internet by domestic telephone lines while richer countries should subsidise the long-haul connections.

Anticipating how the mind could develop, **Leo Esaki** sees a shift from traditional education, which is founded on the judicious mind, where one learns to analyse and make fair judgements, to modern education, where one emphasises creative thinking. "Students who are asked to create new ideas must make the



Burton Richter

transformation from traditional to modern culture," he said. They cannot do so if they are busy copying information and parroting it back to teachers.

A focus on self-learning and autonomy, characteristic of the Zen philosophy, may give us a helping hand in fostering creativity, **Leo Esaki** said. "If I am asked what Zen teaches, I would answer Zen teaches nothing. Whatever teachings there are in Zen, they come out from one's own mind."

But creativity cannot stand alone, cautioned **Burton Richter**. People need to be able to judge for themselves the reliability of information presented. Biologically engineered foods: good or bad? Global warming: urgent or back burner? One need not be an expert to balance the risks and rewards, asserted **Burton Richter**. But we have to be able to judge for ourselves. Education is key, he added, making a clear differentiation between education and training. "Training builds on education, it teaches a specific task. Education should teach you to learn, because you'll have to do that your entire life."

Innovation, it could be said, will evolve out of a balance between the traditional and modern educational systems. **Leo Esaki** characterised his vision by citing **Isaac Newton's** famous remark that he had seen farther into knowledge by standing on the shoulders of giants. **Burton Richter** agreed that creativity is nothing without a solid

foundation in existing knowledge. Artists have to be able to draw before they can become great artists and the “idiot savant” who comes up with brilliant new ideas from zero knowledge is a myth.

While Leo Esaki talked about vacuum tubes, **Robert Mundell** talked about the vacuum in the international monetary system. A gap created in the 1970s, when the US unhooked itself from the gold standard and moved to floating exchange rates, must be closed, he said. Flexible exchange rates are a bad idea because a stable international monetary system



Robert Mundell

requires rules and flexible exchange rates are merely an absence of rules. Nothing has

so far convincingly replaced gold, the world's standard unit of currency measure for some 25 centuries and the lack of such a standard was to blame for much of the instability in the world economy during the 20th century. He forecast that a common international currency that would function as a standard in the way gold did would be created in the next 10-15 years. By then the euro and the dollar would both be major international currencies, along with possibly other regional currencies and there would be less incentive for one currency area to block moves towards a common international standard. ■

Varied recipes for coping with globalisation

Public concerns about globalisation

- **MODERATOR: CHRIS BROOKS**, DIRECTOR, PUBLIC AFFAIRS AND COMMUNICATIONS, OECD
- **DAE WHAN CHANG**, PRESIDENT AND PUBLISHER, MAEIL BUSINESS NEWSPAPER AND TELEVISION, KOREA
- **DAVID CRANE**, ECONOMICS EDITOR, THE TORONTO STAR, CANADA
- **EDWARD GOLDSMITH**, FOUNDING EDITOR, “THE ECOLOGIST”, UNITED KINGDOM
- **BEATRIZ PAREDES RANGEL**, SPEAKER OF THE HOUSE OF REPRESENTATIVES, MEXICO
- **LAURENCE PARISOT**, PRESIDENT AND DIRECTOR GENERAL, FRENCH INSTITUTE OF PUBLIC OPINION (IFOP)

Panelists voiced varying degrees of criticism regarding the effects of globalisation, ranging from total rejection to substantial readjustment. But their proposed remedies ranged from



From left to right Edward Goldsmith, David Crane, Dae Whan Chang and Chris Brooks

throwing out the very idea of globalisation and readopting the “small is beautiful” business concept, to solving the problem by throwing money at it.

Dae Whan Chang said the widening gap between the world's “haves and have-nots” was caused by income disparity which itself arose from a knowledge gap. This situation could be remedied by introducing a four-point global initiative focused on: global development of democracy and of education, closing the global digital divide, and creating a “world brain” programme. He cited his own country's success with

such an approach, that had taken Korea from a situation of equality with Ghana in 1960, to today's membership in the leading group of developed nations in the world.

Multinational, global companies had played a role in the transformation and helped close the gap. The key lay in introducing policies that emphasised education and led to a knowledge-based economy. Recalling the success of the Vision Korea Project, he proposed the creation of a “World Knowledge Corps” with mobile specialists being dispatched to countries in need of a contribution.



Beatriz Paredes Rangel and David Crane

David Crane said most of his compatriots would support a capitalist, market-based system but would also favour a mixed economy that valued public goods and services. Specifically, there were four main globalisation concerns which focused on 1) the laissez-faire free market ideology (sometimes known as the Washington Consensus), 2) lack of transparency and accountability (the so-called democratic deficit), 3) society's declining ability to influence its social and economic environment, and 4) growing global inequality coupled with a perceived unfairness of the international system.

The idea that everything was for sale in a world where governments were less and less in control was leading to public disenchantment with voting. Distrust of international organisations was rising in this growing mood of hostility. Crane said that globalisation had a vital contribution to make to world progress, so the

establishment of codes of conduct such as the OECD Guidelines for Multinational Enterprises was important. "Globalisation can provide us with better, enriched lives," he said, "but we need to point it in the right direction and create systems of governance and rules that take into account the needs and aspirations of people everywhere in free and open societies."

In an all-out attack on current international development and financial policies, **Edward Goldsmith** said world trade and investment were proving disastrous for Third World countries, which were sinking into inextricable poverty. He accused the World Bank and IMF of forcing them to apply policies that put food exports ahead of national food production vital for their own people. He said multinational business was pillaging the world's natural resources in order to continue making profits. "Corporations are no longer subjected to constraints of any kind. Today the problem is survival not just development," he said. "They are transforming the natural world into cash," Mr Goldsmith warned, "so we cannot go on in this direction any longer and must change course before it's too late."

Beatriz Paredes said the main objection to globalisation was that it was a system of exclusion, which forced social stratification, concentrated income disparities, and

provoked ecological devastation. The very nation state was now under threat, as was national sovereignty, and the notion that only those who worked deserved payment needed to be revised. In large parts of Latin America, descendants of the original populations were excluded from the benefits of globalisation, which meant people felt forced to migrate. The challenge now was "globalisation of development and opportunities".

Laurence Parisot said that according to a poll carried out during the French presidential election, 47% of the French thought that the country had more to lose than to gain from globalisation. Some 41% of those polled held the view they had more to gain. The most worried were people politically on the far left and the extreme right, and 31% of respondents said the United States was "an enemy of France", giving the two main reasons as fear of globalisation and excessive dependence on so-called "world companies".

Chris Brooks concluded that this was a complex debate. The term "globalisation" was a "catch-all", an excuse for ideology, and one needed to examine the causality of it. There were two broad tendencies: people who were profoundly in favour of it, and anti-modernists who were worried about all technical innovation. ■

SourceOECD 

A single institutional subscription provides unlimited
access to OECD books, periodicals and statistics online
24 hours a day, 7 days a week

www.SourceOECD.org

Rather than slowing or reversing globalisation, security concerns are accelerating it

Do heightened security concerns risk reversing globalisation?

- **MODERATOR: ANNEMIE NEYTS-UYTTEBROECK**, MINISTER OF STATE FOR FOREIGN AFFAIRS, BELGIUM
- **FRANÇOIS DAVID**, PRESIDENT AND DIRECTOR GENERAL OF GROUP COFACE, FRANCE
- **PADMA DESAI**, PROFESSOR, COLUMBIA UNIVERSITY, UNITED STATES
- **AHMED GALAL**, EXECUTIVE DIRECTOR, EGYPTIAN CENTER FOR ECONOMIC STUDIES
- **DAVID IGNATIUS**, EXECUTIVE EDITOR, INTERNATIONAL HERALD TRIBUNE
- **L. CRAIG JOHNSTONE**, VICE PRESIDENT AND REGIONAL MANAGER, EUROPE, THE BOEING COMPANY
- **SIGMAR MOSDORF**, MEMBER, BUNDESTAG, GERMANY

According to **Ahmed Galal**, the question in the panel's title is nonsensical – indeed, if globalisation were ever to be rolled back, it would most likely come from popular revolt over income disparities between rich and poor countries rather than from terrorism. “I believe this risks reversing globalisation more than any other discussion of security.”



François David and Annemie Neyts-Uyttebroeck

The belief that the pace of globalisation has increased, rather than decreased, since 11 September, and calls for greater attention to regulating international financial exchanges, was expressed by most of the panellists.

That is not to say that security concerns have not affected globalisation. To the contrary, panellists also said that security efforts are leading the way for increased government-to-government contact, financial regulation and broadened foreign aid and investment priorities. These same concerns, however, have also highlighted the US military superiority compared with its allies which risks causing increased tension over time between the US and its allies.

“Communities are getting closer to each other, so we are confronted with others’ problems,” said **Siegmar Mosdorf**. “We must find common values” to be able to solve these problems. He called for greater state-to-state co-operation as well as greater partnership between government and businesses in foreign investment. “We should interpret 11 September as a possibility to work more strongly together than in the past and to have common goals and common values for the whole world economy,” he said.

David Ignatius said the success of the OECD’s “name and shame” policy for tax havens and money launderers also shows how the world’s financial integration has continued even since 11 September 2001. “There really is one financial nervous system,” he said, “and the threat to cut you off from that central nervous system is potentially fatal.”



David Ignatius

It is not an entirely rosy picture. In the period directly following the attacks, business and leisure travel declined sharply, foreign direct investment slowed and a large amount of money was diverted to fighting in Afghanistan. But eight months on, the attacks’ effects on the US economy and international trade and investment appear to be small.



L. Craig Johnstone

“We have no reason to believe that terrorism will materially impact globalisation,” said **L. Craig Johnstone**. He added that “in a very tragic way, not only may globalisation be pushed along but it may also provide more social equity”.

François David agreed that there had been little long-term effect on globalisation from the attacks on New York and Washington DC, but said that unregulated globalisation risked increasing insecurity in areas such as the spread of financial crises from one country to the next.



Padma Desai

The other warning flag stems from the fighting in Afghanistan and, more broadly, from the US war on terrorism and European worries over how that will play out, including threats by some US officials of attacks on Iraq and continued violence in the Middle East. Divergences between

the US and Europe risk breaking up common stances that have been adopted since last year and could stymie efforts to maintain a common position on anti-terrorism efforts.

“The European partners feel the frustration of having to play a rather subordinate role” in the alliance against terrorism, said **Padma Desai**. She argued that the greater military might and technological superiority of the US meant that it would continue to take the lead in military engagements while leaving Europe to clean up behind it through peacekeeping and nation-building.

According to David Ignatius, when there is a gap as large as the one between the US

and European military capabilities, “you will find real political consequences”. He added that unless Europeans decide to vastly increase their military research and investment they will have to accept a degree of US unilateral military action that may make them uncomfortable.

Despite these clouds, the panellists were largely upbeat about globalisation’s potential positive effects, so long as it is effectively regulated, which will require work and vigilance. “It is like having a fire in your house,” said Ahmed Galal. “Too much of it will burn your house down, but just a moderate amount of globalisation is going to give you warmth during very cold winters.” ■

Europe and the southern Mediterranean: A great divide?

The Middle East – Towards Arab and Euro-Med regional integration

- MODERATOR: **JORGE BRAGA DE MACEDO**, PRESIDENT, OECD DEVELOPMENT CENTRE, AND FORMER FINANCE MINISTER OF PORTUGAL
- **BOUTROS BOUTROS-GHALI**, SECRETARY-GENERAL OF THE ORGANISATION INTERNATIONALE DE LA FRANCOPHONIE
- **LEONARDO CLERICI**, PRESIDENT OF THE INSTITUTO DI SKRIPTURA
- **JEAN-PAUL FITOUSSI**, INSTITUT D’ÉTUDES POLITIQUES, FRANCE
- **KENIZÉ MOURAD**, WRITER, TURKEY

In spite of the historical, cultural and often privileged ties between Europe and the Southern Mediterranean, Europe’s development has often turned away from its southern neighbours, **Boutros Boutros-Ghali** told the OECD Forum 2002.

“When the Common Market was created in 1957, it looked in a northward direction. The subsequent integration of Spain, Portugal and Greece in 1985, and a further enlargement in 1995, have resulted in the economic marginalisation of certain countries in the southern Mediterranean, like Morocco,” Boutros Boutros-Ghali said.



Boutros Boutros-Ghali

Now the European Union is preparing to enlarge once again, this time to the east and the inequalities created between a strong 15-nation EU and 12 underdeveloped states could create a serious dilemma for the future.

Europe has tended, he said, to abstract a hard reality: it is inextricably bound by geography, demography and other factors to the problems within the southern Mediterranean countries. “The problems of the southern Mediterranean today will be the problems of Europe tomorrow,” Boutros Boutros-Ghali said. Population is rising in the southern Mediterranean countries. More than half this population will be under the age of 15 by 2050. These countries lack solid education policies and have few jobs for the millions of future applicants.

Meanwhile, Europe will lose population. In the next 50 years it will diminish by 17% and according to a report by the United Nations, 1.6 million immigrants will be needed per year to fill economic gaps. Currently of the millions of immigrants in Europe, most originally came from the southern Mediterranean, Boutros Boutros-Ghali said. Yet they are underrepresented in government. The question of how to integrate the millions of Muslims in Europe must be asked.

Current thinking on regional integration was advanced with a meeting two years ago in Cairo with the OECD Development Centre, the World Bank and the Economic Research Forum to examine the potential for the Arab countries, Iran and Turkey, said **Jorge Braga de Macedo**. The meeting was set up to revisit with new insights a debate that began in the 1930s about whether global free trade could be achieved through regional integration. That led to an expanded look, beyond economies, to include culture and politics.

"We live in a difficult time when democracy is fragile," said **Jean-Paul Fitoussi**, referring to recent elections in France and elsewhere in Europe. But he said Europe "should be perceived as a force for more democracy" in the southern Mediterranean, that there needs to be a kind of Common Market in the region, and it is in Europe's interest to foster integration.

If there is no clash between cultures of the region, there is certainly much turbulence in a post 11 September era, when Islam, the dominant religion of the southern Mediterranean countries, remains extremely misunderstood, according to **Kenizé Mourad**. For example, she said, "jihad" should not be translated as "holy war," but rather as the struggle of oneself against evil.



Kenizé Mourad

The concept of integration between Europe and the southern countries has been hindered by the media's concentration on the extremist elements of Islam and not on the resurgence of an effort by moderates to try to explain moderate Islam to the world, she said. Kenizé Mourad added she had observed that efforts to get books on moderate Islam published in the west often failed because it was extremism that was interesting to the public.

But there have always been powerful historical and philosophical ties between Europe and the countries of the southern Mediterranean, according to **Leonardo Clerici**, the President of Istituto di Skriptura, an academy committed to understanding the conceptual connections between Greek, Latin and Arabic language and culture. Governments need to be more metaphysical in their approaches to integration, he said. This meant having to connect more with invisible assets, values and creativity of the mind and soul. He emphasised the importance of Islamic metaphysics to sustainable development (including using knowledge and the medium of technology). From Nietzsche, Descartes, Voltaire, Goethe, Heidegger, Van de Velde, futurist and surrealist movements in modern art and literature have been strongly influenced by Islam – he cited calligraphy and universal grammar – and its iconoclastic synthetic vision. We see evidence of this in our own societies and it has had an important influence on globalisation. "Where does it say that Islam is supposed to be opposed to us?" asked Leonardo Clerici. Even polygamy and the use of veils, he insisted, were signs of the metaphysics of love in Islam as superior forms of expression, even freedom, not the contrary, as writers, like Pasolini or Foucault, have shown. ■

SourceOECD 

A single institutional subscription provides unlimited
access to OECD books, periodicals and statistics online
24 hours a day, 7 days a week

www.SourceOECD.org

Resolving the crisis

The Japanese economy: The way forward

- **MODERATOR: JEAN-MARC VITTORI**, EDITORIAL DIRECTOR, EXPANSION MAGAZINE, FRANCE
- **EVELYNE DOURILLE-FEER**, ECONOMIST, CEPII, FRANCE
- **TAKATOSHI ITO**, PROFESSOR AT THE RESEARCH CENTRE FOR ADVANCED SCIENCE AND TECHNOLOGY, UNIVERSITY OF TOKYO, JAPAN
- **TAKAHIRO MIYAO**, PROFESSOR, CENTER FOR GLOBAL COMMUNICATIONS, INTERNATIONAL UNIVERSITY OF JAPAN
- **CLYDE PRESTOWITZ**, PRESIDENT, ECONOMIC STRATEGY INSTITUTE, UNITED STATES

Japan's economic woes have now lasted over 10 years. Urgent action is needed, as well as some brave diagnosis of the problems to be resolved. "We are here to talk about one of the most important issues facing the world today: the Japanese economic crisis of the last ten years" – this frank warning came from **Jean-Marc Vittori**.

For **Takatoshi Ito**, two main scenarios were possible if the crisis were allowed to continue: an ongoing "hollowing out" of the Japanese economy, with firms leaving to relocate in China or elsewhere in Asia displacing Japan as Asia's largest economy. Japan had some bright spots: Sony and Toyota were doing well, and broadband telecommunications were spreading fast. But the macroeconomic and structural



Takatoshi Ito

situations were weak: public debt was the highest in the Group of Seven leading industrial countries and there was deflation, despite very low interest rates. He recognised that conventional monetary and fiscal policies could do little to help, and professed some disappointment at government reforms to date.

Evelyne Dourille-Feer traced the causes of Japan's problems to a crisis in confidence and a chain of unfortunate circumstances, from the Kobe earthquake to the Asian crisis. There were consumer shifts too, away from "made in Japan". The model that Japan put in place to catch up with the United States and create an independent productive capacity was in trouble. People had been induced to save, not consume. There was little institutional transparency, with the economy built on regulation and an industrial nexus.

Clyde Prestowitz suggested that the government was doing well to prop up the current situation, but lamented the huge emphasis on savings in the economy, despite low interest rates. He put this down to refusal of foreign direct investment over the years, which made savings the only option. Catch-up policies were to blame, though by 1964 economists had already begun to hail Japan's miracle economy. By the 1980s, everyone saw the trade surplus as a sign of Japanese success, whereas hindsight shows it to be a result of excess and therefore weakness. Despite the Plaza accords and other agreements to adjust exchange rates in the face of the strong yen and US-Japanese trade tensions, Japan remained attached to the old system. Even when the bubble burst no-one could believe growth would not return. And change will not happen, Clyde Prestowitz intimated, until there is wide acceptance that the old model has had its day.

Takahiro Miyao saw asset price deflation as the main cause of Japan's current



Clyde Prestowitz

problems because it "destroyed household balance sheets". He joked that in the 1980s, the Japanese used to say that if they sold the Imperial Palace in Tokyo they could buy up California. Now that is far from true. In 1991 the total land value of Japan was US\$13 trillion, today it was US\$5 trillion. Total stock values today were a third of what they were in 1991. That meant a combined stock/land value loss of US\$10 trillion, or twice Japan's GDP. The government was wrong to suggest that asset deflation would go away when the other economic problems were solved. Government policies would have to target asset price inflation as a pre-condition of medium to long-term recovery. For now, neither households nor corporations, many of whose bad loans are the result of asset price collapse, can feel confident about investing. If action was taken on this now, then the Japanese economy could make a full durable recovery. He suggested a three-pronged attack: to reduce taxes on real estate and securities; to provide home mortgage interest deductions from tax liabilities; and for government to set explicit asset inflation targets.

Takatoshi Ito agreed that some moves to inflate were needed, adding that the government was being needlessly over-



Takahiro Miyao

cautious since inflation was controllable. But he saw other reforms as part of a wide package. He welcomed the fact that the government had already scrapped the Highway Construction Agency that built “bridges and roads to nowhere” and called for more public investment in education and skills, as well as tax reform. Further, net capital calculations showed banks to be undercapitalised and recapitalisation was needed. Previous attempts to do so failed

in part because of a lack of toughness on the part of the Financial Services Agency.

This was a complete package, agreed Clyde Prestowitz, though he saw an extra political dimension: that Prime Minister Koizumi’s party had by now reined in his reforming instincts. He called on Prime Minister Koizumi to dissolve parliament, and to use his popularity to break away and campaign for reelection on a reformist ticket. Evelyne

Dourille-Feer was not convinced, arguing that the LDP mirrored the people. She argued that what the people needed was a clearer view of the future. She warned that more Anglo-Saxon style financial capitalism may bring some economic benefits, but would increase social instability. In short, what is needed is a more hedonistic model, a network society with less work and more leisure time –indeed, a new model for older societies. ■

Sharing the benefits of globalisation

Globalisation and equity

- **MODERATOR: PHILIPPE MANIÈRE**, EDITOR IN CHIEF, EXPANSION MAGAZINE, FRANCE
- **FRANÇOIS BOURGUIGNON**, PROFESSEUR, ÉCOLE DES HAUTES ÉTUDES EN SCIENCES SOCIALES, FRANCE
- **LEANNE MACMILLAN**, DIRECTOR OF INTERNATIONAL STRATEGY, AMNESTY INTERNATIONAL
- **KENICHI OHNO**, PROFESSOR, NATIONAL GRADUATE INSTITUTE FOR POLICY STUDIES, JAPAN
- **JORGE RODRIGUEZ GROSSI**, MINISTER OF THE ECONOMY, CHILE
- **GUY RYDER**, GENERAL SECRETARY, INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS (ICFTU)
- **CVETKA SELSEK**, PRESIDENT AND CEO, SKB BANK, SLOVENIA

The benefits of globalisation need to be more equally shared, but there is little agreement on whether that means more equal division, or just a bigger pie. Ultimately what often matters more is not whether inequity exists, but whether people feel a strong sense of injustice, leaving policy-makers with difficult choices between tackling real problems or addressing perceived grievances which may



Panel

not match reality, according to the panel experts debating globalisation and equity.

François Bourguignon presented data showing large increases in global inequality in terms of income from the early 19th century to roughly 1920. Then inequality within developed countries was curbed as governments deliberately acted to reduce it. Today the real problem of inequality in the world is the gap between rich and poor countries, François Bourguignon said. And in sub-Saharan Africa, inequality within countries has also widened. What is significant is that inequality worldwide is too high, by any measure, and that perceptions of injustice are growing.

Cvetka Selsek and **Jorge Rodriguez Grossi** said that their relatively small countries have benefited from globalisation. Cvetka Selsek said that well-managed globalisation entails “more positive

experiences than negative”. However, she noted that, though Slovenia is an exported-oriented country, most of its exports go to the EU and her country, mainly because of its size, has to recognise that “our globalisation is going to take place in a regional framework”. Also, foreign investment carries with it concerns such as a loss of domestic decision-making power.

Jorge Rodriguez Grossi said that the opening up of Chile’s economy since 1974 had led to a reduction in the number of people living below the poverty line and increased social spending even if unemployment remains high. The economy had gone through major transformation with the opening to foreign competition. While some industries collapsed others, such as agriculture, were strengthened, and new industries such as salmon farming emerged. He emphasised the importance of social legitimacy, saying,

**Jorge Rodriguez Grossi**

“the best reform is the one agreed by the majority” and noted that democracy has been a vital ingredient of his country’s success. Of cumulative foreign investment since 1974, some 85% has come in since the introduction of democracy in the 1990s. Along with equity, Jorge Rodriguez Grossi stressed the validity of other objectives such as growth, poverty reduction, competition and education.

The social dimension of globalisation has been too often ignored, argued **Guy Ryder**. “Globalisation has not served the cause of equity”, he said, but rather the interests of those already enjoying power and wealth. National governments have abdicated responsibility for regulating the system to international organisations but without

ensuring that such organisations were effective. It would be difficult to argue that regulation of national markets has not been beneficial, and yet similar regulation does not exist on an international level in many areas. Guy Ryder said a rigid hierarchy exists, where institutions set up to deal with commercial, financial or economic questions are given real power and influence, whereas those set up to deal with “residual” social and labour questions are given less authority and power. But he said that if this situation were remedied, “we can make globalisation and equity synonyms rather than antonyms”.

Leanne Macmillan said that, in a globalised world, human rights must be seen as indivisible. It was no longer possible to see civic and political rights as separate from economic, social and cultural rights, and Amnesty International has shifted its mission to cover all aspects of human rights. But responsibility for human

**Leanne Macmillan**

rights is also broadening. Whereas responsibility for civic and political rights falls mainly upon states, non-state actors such as businesses influence the provision of economic, social and cultural rights. Globalisation has made it harder to determine who should be held responsible for human rights violations. Protecting rights is no longer the exclusive domain of states, said Leanne Macmillan. Human rights should be considered as another “fundamental” along with security, equity, education and growth.

Kenichi Ohno bemoaned the fact that “fighting poverty has become an exclusive target of development”. He said the current approach to fighting poverty is too narrowly focused and unbalanced. He criticised the World Bank for changing its development strategy far too often and for too many single-issue approaches. Strategic adjustment had been replaced by poverty reduction, when in fact the new approaches should be added to the menu of policy options. Each developing country is different, yet one route to development is being recommended for all. Kenichi Ohno advocated the enlargement of the development menu, to include, among others, the East Asian recipe for success, where the focus was on economic development which then led to poverty reduction. He felt that this model should be presented as an option to developing countries, who would then decide which model, or which mix of models, to apply. ■

SourceOECD 

The service for information hungry institutions

www.SourceOECD.org

Guidelines on multinational behaviour help push up standards

Transparency, responsibility and progress: The role of the OECD guidelines for multinational enterprises

- **MODERATOR: ROBERT TAYLOR**, RESEARCH ASSOCIATE FOR THE CENTRE FOR ECONOMIC PERFORMANCE, LONDON SCHOOL OF ECONOMICS, UNITED KINGDOM
- **REINER GEIGER**, DEPUTY DIRECTOR, FINANCIAL, FISCAL AND ENTERPRISE AFFAIRS, OECD
- **RONNIE L. GOLDBERG**, SENIOR VICE PRESIDENT, POLICY AND PROGRAM, US COUNCIL FOR INTERNATIONAL BUSINESS
- **PAUL HOHNEN**, CONSULTING SENIOR ADVISER, GLOBAL REPORTING INITIATIVE
- **PRADEEP MEHTA**, SECRETARY GENERAL, CONSUMER UNITY AND TRUST SOCIETY, INDIA
- **RENÉ VALLADON**, SECRÉTAIRE GÉNÉRAL, CGT-FO – FORCE OUVRIÈRE, FRANCE

Just as multinationals often find a variety of options on how to conduct themselves in different countries, government policies also vary across the world. The OECD Guidelines for Multinational Enterprises bring both parties to common ground, where companies, often more powerful than local governments, adopt responsible conduct in exchange for “hands-off” government investment policies.

Since the introduction of the Guidelines over twenty-five years ago, governments both in and outside the OECD area have endorsed them. **Robert Taylor** highlighted just how far they have come, considering them to be the only set of guidelines collectively endorsed by governments worldwide.



Panel

“In light of the anti-globalisation movement and the enormous resistance and discontent there appears to be, at least in some parts of the world, about the social and economic consequences of globalisation – in particular involving the role of the multinational companies – I hope this session will be able to throw some new light on the situation, and give an indication of what responsibility and role the OECD can play”, **Robert Taylor** said.

Although they have been revised several times – with public consultation – the Guidelines, to which corporate adherence remains voluntary, have stayed true to their original principles, demanding transparency, management accountability and the integrity of companies’ actions. “The rules are designed to cover the totality of a company’s behaviour, and add value to the globalisation debate”, said **Rainer Geiger**. “They also aid the investment process and conflict resolution thanks to their contribution to the negotiation process”, he added. The development of similar guidelines for business conduct has not prevented the OECD rules from enduring, thanks to the fact that compliance remains voluntary for companies, and that government endorsement is tied into a “package deal”

with the OECD Declaration on International Investment and Multinational Enterprises. Governments must promise to remove barriers to foreign direct investment should they chose to endorse the agreement.

Ronnie Goldberg spoke of the Guidelines’ development since a time when there were just 400 multinationals, to today, when there are over 60 000 and governments compete to host them. “The Guidelines are important for both businesses and policy-makers because they allow for better management”, **Ronnie Goldberg** said. They were not designed to replace good government, but supplement it.

The consensus view during the negotiations to revise the Guidelines was



Ronnie Goldberg

against deliberate annual reporting on companies' adherence to the Guidelines, or the creation of "black" or "white" lists of compliance. Instead, the current system of national contact points to monitor implementation should remain in place. These contact points are national offices where interested parties can take their concerns for arbitration.

Paul Hohnen spoke of the Global Reporting Initiative's (GRI) mission to create a knowledgeable readership base among the public, which despite what business may claim, still desires more transparency. The GRI is a non-governmental organisation committed to bringing new accounting standards to corporations. "People want the facts", Paul Hohnen said. Over the last year, the GRI has made considerable progress – it hopes to standardise levels of transparency and business participation in initiatives, such as

those of the OECD. The group is also a partner in the UN's Global Compact.

Although the OECD Guidelines would not be able to prevent another Enron debacle, should the allegations prove true, it was widely agreed that increased transparency in business could only be a good thing. **Pradeep Mehta** called for groups like GRI to focus special attention on companies accused of bribery.

Participants from the floor wondered how the OECD's Guidelines fitted in with other guidelines from other international organisations, and how guidelines, if not enforced, could protect the interests of smaller, poorer, countries in the face of corporate ambitions.

"There is a need for universal standards in the Anglo-Saxon labour model, and we are still in a phase of research", responded



Pradeep Mehta

panellist **René Valladon**, who questioned whether the OECD Guidelines have lived up to their promise two years after their revision. He felt that it was still too early to judge, but that initial indications were rather favourable. This was especially true, given the efforts of the Trade Union Advisory Committee to the OECD to promote the Guidelines around the world. ■

Development against terrorism

Helping prevent terrorism and violent conflict: The development dimension

- **MODERATOR: ROBERTO TOSCANO**, ITALY, CHAIR, NETWORK ON CONFLICT, PEACE AND DEVELOPMENT COOPERATION, OECD'S DEVELOPMENT ASSISTANCE COMMITTEE
- **J. KAYODE FAYEMI**, DIRECTOR, CENTRE FOR DEVELOPMENT AND DEMOCRACY, UNITED KINGDOM
- **CHARMIAN GOOCH**, CO-FOUNDER AND CO-DIRECTOR, GLOBAL WITNESS LIMITED, UNITED KINGDOM
- **TOSHIRO IKEMURA**, PARIS BUREAU CHIEF, THE YOMIURI SHIMBUN, JAPAN
- **IBRAHIM SEAGA SHAW**, PRESIDENT & EXECUTIVE EDITOR, EXPO TIMES, SIERRA LEONE

Conflict and violence arise for several reasons and their impact is more and more global. In particular, development policies that fail to take regional and local concerns on board run the risk of fuelling conflict.

Development policies that have no link to the people on the ground are doomed to failure. They also imply a vital role for larger countries to be more vigilant: "Responsibility follows power," said **Roberto Toscano**, "and countries with more power have more responsibility". These were the predominant messages at this session which centred primarily on Africa, where

conflicts are often fuelled by external interests.

To understand the causes of violent conflict, we must get away from the



J. Kayode Fayemi and Roberto Toscano



Panel members

“simplistic notions such as “greed,” “poverty”, or “ethnicity,” said **J. Kayode Fayemi**. He blames macroeconomic policies imposed on Africa during the 1980s for the crisis of governance and the poor social conditions of the 1990s. He sees a direct link between the withdrawal of assistance by big states and the “privatisation of violence”. Ironically, said J. Kayode Fayemi, the OECD’s belief that globalisation can resolve any conflict was myopic. In fact, globalisation has opened the door to a thriving weapons market. Of the arms pouring into Africa, 87% come from UN Security Council member nations, and half of that from the US.

With violent conflict rooted in complex political, economic, and social factors, solutions must be multifaceted, said J. Kayode Fayemi. His proposed plan calls for: human security as the bedrock of peace; democracy and open governance; transformation of violent conflicts through political processes; and collective security for all African states.

He argued that state rebuilding can only be reinforced in the context of regional integration, supported by global partnership – a sort of “glocalised” approach to resolving conflict.

One example of regional efforts is Global Witness Limited, a United Kingdom-based NGO looking at the role of natural resources in conflict. In the past year, Global Witness has proposed guidelines, known as the Kimberly Process, to bring together governments, NGOs and corporations to design regulations that will add more transparency to the diamond industry. “There is a link between terrorism and diamonds,” said **Charmian Gooch** – Global Witness Limited has investigated rebel groups’ selling of diamonds to buy arms as well as the diamond trade’s role in money laundering. If successful, the group hopes to use the process in other industries, such as timber and gold. Through the Kimberly Process, all major diamond producing governments will be required to adhere to strict controls over the import and export of diamonds. The process speaks to the issue of who exactly is responsible. “Is it the companies or the governments?” asked Charmian Gooch, who believes that corporate codes of conduct need monitoring by government and international organisations. She referred to the 2001 OECD DAC Guidelines on *Helping Prevent Violent Conflict* as an important starting point. But governments and NGOs are not the

only entities with responsibility for stemming violent conflict in Africa.

Ibrahim Seaga Shaw was concerned about Africa’s image as portrayed in the news media, and its potential contribution to the worsening conflict there. Western media’s distorted coverage of Africa is scaring off potential investors and aid agencies, he said. Even worse is their lack of coverage: “There is little space for Africa in the news,” said Mr. Toscano, “which is a tragedy within a tragedy.”

Toshiro Ikemura sees an equally important role for journalists in careful word choice when covering violent conflict. Words like terrorist and *kamikaze* were not necessarily interchangeable, for instance, since they have different historical and cultural contexts.



Toshiro Ikemura

The situation is not hopeless, said J. Kayode Fayemi when asked whether we are facing a clash of civilisations. Moving beyond the East versus West paradigm, he said, requires that people see development as something more than just a product of the wealthier countries. Home grown approaches will require donors to delegate greater responsibility to Africa’s leaders and its citizens. “You can’t *do* development for people, they have to do it for themselves.” ■

Observer^{oecd}

Your key to the OECD

A magazine and online service to keep you ahead of today's economic and social policy challenges



Expert views on global issues

economic performance, trade, world development, environment, electronic commerce, education, finance and investment, industry, urbanisation, transport and more

Special in-depth reports

on major policy issues facing the OECD countries

An overview of the current economic indicators of OECD countries

gross domestic product, consumer prices, current balances, unemployment, interest rates, government budgets and other financial indicators

Links, references and bibliographies

for further research and background

Brief reports

on new OECD publications, books and periodicals

Plus

the annual *OECD in Figures*, the gateway to the OECD's rich and unrivalled statistical database, free with an annual subscription to the *OECD Observer*

www.oecdobserver.org

with free articles, news and more

Subscribe today

For information and prices contact
www.oecdobserver.org

L'Observateur^{ocde}

Votre accès à l'OCDE

Un magazine et un service en ligne riches en informations sur des sujets économiques et sociaux internationaux



Expertise des questions internationales

performance économique, commerce, monde en développement, environnement, commerce électronique, finance et investissement, industrie, urbanisation, transport et autres

Dossiers spéciaux

les grandes questions politiques auxquelles sont confrontés les pays de l'OCDE

Aperçu des indicateurs économiques des pays de l'OCDE

produit intérieur brut, prix à la consommation, balances des paiements, emploi, taux d'intérêt, budget de l'État, etc.

Liens, références et bibliographies

pour approfondir les recherches et se documenter

Brèves descriptions

nouveaux périodiques et nouvelles publications de l'OCDE

Et

L'OCDE en chiffres : un accès privilégié à une base de données unique en son genre, offerte à tout abonné à *L'Observateur*

Abonnez-vous dès aujourd'hui

Information et prix :
www.observateurocde.org

Terrorism and money

Combating the financing of terrorists (in co-operation with the FATF)

- **MODERATOR: CLARIE LO**, PRESIDENT, FINANCIAL ACTION TASK FORCE, AND COMMISSIONER FOR NARCOTICS, HONG KONG, CHINA
- **RON NOBLE**, SECRETARY GENERAL, INTERPOL
- **ANGELA ORZCO**, MINISTER OF FOREIGN TRADE, COLOMBIA
- **CHRISTIAN SCHRICKE**, GENERAL SECRETARY, SOCIÉTÉ GÉNÉRALE, FRANCE

Traditional approaches to combating money laundering may serve as a starting point, but must be expanded in order to address the complex web of activity financing terrorism, not least because much of the funding comes from legal sources. What is needed, said members of this panel, is an integrated approach among governments, international organisations and the private sector.

The Financial Action Task Force (FATF), already committed to the international fight against money laundering, has expanded its scope to include the financing of terrorist activity. **Clarie Lo** hopes that governments, whether FATF members or not, will accept the group's eight recommendations, rolled out last October on the heels of the 11 September attacks.



Clarie Lo

The eight recommendations include measures to ensure that legal entities, such as non-profit organisations, cannot be misused to finance terrorism, greater transparency in bank transfers and freezing terrorist assets. All these are necessary because, unlike traditional criminal money laundering, terrorist funds are often moved in small amounts, making them difficult to detect, and they can also be channelled through legal entities.



Ron Noble

Police forces around the world need to be an integral part of the fight against terrorist financing, said **Ron Noble**, a past president of FATF. He said that while new approaches might be necessary to deal with new problems, we should never forget the "fundamentals": communication between police forces, information sharing, and traditional investigation techniques. He said that in reality much of INTERPOL work was nothing like dramatic portrayals in the movies, but was more about painstaking work making connections between seemingly unrelated bits of information. Ron Noble said that police worldwide should be able to exchange and access information in the same way that major credit card organisations already do.

A major challenge that faces law enforcement organisations concerns legal business activities, such as small business or even religious groups, which funnel

money to terrorist organisations. By using relatively small wire transfers, they remain "under the threshold" of detection. Unlike money laundering investigations, which follow the money trail in order to dry up criminal activity, preventing terrorism means "preventing money from reaching terrorists, even if the funds are generated legally," he said.

Colombia, which has suffered the pain of terrorist activity, is perhaps best suited to provide guidance on the issue, said **Angela Orozco**. "Money involved in illegal drug trafficking becomes the seed of terrorism," she said. Counteracting this trafficking, which has led to "narco-terrorism", requires an attack on all of the activities within the chain: production, trafficking, consumption, assets and money laundering, arms smuggling, and chemical processes. Colombia's initiative against narco-traffic includes social action, through alternative crops and increased productivity; interdiction; and forcible eradication.



Angela Orozco

Her ministry estimates that the cost of terrorism in Colombia – military expenditures, infrastructure, health, human lives, kidnapping, robbery and extortion – represents roughly 2% of the country's GDP. But this is not just Colombia's problem. "Terrorism has no boundaries.

Today it is a country problem, tomorrow it will be a world disaster," she said, calling for a shift from unilateral aid to multilateral co-operation.

She called for tighter controls over the so-called "banking paradises," which facilitate financing of terrorist groups. The word "drug cartel" conjures images of guerrilla groups in the jungle, she said. "But the money generated by these groups is laundered through banking systems in the developed world."

For their part, banks are determined to assist in the fight against terrorism, said **Christian Schricke**, but they are not experts in terrorism, nor can they play a law enforcement role. Further compounding the problem is the ambiguous nature of terrorism. The very



Christian Schricke

definition of terrorism is not quite known, he said. One person's freedom fighter is another person's terrorist.

"Narco-trafficking and organised crime are something we understand," he said, "but they are not the same as terrorism." The amount of transactions (in France, 4.5

billion cheques are processed annually), makes it hard to identify suspect activity through small transfers, which characterise the financial support of terrorist activity.

Christian Schricke called for a firm, harmonised legal framework to give banks guidance in walking the thin line between helping the cause and ensuring privacy to their customers. "Demands made of banks must be clear," he said.

But perhaps the greatest problem in combating terrorist financing is the fact that it aims to prevent crimes before they happen and that the money may in fact come from legal sources which leaves little room for detection. It is up to individual citizens as much as official authorities to be vigilant and ready to report suspect behaviour. ■

Is literacy the core of promise or peril?

Literacy as the cornerstone of sustainable societies

- **MODERATOR: BARRY MCGAW**, DEPUTY DIRECTOR, EDUCATION, EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS, OECD
- **BOB HARRIS**, SENIOR CONSULTANT, EDUCATION INTERNATIONAL, SWITZERLAND
- **TOM LUCE**, FOUNDER AND CHAIRMAN, JUST FOR THE KIDS, AND NATIONAL CENTER FOR EDUCATIONAL ACCOUNTABILITY, UNITED STATES
- **ROBERT PASTERNAK**, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES, DEPARTMENT OF EDUCATION, UNITED STATES
- **MARIA JOÃO RODRIGUES**, CO-ORDINATOR OF THE FORWARD STUDIES UNIT, PRIME MINISTER'S OFFICE, PORTUGAL



Panel Members

Literacy is a cornerstone, but it is far from a sufficient condition for sustainable societies," argued **Bob Harris**. It leads to growth but does not necessarily ensure security, as 11 September and the Holocaust illustrated.

Bob Harris went on to add that the 20th century had developed into an era of great "promise and peril" due to the event of primary education for all in the countries of the north. He sees literacy as being at "the

core of both the promise and the peril". It laid the foundations for dramatic industrial progress and at the same time the basis for democratic governance and citizenship. However, "it also opened technological Pandora's boxes and perspectives for mass manipulation that could not have been imagined in an earlier time".

Bob Harris also stated that knowledge opens the door for individuals and access to education enhances equity. But equity is not being achieved in this area especially as advances in the knowledge economy increase so rapidly creating a great "digital divide" that added to the gap that already existed. "It is scandalous that we are still wrestling about how to achieve education for all in the south by 2015 as agreed in Lisbon in 2000." Bob Harris emphasised that research performed into literacy levels and education results is "far removed from the reality of the education of a child in

poorer countries who might not be able to even reach a school”.

Barry McGaw argued that social background and performance “influence student performance but poor performance does not automatically follow from poorer backgrounds.” The OECD Programme for International Student Assessment (PISA) illustrates this point as well as showing that countries such as the US, Australia and the UK have a high average rate of literacy but the spread is low, emphasising that good students are treated well, while bad students are given less attention. Countries like Korea and Finland have a more equal spread. Barry McGaw sees this performance as achievable across the board: “quality and equity can be achieved together and the impact of social privileges can be lessened”.

Tom Luce believes that the key to improving literacy levels is using data to get results. “Without data, you are just another person with an opinion”, he said. He added



Tom Luce

that increased demands on the system due to the growth of the new economy need to be met with easy to understand and accessible information provided to parents, principals and teachers. “On the “Just for the Kids” database there are 12 million individual student records reflecting key questions that asked to find out what is really going on.” Tom Luce said that it is essential that the information that has been created must be “used to drive change.”

Robert Pasternack stated that the reading ability of 70% of fourth grade students in

the US was below average. This data has resulted in government reforms, not just towards children but also the teaching profession. “No matter what we do in law and policy we can’t change anything without teachers.” He emphasised America’s progress in teaching disabled children: “disability does not mean inability” if help is given by trained staff.

Maria João Rodrigues rounded the debate off by adding that knowledge is becoming the main source of wealth, but also the main source of inequality. This created a greater need for the sharing of learning capabilities. Using Europe as an example, she added that increasing internet access, turning libraries into information centres and teaching languages has reduced the effects of social exclusion, while at the same time creating a culturally aware population. She added that “free trade and financial markets are important, but reducing poverty needs investment in people. Education is the main passport for the future.” ■

The profits and costs of social responsibility

The social dimension of sustainable development

- **MODERATOR: JOHN MARTIN**, DIRECTOR FOR EDUCATION, EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS, OECD
- **BERTRAND COLLOMB**, CEO, LAFARGE, FRANCE
- **BRUNO LAMBORGHINI**, CHAIRMAN, OLIVETTI TECNOST, MEMBER OF THE OLIVETTI BOARD OF DIRECTORS, ITALY
- **DANIEL LEBÈGUE**, CEO, CAISSE DES DÉPÔTS ET CONSIGNATIONS, FRANCE
- **JOHN MONKS**, GENERAL SECRETARY, TRADES UNION CONGRESS, UNITED KINGDOM
- **WILLIAM D. NOVELLI**, EXECUTIVE DIRECTOR AND CEO, AARP, UNITED STATES

Social considerations are a key aspect of sustainable development in developing and industrial countries, but there is no “one size fits all” formula for incorporating them into the mix.

“Do these social dimensions matter as a means to achieve environmental goals or are they proper ends in themselves?” asked **John Martin**. “Is the notion of social aspects of sustainable development only for poor developing countries or could it provide a useful framework for discussing a range of social policy challenges facing OECD countries?”



Daniel Lebègue

As far as business is concerned, a key question is whether profitability necessarily gets sacrificed in firms that are socially and environmentally accountable, said **Daniel Lebègue**. Companies that are socially

accountable can become more efficient and therefore more profitable, if not immediately then in the medium or long term, he said. There are signs that partners and stakeholders are beginning to understand they have a vested interest in protecting the environment. "In 2001 for the first time a majority of institutional investors said we would rather invest in companies" that have these interests at heart, Daniel Lebègue said, "even if the short-term yield is smaller." He went on to add that if accountability is important, then standards must be established for evaluating how well a company is doing. "We have standards for evaluating the greenhouse effect of a given company. But the social criteria, this is a more uncertain problem."

Bertrand Collomb agreed that "we must find new ways" for companies "to become more socially responsible globally". Some of the challenging goals include the development and formalisation of policy guidelines, attention to bettering the workforce and local communities, attention to human rights – "not just our own but what our suppliers are doing" – and to corruption. "It's not enough to believe it, we



Bertrand Collomb

have to organise it", Bertrand Collomb said. Enterprises should take various forms of action, Daniel Lebègue said. For example, they can open the doors of the labour market to less skilled young people, and improve the treatment of senior workers, by giving greater value to workers at the end of their careers, he said. **William**

Novelli agreed that more attention must be paid to the consequences of population ageing. A century ago the average life span of an American was 47 years. Now it is 77. The dramatic growth in the concentration of older people in industrial countries is having a profound effect on "our economies, our politics, our health care and our infrastructures", he said.



William Novelli

"Can we continue to support health care, pensions and other social costs in their present states?" William Novelli asked. How can we prevent discrimination against older people? And what will the effects be on social and economic development of a society in which more people than ever are extending their working lives? None of the problems posed is insurmountable if we address these demographic changes now, he said.

Human capital and educational development will also become increasingly important, because "employability is a key characteristic of sustainability", said **Bruno Lamborghini**. At the same time, we must



Bruno Lamborghini

maintain efficiency at a time of increasing competition. "We need to move beyond where we are now and explore what is needed for sustainability in a whole sense," he added. "In the new scenario, human intelligence will take centre stage. In searching for a better environment we have to rely on people – on skills and intelligence – to drive changes, he said. Companies must be committed to the building of the human community, creating beautiful factories, urban development that results in improvements in culture and education.



John Monks

However, many countries are blighted by economic development, said **John Monks**, and since the Rio Earth summit, only limited progress has been made. "The general view is that the social dimension of sustainable development has been having a rough time."

John Monks added that the union perspective aims to improve the quality of life now and for the future, and he had a strong commitment to development for the present that does not compromise the future. "In the workplace, we are in a strategic position to promote the principles of the social dimension – human treatment, fair rewards for work, safety – these are the values we want to see brought into the way companies regard themselves," John Monks said. "We don't support the anti-globalisation movement. But we realise there will be more movement in that direction unless moves are made to enforce these standards." ■

Insurance in an insecure world?

What role for the insurance industry in managing new security risks?

- **MODERATOR: HELENA CONRYUT-ANGENENT**, GENERAL ADVISER, MINISTRY OF ECONOMIC AFFAIRS, BELGIUM, AND CHAIR, OECD COMMITTEE ON INSURANCE
- **HENRI DE CASTRIES**, CHAIRMAN OF THE MANAGEMENT BOARD AND CEO, AXA, FRANCE
- **BRANT FREE**, SENIOR VICE PRESIDENT, INTERNATIONAL EXTERNAL AFFAIRS, THE CHUBB CORPORATION, UNITED STATES
- **LUCIA VITALI**, PROFESSOR OF INSURANCE ECONOMICS, UNIVERSITY OF ROME, ITALY

It is hard to imagine today that before 11 September, insurance policyholders were covered against terrorist attacks at little or no extra cost, often under unwritten rules or clauses considered little more than bonuses to their policies. But after the biggest insured loss in history (man-induced and natural), it is clear the industry will be soul searching for some time to come, even re-evaluating some of its fundamental principles.

In addition to an estimated US\$40-70 billion hit to insurance companies, the World Trade Center attacks wiped out about a quarter of global re-insurance assets, the backbone to the insurers own "insurance" resources. With such losses to the industry in a single blow, the principles of risk assessment itself have driven premiums up; based upon the frequency of future attacks, the question of affordability may or may not come into play.

"The closest comparison we can make to the terrorist attacks on the World Trade Center



Panel Members

would have to be the case of natural disaster, such as that of Hurricane Andrew in 1992", said **Lucia Vitali**. But even with natural disaster, there are ways to predict and measure the risks. What are insurance companies to do in today's setting, where the actual threat is impossible to measure, but public interest in insurance is increasing?

The reach of insurance coverage itself has thus come into question. In Europe, where the single market could allow for a unified approach to terrorism coverage, the fact that single events of violence can create such financial losses has caused the industry to look for government assistance, perhaps in the form of price caps for insurer responsibility. The same is true in the United States, although congressional support for such a move there has proven difficult to muster.

"The goal of insurers today is to offer their clients the ability to outlive their assets. But this is difficult when individuals often overestimate the capabilities of the industry, thinking of it as a "big pockets"



Henri de Castries

institution", said **Henri de Castries**. "Risks are growing, and people are becoming more cautions", he said.

Both he and **Brant W. Free** agreed that the trend toward punitive damages and overpayments to individuals were inflating the price of premiums. Henri de Castries also said that while governments set the rules, insurers have to react to the environments created by them. "Governments should also be ready to step in as the insurers of last resort," he said "in order to guarantee affordability for individuals when the market may dictate otherwise."

"Insurance should never be seen as a substitute for the exercise of prudence or good government or government action, particularly when we're dealing with politically driven events, such as terrorism", Brant Free said.

Promoting government intervention in the case of emergencies, as well as reasonable public perceptions of the limits of insurers are some positive directions for the industry, it was agreed. "Insurers also need to learn to clean up their houses", said Henri de Castries, though adding that the insurance industry was not quite the same thing as the gambling industry. Insurers have to get closer to their clients' needs and give them better advice.

As for public perceptions, the trend may already be going in the right direction. "Perhaps", Henri de Castries concluded, "one of the positive results of 11 September was the fact that it made the public more aware of risk." ■

Withstanding future financial shocks

Maintaining global financial stability

- **MODERATOR: LORENZO BINI SMAGHI**, DIRECTOR FOR INTERNATIONAL FINANCIAL RELATIONS, ECONOMY AND FINANCE MINISTRY, ITALY, AND CHAIR, OECD FINANCIAL MARKETS COMMITTEE
- **ANDREW CROCKETT**, GENERAL MANAGER, BANK FOR INTERNATIONAL SETTLEMENTS, AND CHAIRMAN, FINANCIAL STABILITY FORUM
- **IL SAKONG**, CHAIRMAN AND CEO, INSTITUTE FOR GLOBAL ECONOMICS, AND FORMER MINISTER OF FINANCE, KOREA
- **DISCUSSANT: JEAN-MARC VITTORI**, EDITORIAL DIRECTOR, EXPANSION MAGAZINE, FRANCE

When the next international financial crisis comes, and it will come, it might arise from a major bank failure or from a loss of confidence by investors in markets rather than from the currency turbulence that was the hallmark of the upheavals in the 1990s, the panel agreed.

The responses of developing countries and of international financial regulators to the crises of the past decade have done much to limit the kind of serial disaster that occurred during the Asian crisis of 1997, but much remains to be done, panellists said. They disagreed, however, on what those measures should be.

Although they agreed that sound monetary

and fiscal policies, market transparency, a solid legal environment and clear accounting rules were all prerequisites for stability, **Andrew Crockett** singled out fixed exchange rates as a possible harbinger of crisis. "I think it is no accident that virtually all of the currency crises" of the past decade "have occurred in fixed-exchange-rate regimes," he said. Andrew Crockett added that very few countries in the world had the ability to impose economic policies that would allow them to absorb trade or capital shocks with a fixed exchange rate.



Il Sakong

Il Sakong took another tack. In response to the International Monetary Fund's (IMF) insistence over the years on free-floating exchange rates, Il Sakong said: "We believe that there is no single exchange-rate regime that is good for all countries at all times." He used Argentina as an example, calling the country's now-abandoned currency board a "good idea" when it was instituted, but one that was held on to long after it had become a liability.

Il Sakong also took issue with what he termed a two-cornered foreign exchange view, held by the IMF and many developed nations, in which countries can opt either for a fixed rate or a free float. "The IMF previously insisted on a two-cornered option. I would like to see IMF experts going to these countries and working with them to find an appropriate exchange-rate

regime, rather than their being constrained by this two-cornered option," he said. Il Sakong suggested that some small countries might benefit from adopting the US dollar as their currency, while others could reap benefits from a currency board or from a so-called managed float in which a currency is allowed to trade only within pre-set bounds.

Capital controls – limits on funds that can enter or leave a country – also raised differences between the speakers. Il Sakong called for "market-based" capital controls, such as Chile's tax on incoming capital, for countries that fear that too great an inflow of capital could destabilise their markets. "In the short term, some market-based mechanisms are necessary and I would like to see developing countries put these instruments on their shelves so they can use them when necessary. And they shouldn't be penalised for it."

Il Sakong's use of Chile as a positive example for capital controls came in response to a question from **Padma Desai** (Columbia University, US), who noted that such controls should be monitored or supervised by the IMF.

But Andrew Crockett would have none of it. "In general I am very dubious about capital controls," he said. Such controls risk throwing out good capital flows together with bad capital flows, which are often hard to distinguish from each other, limit market discipline and "are a ripe source of corruption", he said, since access to foreign exchange comes from an administration rather than from the market.

He did allow that in some instances, where a risk of financial meltdown is high and growing, "as a short-term measure I can see some case" for adopting capital controls. He specifically cited Chile and Malaysia's institution of controls during the Asian financial crisis. He pointed out that the



Andrew Crockett

political authorities in both of these countries felt they had avoided a worse fate by limiting capital inflows or outflows.

Looking ahead, the speakers said that they felt the domino-type Asian financial crisis could well be a thing of the past. They based their confidence on the lack of knock-on effects for other countries from the recent Turkish and Argentinean crises. "When you look globally at the system, it is a stable system, even if some countries are in bad shape," said **Jean-Marc Vittori**. The next big catastrophe, they agreed, is more likely to come from an Enron-type

corporate or accounting scandal. "Maybe the next financial crisis will not be a country crisis caused by its currency but caused by problems at a large and complex financial institution or problems raised by market integrity," Andrew Crockett said.

But wherever the next crisis comes from, more work is needed to ensure that the international financial architecture is strong enough to withstand the shock, the panel agreed. ■



Jean-Marc Vittori and Il Sakong

All nations must co-operate or say goodbye to any hope of environmental security

How to ensure environmental security

- **MODERATOR: BRUNA BASINI**, DEPUTY EDITOR, EXPANSION MAGAZINE, FRANCE
- **JUDITH E. AYRES**, ASSISTANT ADMINISTRATOR FOR INTERNATIONAL AFFAIRS, ENVIRONMENTAL PROTECTION AGENCY, UNITED STATES
- **BRUNO COMBY**, PRESIDENT, ENVIRONMENTALISTS FOR NUCLEAR ENERGY, FRANCE
- **GÉRARD MESTRALLET**, CHAIRMAN AND CEO, SUEZ, FRANCE
- **CHARLES SECRETT**, EXECUTIVE DIRECTOR, FRIENDS OF THE EARTH, UNITED KINGDOM



Judith E. Ayres and Gérard Mestrallet

Nuclear risks are clearly the highest profile danger facing the global community, but shortages and pollution of drinking water, major problems of climate change such as global

warming and greenhouse gases are the daily lot of hundreds of millions of the earth's population. Panellists were in agreement that co-operation involving nations, public and private organisations as well as private citizens constituted the only way out of an otherwise potentially catastrophic situation.

Judith E. Ayres gave several examples to illustrate how international co-operation solved serious problems that otherwise would have remained intractable. In areas of the world hit by environmental crises which were caused by armed conflict, such as water supply shortages in the war-torn Middle East, the only way to reach solutions lay in co-operation between the nations or communities affected.

She said a major example of successful joint action was in the Arctic where, following the US-Soviet nuclear agreement, Russia had been dumping spent nuclear fuel. The Americans offered to help the Russians build a processing plant at Murmansk to dispose safely of the spent fuel, and as a result Russia has now ceased dumping its low level renewable waste in

the Arctic. Co-operation of this type was the only way to deal with internationally-sited hazards such as, in this case, persistent organic pollutants. In dealing with the global threat from pollution, the only way to build a successful policy approach was to proceed step by step towards the goal of establishing security.

Bruno Comby said the planet was “small, beautiful but fragile”. Energy, often derived from fossil fuels, lay at the heart of economic development but it also brought pollution. Therefore the best solution to the world’s energy needs was nuclear power, with the arrival of increasing numbers of additional consumers in countries like Brazil and India. An additional reason for preferring nuclear power was the fact that supply lines for oil were often strategically vulnerable – such as the Strait of Hormuz in the Middle East. Largely controlled by Iraq, this stretch of water was the transit passage for two-thirds of the world’s oil production. Over and above that threat though was the fact that burning fossil fuels was worsening the environmental situation. “We are already in the soup,” he said, “and major action is urgent.”

Giving a business viewpoint, **Gérard Mestrallet** said one billion people in the world had no drinking water and two billion had no electricity. His company was confronted every day by challenges concerning sustainable development, and never had the economic gulf between rich and poor countries been so wide. Expressing a personal view, he said, “There can be no environmental security if there is no shared growth.” Following a study carried out by a special high-level

international committee for the Suez company, he launched an appeal citing “the real struggle for water is that of achieving water for everybody”. He sent the appeal to 2 500 prominent world figures, and all government leaders.

Gérard Mestrallet emphasised that the actions needed were obvious and readily available. “We must save water, reduce leaks in the water supply, manage irrigation more rationally, and also stop water pollution.” He called for new public-private investment solutions for developing countries. “Each has his role: the initiative, the decision and control are the domain of the political authority; the execution and management are up to the private company.”

Fears in some quarters about privatising water were understandable but misplaced. His company followed three basic principles: water is a public good, and the provider guarantees a service (which in his company’s case continues whatever the difficulties, such as in Argentina today); it is not necessary for the water supplier to own the infrastructure which should be owned by the public authority; the access of everyone to water supply should be seen as a right.

“As a business leader, I put profitability and responsibility on the same plane,” Gérard Mestrallet concluded. “We must develop public-private partnerships, and the OECD has a role in developing this widening multilateral awareness.”

Charles Secrett said destabilisation of critical environmental systems was posing threats to the planet. Natural disasters

invariably hit developing countries much harder than the developed world, because developing nations lacked the means to handle such disasters quickly and effectively. Environmental security meant a number of things. First, it was essential to manage things for the long-term future of everybody in the world, which would help the very poorest who were forced to flee from disasters. Second, security was about dealing with economic and social insecurity in order to establish equity, which also meant remedying the problem of poor management and wasteful consumption patterns. Markets worked well in allocating



Charles Secrett

resources fairly and efficiently so long as the players compete as equals. In order to achieve this, it was necessary to reinforce rules and regulations, manage resources properly, guarantee basic statute of rights to entitle all to access and use of critical resources. At the same time, the developed world should act responsibly and transparently, respecting rules of good governance. He cited the climate change convention as a model mandate for sustainable development. ■



The service for information hungry individuals

www.oecd.org/bookshop

Education: The door of hope

Excerpts from Keynote address

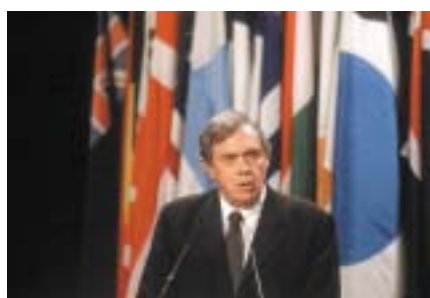
• **MRS. LAURA W. BUSH**, FIRST LADY OF THE UNITED STATES

I thank the many OECD member country ambassadors who are here today.

This year's OECD Forum focuses on four themes: security, equity, education and growth. All four are important – and I believe all four hinge on one: education. Education opens the door of hope to all the world's children.

Friends and distinguished guests, no matter what country you call home, no matter what our differences in culture or custom or faith, one value transcends every border: all mothers and fathers the world over love their children and want the very best for them.

As President Bush said earlier this year in his State of the Union address to Congress: "All fathers and mothers, in all societies, want their children to be educated, and live free from poverty and violence... No nation owns these aspirations, and no nation is exempt from them."



Donald J. Johnston

We all want our children to grow up in a world that is secure. Today, our world community is engaged in a mighty struggle against the agents of terror. Many of the countries represented here are working



Mrs. Laura Bush and members panel

closely with our military and intelligence and law enforcement officers to locate terrorists and bring them to justice, and the American people thank you for your help.

The recent bombings in Russia, Israel and Pakistan, where 11 French citizens lost their lives, are tragic reminders that terror threatens lives throughout the world. The nations of the world must work together to confront this threat to our peace and security.

First and foremost, we must teach all the world's children to respect human life – their own life, and the life of others. Every parent, every teacher, every leader has a responsibility to condemn the terrible tragedy of children blowing themselves up to kill others.



Ambassador Phillips introducing Mrs Bush

Education can help children see beyond a world of hate and hopelessness. With education comes greater self-respect, and respect for others. With education comes greater understanding and tolerance. Education also invites greater equity, because it gives our children the tools they need to succeed in today's global economy. And education fuels growth, because it unleashes individual creativity and provides the skilled work force essential to growth and development.



Mrs. Laura Bush

Today's easy travel and instant telecommunications provide wonderful new opportunities for us to communicate and educate. Through forums such as the OECD, we can co-ordinate efforts to improve education in each of our countries, and throughout the world.

Education is a top priority for President Bush, for me and for the entire Bush Administration.

Our public schools are open to every child in America, and we are working to make sure they provide a quality education to every child. The United States Congress recently passed, and my husband signed into law, the most sweeping public education reforms in a generation. The initiative is called “No Child Left Behind,” and is based on the principles of accountability and results. The new law sets high standards and holds schools accountable for achieving them. It requires states and school districts to test students and publish the results, so parents know which schools are performing – and which ones are not. The law gives local school districts greater flexibility to achieve results and it empowers parents and students with more information and more choices.

Providing a quality education for our children begins with putting first things first, and in education, reading always comes first. Reading is the first step to

learning. So that all our children can achieve their dreams, my own country, and countries around the world, must do a better job of teaching children to read. Children who can read have a greater chance of succeeding in school – and in life. According to a recent study from the OECD, at least 15% of the world’s 15-year-olds can read only at the most basic level, and in some countries, that number is as high as 30%.

Another priority of mine is recruiting quality teachers. One of the most immediate and effective ways to improve education is to achieve President Bush’s great goal: a quality teacher in every classroom. The United States will need 2 million new teachers during the next 10 years. I am working with a variety of organisations to encourage recent college graduates, career professionals and retiring military personnel to bring their skills to America’s classrooms. Teachers do make a difference. Most of us can remember a childhood teacher who especially inspired or encouraged us. My favourite was my second-grade teacher. I admired her so much that I decided to become a teacher. The years I spent in the classroom were among the most fulfilling years of my life.

Because education brings opportunity, the United States works closely with our friends and allies to strengthen education throughout the world.

Through the United States Agency for International Development (USAID) the US government is investing \$357 million dollars in education worldwide this year – that’s a substantial increase from the \$285 million we spent last year. These funds will help support literacy programmes; teacher training; computer training; and efforts to educate those most often forgotten – the world’s poorest children and young girls. The USAID has also made public-private alliances an important part of our



development assistance. The United States will invest \$20 million dollars in three centres of excellence in Latin America and the Caribbean to improve teacher training and the quality of reading instruction in schools, and this will be matched with money from the private sectors of the United States and Latin America.

The United States Peace Corps has long been a world partner in education. Today, the Peace Corps is involved in 55 education projects in 52 countries worldwide – and President Bush has pledged to double the size of the Peace Corps in the next five years as part of his new USA Freedom Corps initiative.

During a recent trip to Afghanistan, the Director of the Peace Corps met with Dr. Sima Simar, the Minister of Women’s Affairs. When he began to tell her about the Peace Corps, she interrupted, saying, “I already know about the Peace Corps. A Peace Corps Volunteer taught me how to speak English.”

Our Fulbright exchange programme has provided opportunities for more than 250 000 young scholars, teachers and university professors in the US and 140 countries since its start in 1947.

We must work to ensure that all children have access to education, including ethnic minorities, girls, and children with disabilities. I am proud that my husband, as the Governor of Texas, took a stand for educating all children in our state. While another state was debating an initiative to ban education for children of illegal immigrants, my husband said, “In Texas, we are educating *all* the children, regardless of the status of their parents.”



Americans believe that individuals are responsible for their decisions, and their children, and their communities, and corporations have a responsibility to be good citizens of society as well. By supporting education, businesses and corporations can make a real contribution toward achieving all four goals of this forum.

There is no better example of governments, businesses and individuals working together than the effort now underway in Afghanistan, a country that is now rebuilding – and realising unprecedented opportunity – thanks to efforts led by the United Nations, the United States, the new Afghan government, and our coalition partners around the world.

Prosperity cannot follow peace without educated women and children. When citizens are educated, and especially when women are educated, people's lives improve in significant, other ways as well. For example, improvements in women's education have contributed the most by far to the total decline in child malnutrition; and mothers with a secondary education have children with mortality rates nearly 36% lower than mothers with only a primary school education.

In March, the boys and girls of Afghanistan went to school, many of the young girls for the first time in their lives. The world watched as teachers took their long-vacant places and students opened their books for their first lessons.

The United States is committed to helping the Afghan people redevelop their educational system. The US Agency for International Development (USAID) is sending to Afghan schools almost 10 million primary and secondary school textbooks written in Pashto and Dari. Currently five USAID-funded teams of teacher trainers are teaching refresher courses in the schools around Kabul. USAID and the United States' military civilian affairs forces are repairing more than 58 schools and training centres throughout Afghanistan.

President Bush asked our American schoolchildren to help Afghan children by contributing a dollar to America's Fund for Afghan Children. So far children from across the United States have raised and sent more than \$4 million dollars for food, shelter, clothing, healthcare and toys for children in Afghanistan. One American child wrote the President a letter with a dollar attached. She said, "I'm sending a dollar to help the innocent children of Afghanistan. My name is Grace and I am 11 years old. I would really like to give the children that are orphans this gift. I'm proud to be an American. I also wish to help one life of a child."

The American Red Cross is also co-ordinating a nation-wide project to collect school supplies – enough for 120 000 Afghan children. Already 1 000 chests (or heavy-duty plastic crates) of supplies have been assembled and sent to Afghanistan.

For primary schools, a US-based non-profit

organization called the Academy for Educational Development, or AED, sent 40 000 backpacks filled with slates, chalk, school supplies, and toys for refugee children, and currently the organisation is working to send an additional 200 000 backpacks to children in the fall.

Afghan Charge d'Affaires Haron Amin was a second-grade teacher in Kabul. He said that he had a hard time convincing his students to write on the new sheets of paper because they were the cleanest things they had.

I am confident that the United States and the global community will continue to work to improve the lives of all the people of Afghanistan.

These are times of great challenge – and times of great opportunity. As we work together to make the world safer, we are also working to make it better.

And the countries of the OECD can commit to no more important challenge than to make sure every child everywhere in the world can read and attend school. Together, we can make a tremendous difference in our countries and in developing nations. With commitment, resources and energetic leadership we can reach – and teach – children everywhere.

The most important gift we can give the world's children is the gift most likely to lead to future peace and prosperity – and that is the gift of a good education. Thank you for inviting me. ■

Sustainability is everybody's business

Sustainable development: Public/private partnerships

- **MODERATOR: CORRADO CLINI**, DIRECTOR GENERAL, DEPARTMENT FOR GLOBAL ENVIRONMENT, INTERNATIONAL AND REGIONAL CONVENTION, MINISTRY FOR ENVIRONMENT AND TERRITORY, ITALY
- **JACQUES LESOURNE**, COUNSELLOR, FORESIGHT STUDIES, EDF, FRANCE
- **JUAN MILLÁN**, GOVERNOR OF THE STATE OF SINALOA, MEXICO
- **MARTINA MOTLOVA**, DEPUTY MINISTER OF THE ENVIRONMENT, CZECH REPUBLIC
- **LAURENCE TUBIANA**, COUNSELLOR FOR THE ENVIRONMENT TO THE PRIME MINISTER, FRANCE



Panel Members

The Earth summit of Rio de Janeiro in 1992 established a vision of *where* we needed to go, although we are still far from solving the problems of the global environment, the panel agreed. Now, it must be hoped that the forthcoming World Summit on Sustainable Development in Johannesburg would kick-start the process again by showing us *how* to get there.

What seems certain is that public/private partnerships will be needed to help us move forward. **Corrado Clini** discussed the need to solidify policies for managing these kinds of partnerships.

One success story reported at the OECD Forum comes from the Mexican state of Sinaloa. The state's rich natural resources and the fear of losing them, says **Juan Millán**, led to a unique partnership between the state government and its citizens. The result is the Sinaloa Eco-region Foundation, which has led the way to new sewage treatment factories and improved efficiency of the water system.

To address public security issues, the state involved representatives from various civic

groups, leading to the development of what Juan Millán calls "the best anti-kidnapping team in Mexico". A council focused on economic development has promoted investment and increased job opportunities, despite national and international recession. And in education, local industries are helping to equip schools with computers. All of this, said Juan Millán, stems from legislation that provides a high level of transparency in the state's public administration.

Though some economies may not be ready for this level of transparency, said **Martina Motlova**, they are being forced to take steps in this direction by activists, bad



Laurence Tubiana

press and disappointed staff. Despite being a transition economy, the Czech Republic's wish to enter the European Union and to enhance its participation in the world economy, has led to vast improvements in environmental policies. She reported that the Czech industry and energy sectors have "substantially decreased the adverse impacts of their activities on the environment over the past ten years", with the rate of decreasing emissions of sulphur dioxide being the highest among OECD member countries.

The role of business in these developments cannot be ignored, she said. Martina Motlova called for government to create an enabling environment for the private sector. "An effective regulatory framework is a prerequisite", she said, "and tax and subsidy regimes should be reviewed, and prices of resources rationalised to promote efficiency of their usage."

Public/private partnership is of particular interest to utilities, said **Jacques Lesourne**. You cannot talk about sustainable development, he said, without discussing access to electricity. Providing electricity to the over 470 million households

worldwide without access to electric power poses the question of who will pay for it. Private utilities are profit-making organisations with shareholders to please. In the meantime, some governments are in the process of privatising. Jacques Lesourne suggests experimenting with different public/private schemes and looking at their efficacy.

Governments and corporations and those in civil society know they need to co-



Jacques Lesourne

ordinate their activities, said **Laurence Tubiana**, but the question of *how* to act raises still more questions. Should there be contracts, codes of conduct, or shared obligations? If we opt for codes of conduct, should the companies develop them? Should they be included in international regulations? "So far we have counted on voluntary participation," she said. "Johannesburg will show us just how far this system can go." ■

Teaching democracy: A vital challenge

The role of education in promoting democracy and building tolerant societies

- MODERATOR: **JOËLLE BOURGOIS**, PERMANENT REPRESENTATIVE OF FRANCE TO THE OECD
- **GUDMUND HERNES**, DIRECTOR, INTERNATIONAL INSTITUTE FOR EDUCATIONAL PLANNING, UNESCO
- **DEAN HIRSCH**, PRESIDENT, WORLD VISION INTERNATIONAL, UNITED STATES
- **YAACOV KATZ**, DIRECTOR, PEDAGOGICAL ADMINISTRATION, MINISTRY OF EDUCATION, ISRAEL
- **ANNEMIE NEYTS-UYTTEBROECK**, MINISTER OF STATE FOR FOREIGN AFFAIRS, BELGIUM
- **SUSAN SCLAFANI**, COUNSELLOR TO THE SECRETARY OF EDUCATION, UNITED STATES

The spread of democracy in our era is an established fact, and the role of education has had a powerful effect – but not always a positive one. The effects of 11 September and the French elections have illustrated the importance of using education to promote tolerance and democracy, panellists agreed.



Because we live in increasingly multi-ethnic, -religious, -cultural societies, it has become paramount that we acquire competencies that address the new era in which we live, said **Joëlle Bourgois**.

More and more people have been able to have a say in the running of their governments, and the distance between rulers and the street has become shorter, said **Gudmund Hernes**. Greater numbers of people have also had increasing access to information, and education has helped play a role in developing knowledge of rights, political alternatives and how to use ballots, as well as encouraging voter participation.

However, there is a "flip side" to the role of education if it is manipulated to build inflexible mind-sets, if it uses textbooks to

create biased impressions or creates the impression in a curriculum of only one "true religion," Gudmund Hernes said. "I wish I could say that more education is better," he added. "But it's not how much but what kind" that matters. This is

Panel members also true if we are to ensure that education evolves with the changing economic needs of a democracy, as is the case with the need for more skilled workers to compete in a global economy, said **Susan Sclafani**.

Gudmund Hernes also called for democracy in education and more participation in more



Joëlle Bourgois



Susan Sclafani

tolerant societies, saying that we must educate against education as indoctrination. But along with building tolerance, societies must also commit themselves to the political sustainability and political literacy of democracies, said **Annemie Neyts-Uyttebroeck**. As she had worked on teams of political monitoring and election training in Africa and other parts of the world, she said she had become aware of the need to create political institutions that are not dependent on one single person, but “governments that are anchored in a firm body of law”.

“Democratic tokenism is widespread,” Annemie Neyts-Uyttebroeck said. And more energy seems to be spent on

development than on political sustainability, she added. Political parties and debate are essential, along with creating the environment that allows people to have dialogue. She also stressed that the mechanics of elections and a structure to keep them functioning, good organisation and other structural requirements all need attention, funds and human resources.

In a developed society like Israel fostering tolerance in an extremely tense setting has been fraught with problems. In Israel, there are “many sectors and many schisms”, said **Yaacov Katz**, “not just between Arabs and Jews but between the left and right and gender differences.”



Yaacov Katz

In the 1990s, the Kremnitzer Commission Report on *Citizenship, Democracy and Co-existence in the Israeli Education System* set up criteria for resolving some of the differences, creating identical textbooks and curricula for all sectors, and a task force that evaluated the quality of teaching once a month. It calls for meetings among students of all religious, national and ethnic backgrounds. Topics of conversation revolve around sports and issues that are not controversial, in an effort to build camaraderie as a foundation for progress.

In the developing world, educating people to value democracy begins with more basic problems. A look at African societies shows the importance of education, particularly of girls, “not only to promote democracy and build tolerance, but to further human development”, according to **Dean Hirsch**.

If democracy is to function effectively, the panellists agreed, we cannot assume its values are instinctive or automatic; they need to be taught and defended by education not only in new democracies but in long-established ones as well. ■

The future of the euro

Keynote discussion

- **MODERATOR: DOUGLAS C. WORTH**, SECRETARY GENERAL, BUSINESS AND INDUSTRY ADVISORY COMMITTEE TO THE OECD (BIAC)
- **GUY QUADEN**, GOVERNOR, NATIONAL BANK OF BELGIUM



Guy Quaden

By way of introduction, **Douglas Worth** noted that the changeover from francs, marks, guilders and lira went remarkably smoothly. But then again, France has been through the changeover process before and the value of these European currencies has been quite changeable over the past 50 years.



Douglas C. Worth

But, when you hold one fundamental economic factor steady, all the volatility, or at least the tension, moves elsewhere. There's an old American song... "Somethin's gotta give!"

Now, we have some measure of the strain on the stability pact in Ireland, Portugal, Germany and France. If that's the "somethin" that is going to give, can questions about tax harmonisation, subsidies and even the value of market liberalisation stay off the table?

The European Union is one of the most noble efforts at redefining sovereignty ever put in motion. Will "money" ...filthy lucre...do it in?

The success of the euro cash changeover has «surpassed all expectations», with European citizens accepting their new money rapidly and enthusiastically, **Guy Quaden** told Forum participants. The euro has created one of the world's major economic areas, home to around 300 million people and representing some 5% of world GDP, with a combined purchasing power second only to that of the United States. Monetary union has completely removed exchange rate volatility and with it exchange rate risks across the 12 countries of the euro area. The euro has also brought price stability and fiscal stability and helped improve growth potential in the euro zone.

But the euro area now faces three important challenges, Guy Quaden said: to increase growth potential and performance across the euro area; to reinforce policy coordination and political cohesion between the euro countries; and to prepare for and deal successfully with EU enlargement. On growth, Guy Quaden said that the economic outlook remains subject to uncertainties but after a disappointing 2001 globally, business confidence has markedly improved in the euro area and the conditions for a sustained upswing are in place. But potential growth in the euro area, estimated at between 2 and 2.5%, is still noticeably less than in the US and needs to be increased. Euro area countries must raise the «speed limit» of their economies by continuing to improve the efficiency of labour and product markets, to encourage entrepreneurship and to foster a knowledge-based economy. But the

solution is not necessarily to duplicate the American model, Guy Quaden said. The experience of some countries in Northern Europe indicates that it is possible to combine a level of social protection conforming to European preferences with high rates of participation in the workforce, technological innovation and economic growth, comparable to those of the US.

When it comes to the policy dimension, a frequent question is whether it was appropriate to introduce monetary union between different European countries before political union. The past three years have shown that monetary union can operate in the current institutional framework, with monetary policy determined centrally by the Governing Council of the European Central Bank, with a high degree of independence and a clear mandate, and with national fiscal policies which, though autonomous, are bounded by the rules of the Stability and Growth Pact. But, Guy Quaden said, he personally would welcome further progress in coordinating economic policies among euro member states and more political cohesion among them to consolidate monetary union and deepen European integration.

The third major challenge is EU enlargement, with more than 10 new member states expected to join in the coming years. Would-be EU members must meet political and economic criteria, but those wanting to join the euro must also meet the Maastricht criteria relative to the moderation of inflation, the avoidance of excessive public finance deficits and the stability of the exchange rate. Many accession countries have achieved substantial progress in many areas in recent years, although much remains to be done. The euro also has an international dimension. The euro has already become the second most widely used international currency behind the US dollar and has largely inherited the role played by some of its legacy currencies (e.g. the German mark and the French franc). But the US dollar remains the main reserve currency and the dominant pricing and quotation currency. In the future a broad and liquid euro area capital market may lead to greater use of the euro. In addition, if international investors and issuers consider the euro to

be a stable currency, they will hold more euro assets to minimise risks in their internationally diversified portfolios.

Several questions were raised from the floor. Asked if there was too much economic union in Europe, Guy Quaden

replied that more political union would be a good thing to help make policy more efficient. On public opinion, he said that in his view the rise of the right in a few countries had little to do with the euro. When asked about the euro's low value, the Belgian central bank chief reminded

everyone that the D-mark was valued below the dollar before, and that it did not really mean much. He expressed confidence that ECB interest rates would fall as inflation eased anew, and urged EU member states to stick by their fiscal obligations in the growth and stability pact. ■

One war, many battles

Fighting bribery and corruption

- **MODERATOR: MARK PIETH**, PROFESSOR, UNIVERSITY OF BASEL, SWITZERLAND, AND CHAIR, OECD ANTI-BRIBERY WORKING PARTY
- **JERMYN BROOKS**, EXECUTIVE DIRECTOR - FINANCES, TRANSPARENCY INTERNATIONAL, GERMANY
- **YVONNE T. CHUA**, EXECUTIVE DIRECTOR, PHILIPPINE CENTRE FOR INVESTIGATIVE JOURNALISM, PHILIPPINES
- **JEAN-DANIEL GARDÈRE**, DIRECTOR GENERAL, CENTRE FRANÇAIS DU COMMERCE EXTÉRIEURE (CFCE), FRANCE
- **JOONGI KIM**, PROFESSOR, YONSEI UNIVERSITY, KOREA
- **JOHN SWEENEY**, PRESIDENT, AMERICAN FEDERATION OF LABOR & CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO)

Corruption has probably been around just as long as power itself, and it most likely will never be eliminated completely. But it would be sheer hypocrisy to live in a society that ignored the problem and dared call itself a democracy. This was the spirit in which this panel embraced this weighty and very global issue. In fact, it is a problem that has seemed to follow globalisation, at least in terms of perceptions of corruption.

The fight against corruption is above all a multifaceted struggle, requiring systematic reform of both public and private institutions. Bribery is both active (the briber) and passive (the receiver), and anti-corruption organisations must remain focused on both sides.

Jermyn Brooks spoke of two weapons involved in the fight: the Transparency International Corruption Perception Index, and its Bribe Payers Index, both of which combine reports from industry insiders to develop a standard for measuring "perceived" bribery in a country or corporation. "The OECD Convention on Corruption and Bribery of Public Officials and our own indexes provide companies with a road map for good corporate governance," he said. "However we need to do more to provide concrete evidence through investigations and convictions, and by supporting prosecutions. We should

also better publicise the lists themselves to NGOs and chambers of commerce."

"There is a clear link between the perceived corruption levels and bad corporate governance, said Joongi Kim. "And part of good governance involves reminding companies to look out for their own interests, not those of failing subsidiaries, as in the case of Enron." In other words, both internal and external assessment of corporate governance was necessary.

The independent media is an effective tool for external monitoring of corporate governance. Yvonne T. Chua described her organisation's struggle as one that has made considerable progress, but still has a long way to go. "After playing an important role in toppling the Marcos kleptocracy, investigative journalists in the Philippines helped bring about the removal of Joseph Estrada. But corruption is still rampant in the Philippines and it is ranked quite low on the Philippine Centre for Investigative Journalism (PCIJ) list".

Certainly, corruption is a cross-cultural phenomenon, but at the same time one that becomes more apparent as globalisation brings investment, and more wealth to be corrupted, into the developing world. It is here that corruption promotes other forms of injustice most discernibly, and hinders the development process itself.

"The roots of the problem have to do with the rapidity with which bureaucratic systems function when given cash infusions", according to Jean-Daniel Gardère. European Union-wide rules and regulation may be one way to address the problem, but it must be remembered that



Panel Members



Jean-Daniel Gardère

businesses themselves move with, for, and by, capital itself. “When businesses internalise social, environmental and

transparent policies, we see reductions in corruption indicators. And on the political side, we should look at another root cause: political party finance at a time when campaigns are becoming ever more costly.”

John Sweeney described corruption and bribery as manifestations of a more general culture of exploitation. “For the past 20 years we have seen a remarkable preference for protecting investment and capital over individuals”, he said, “and the IMF has been systematically pillaging the developing world.” When one thinks of bribery and corruption in the broader framework of corporate accountability, he



John Sweeney

suggested, it should be remembered that “the global economy does not work for working people”. ■

Better ways to use your brain

The brain and learning: A revolution in education

- **MODERATOR: EMILE SERVAN-SCHREIBER**, PRESIDENT, NEWSFUTURES.COM, FRANCE
- **CHRISTOPHER BALL**, CHANCELLOR OF THE UNIVERSITY OF DERBY AND FORMER WARDEN OF OXFORD COLLEGE, UNITED KINGDOM
- **BRUNO DELLA-CHIESA**, ADMINISTRATOR, CENTRE FOR EDUCATIONAL RESEARCH AND INNOVATION, OECD
- **HIDEAKI KOIZUMI**, SENIOR CHIEF SCIENTIST, ADVANCED RESEARCH LABORATORY, HITACHI LTD., JAPAN
- **VALERIE REYNA**, SENIOR RESEARCH ADVISOR, OFFICE OF EDUCATIONAL RESEARCH AND IMPROVEMENT, DEPARTMENT OF EDUCATION, UNITED STATES
- **MANFRED SPITZER**, CHAIRMAN, PSYCHIATRIC HOSPITAL, UNIVERSITY OF ULM, GERMANY



Panel Members

the classroom. This gulf between the research laboratory and teaching methods needs to be bridged if 21st century education is to be more effective.

“None of the advances made in cognitive science over the last 40 years are used in the classroom today,” said **Emile Servan-Schreiber**. Current teacher training methods are still similar to the way doctors were trained in the 18th century, “a craft skill one learns by watching others”, said **Christopher Ball**. He added that there had

been a failure in the education system over the past century that was the fault not of the teachers but of the way they were trained. Teacher training should evolve in the way medical training has, taking account of advances in knowledge, he said. “The science of learning must be taught, bringing together theoretical and practical knowledge.”



Emile Servan-Schreiber

Research in recent decades into how the brain works has produced numerous insights into how we learn, but little of it has filtered through to

“Brain science is not just theory; it also brings practical solutions to day-to-day problems,” Christopher Ball said. A government project in the UK, “Learning how to Learn” has given “remarkable results”. Children quickly lose the resilience to failure shown by babies. For instance, babies repeatedly fall down while learning to walk but still keep trying. But in childrens’ school years, failure saps motivation and educators need to be aware of this and how to combat it. “The ‘Learning How to Learn’ project, which teaches pupils, teachers and parents how the brain absorbs material has led to measurable improvements in learning, morale and self-esteem”, Christopher Ball said.

Manfred Spitzer explained exactly how the brain absorbs new material and said, “synapses in the brain change during learning.” For instance, vision is affected by environment. People used to living in square or rectangular rooms and those living in round huts perceive the world literally from a different perspective. “Your perception is dependent on your previous experience”, he said, and education works in the same way. Therefore it is important to get the best education from the outset. Early learning patterns will influence later development.



Hideaki Koizumi

It is important to use such knowledge in education and training, but much depends on the aims of the educators, said **Hideaki Koizumi**. “Science and technology are neutral, so whether they are applied for good or bad ends depends totally upon humanity,” he said, quoting Marie Curie.

Valerie Reyna added that, “if teachers understand how a child processes information, they can make a real difference”. The US is taking steps in this direction by combining neuroscience with education policy to develop the brain’s capacity to learn, to reason and to use logic to solve problems. In response to a question raised by the audience on how to increase motivation in the teaching profession, Valerie Reyna said that the US

was offering incentives but she also added, “remuneration is not the only motivation for human endeavour”.

All this evidence highlights the relevance of the OECD Centre for Educational Research and Innovation’s (CERI) Learning Sciences and Brain Research project, which aims to bring together scientists, educators and policy-makers to consider how to best foster and leverage cognitive neuroscience research to optimise learning opportunities, said **Bruno Della-Chiesa** of CERI.

All panellists agreed that the research evidence should be used as the basis for practice which would increase effectiveness in the teaching profession and, in turn, improve the future welfare of children. ■



Bruno Della-Chiesa

Stay informed with

OECD *direct*

our free e-mail alerting service

OECDdirect gives you **priority announcements** of the latest OECD titles as soon as they are published.

Choose your thematic areas to tailor the service to suit your needs.

You can register, change your details or unregister at any time.

Your privacy is our promise: we won’t give your details to anyone outside the OECD.

FREE REGISTRATION

www.oecd.org/OECDdirect

Nuclear power: Making sense of a debate

The contribution of nuclear energy to sustainable development

- **MODERATOR: JEREMY WEBB**, EDITOR, NEW SCIENTIST, UNITED KINGDOM
- **KEYNOTE PRESENTER: BURTON RICHTER**, NOBEL PRIZE WINNER, AND PROFESSOR, STANFORD UNIVERSITY, UNITED STATES
- **HÉLÈNE BALLANDE**, ECA REFORM CAMPAIGNER, FRIENDS OF THE EARTH, FRANCE
- **MORIO KIMURA**, GOVERNOR, AOMORI PREFECTURE, JAPAN
- **ANNE LAUVERGEON**, CHAIRWOMAN & CEO, AREVA, FRANCE
- **PAUL MENTRÉ**, ADVISOR, EDF, FRANCE

Nuclear energy has long sparked confrontations between its supporters and opponents, and the session at Forum 2002 was no exception. The least that the panellists could agree is that world temperatures and global energy consumption were both rising sharply. Panellists felt that nuclear energy might be safer than some think and may be free of greenhouse gases, but the industry needed to achieve more transparency. The public does not always trust the technology, even if they have accepted it. The panellists also agreed that not too much was known about the consequences of a major nuclear catastrophe. Studied scenarios on the



Burton Richter

potential effects of a nuclear disaster, such as from terrorist attack, would be useful. But beyond these general points, there was little concession between those for and those against.

Burton Richter opened by emphasising that global warming was a great and immediate danger facing humanity and that nuclear power was the only source that could meet world energy demand over the next 30 to 40 years without creating an ecological disaster.

Burton Richter stressed that the first and most important step for all countries was to promote energy conservation and efficiency, and called on developed countries to subsidise new, efficient conventional power plants in developing countries. However, he argued that, over the longer term, nuclear power was the only realistic large-scale energy source that would not contribute to global warming. "Nuclear is the only carbon-free power ready for large-scale deployment now," he said. "The development of the renewables, such as wind and solar energy, and hydrogen fuel cells, should be strongly supported, but this problem cannot wait until the renewable energy sources reach their maturity."

There was little argument about Burton Richter's estimates for global warming and energy use. Rather, other panellists and questions from the floor focused on the economy of nuclear power and safety issues, including on waste disposal.

Anne Lauvergeon said that "today, nuclear energy is very profitable", even after setting aside money in order to dismantle plants once they reach the end of their use. She added that Areva, which is building several



Anne Lauvergeon

nuclear plants outside of France, only works in countries that are willing to include 24-hour video surveillance of reactors, suggesting that they would then be safe. Anne Lauvergeon stated that she was absolutely convinced that permitting citizens to give their opinions regarding the nuclear industry is important and necessary. She concluded by saying that nuclear energy isn't the only solution, but that there will be no solution without nuclear energy.

For his part, **Paul Mentré** noted the latest energy proposal from the White House and regulatory changes indicate that the United States appears to be heading towards greater nuclear energy use. When pressed by questions over the dismantling costs of plants owned by Électricité de France (EDF) and potential price overruns, he said that



Paul Mentré

EDF had enough money to cover the cost. Public safety fears were also raised by **Morio Kimura** who has several nuclear plants located in his Prefecture in Japan. "Safety is of the utmost importance... If it is not given enough of a priority then the public will continue to have concerns." He called for a concerted effort among governments to ensure safety standards and said in particular that they needed to engage Russia and China to ensure that



Hélène Ballande

those two countries acted responsibly. Very little of this impressed **Hélène Ballande**. She called nuclear power "the most subsidised energy in the world" and claimed that "nuclear is not a solution to sustainable development". Hélène Ballande was concerned about long-term costs and inter-generational questions, which are central to sustainable development. In addition, she noted public concern over the possible effects of nuclear accidents, and questioned the ability of video

surveillance to ward off a terrorist attack or plane crash on a nuclear power plant. There was much crosstalk between panellists, as well as heckling from the floor, with accusations that data on each side of the argument were wrong. Burton Richter said the debate between pro- and anti-nuclear proponents was "an argument of the deaf" due to their inability to agree on basic figures such as capital costs for new plant construction, government subsidy levels and carbon emission levels of various energy sources. On the terrorist side, however, he agreed that the risk needed to be assessed. But "we cannot just sit around arguing and doing nothing", he said.

Jeremy Webb asked why, in spite of the efforts of the pro-nuclear experts, the public in general still seemed not to trust nuclear power. Anne Lauvergeon replied by quoting surveys that suggested that households in the United States and France were not ready to give up nuclear energy.

When asked from the floor for an assessment of the impact of a major catastrophe, such as the wreck of a ship carrying nuclear waste, Burton Richter argued that "nothing would happen". The oceans had radioactivity and the waste would be diluted. He said the deep ocean trenches were good areas for storing nuclear waste, given their geological stability, but accepted that this was politically unlikely. Panellists were more concerned about the eventuality of a terrorist attack on a nuclear plant.



From left to right Anne Lauvergeon, interpreter, and Morio Kimura

Taking this lack of certainty of nuclear experts about the effects of a terrorist-induced disaster as an answer to his earlier question about public confidence, Jeremy Webb said that building a series of dependable scenarios "would be useful to think about". He also noted that until pro- and anti-nuclear forces could agree on common figures for the economics of nuclear energy and accident risk, there would be little chance of reaching any sort of common ground on whether or not nuclear power is viable or desirable as a major energy source of the future.

Morio Kimura raised a very basic issue: "I have heard a lot of concerns expressed," he said, "but I haven't heard any alternative proposals." Still, there was some agreement that more investment should be channelled into alternative energies – Areva was involved in wind generation, for instance.

Jeremy Webb wrapped up by noting that nuclear power was a reality and that the nuclear industry had to be even more transparent. ■

Growth is good

The world economy in 2002

- **MODERATOR: BRONWYN CURTIS**, MANAGING EDITOR, BLOOMBERG TELEVISION, UNITED KINGDOM
- **ARKADY DVORKOVICH**, DEPUTY MINISTER, MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE, RUSSIAN FEDERATION
- **R. GLENN HUBBARD**, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS, WHITE HOUSE, UNITED STATES
- **CHRISTIAN SAUTTER**, FORMER FRENCH FINANCE MINISTER AND DEPUTY MAYOR OF PARIS RESPONSIBLE FOR ECONOMIC DEVELOPMENT AND FINANCE
- **BRIGITA SCHMÖGNEROVÁ**, EXECUTIVE SECRETARY, UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE (UNECE)
- **SHUNICHIRO USHIJIMA**, ADVISER ON INTERNATIONAL ECONOMIC AFFAIRS TO THE MINISTER OF STATE FOR ECONOMIC AND FISCAL POLICY, CABINET OFFICE, JAPAN

Confident there would be growth, but not overly enthusiastic about the rate of growth, is how this panel seemed to view world economic prospects for 2002. The economy was on a recovery path, but lack of growth would make it difficult to deal with the various challenges that we face today. While there were caveats and conditions to the argument, all clearly supported one basic notion: growth is good.

So is global economic co-operation, which takes time to build. But how else can a world economy with such wide-ranging linkages be developed? And once security issues come into play – including market security – world economic development becomes more than just a market affair. The pragmatic approach demands looking at political and social circumstances that might cause instability.



R. Glenn Hubbard

Arkady Dvorkovich said governments were attempting to balance sovereignty with integration, and that instability is serving as a driving force for security integration. “Co-operation and dialogue is needed between business and governments in the new markets especially”, he said.

With the European economy’s close links to the US, it is clear that positive growth in the latter will have transatlantic effects. “Recovery in the US is well underway, with conservative private sector growth estimates at 3-3.5%”, said R. Glenn Hubbard. Long-term growth requires more than just growth in productivity, he said, and free trade was another primary factor in promoting growth.

Shunichiro Ushijima explained the reform efforts underway in Japan, and admitted that growth over the short term there would remain modest. “Currently, the Japanese government is broadening the tax base while lowering the marginal tax rates, a very important step toward reform.” “Recovery”, he added, “will take place modestly because of weak personal consumption and stagnated business investment” (see session on “The Japanese economy: the way forward”).

Panellists agreed that markets need rules to function better and correct accidents, especially when effects are felt hardest in the poorer countries. “The growing inequalities in sub-Saharan Africa and other regions of the world, especially in areas



Christian Sautter

such as food, education, and health, have a direct relation to security, and are therefore more than just a moral question for the developed world”, said Christian Sautter. “More emphasis on dialogue with the G20 group of nations and energy-providing nations would be a step in the right direction”, he said, “and the OECD could play an integral role in that dialogue”.

Brigita Schmögnerová agreed, saying that “globalisation, if not more effective and humane, would further widen the gap between developed and developing countries”.

The moderator, Bronwyn Curtis, asked the panel if the apparent shift to the right in politics in several countries would have a bearing on the world’s economic performance. Concerns were raised as to a possible, broad, anti-globalisation backlash by some larger countries, and this might damage confidence in the benefits of open markets and weaken the global business environment.

Responding to a question from the floor about new pressures on corporations to raise their social and ethical standards as part of quality management, R. Glenn Hubbard said that he hoped businesses would become more transparent and so strengthen the trust of citizens. ■



Bronwyn Curtis

Towards a healthy world

Health, trade and development

- **MODERATOR: MICHAEL ROESKAU**, DIRECTOR, DEVELOPMENT CO-OPERATION, OECD
- **JAGDISH BHAGWATI**, PROFESSOR OF ECONOMICS, COLUMBIA UNIVERSITY, UNITED STATES
- **JULIO FRENK MORA**, MINISTER OF HEALTH, MEXICO
- **RAYMOND GILMARTIN**, CEO, MERCK & CO. LTD., UNITED STATES
- **JAN VANDEMOORTELE**, PRINCIPAL ADVISER, BUREAU FOR DEVELOPMENT POLICY, UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP)

The importance of linking health, trade and development far outweighs other global policy priorities, panellists agreed. But the approaches to solving the problems of access to medicines and health care – who gets it and how it is delivered – as well as the issue of protecting property rights, varied considerably on the panel. **Michael Roeskau**, the moderator of the session, asked panellists what the benefits and the risks of increased global trade were and how it impacted on health care delivery.

“The traditional view is that trade fuels economic growth, after which development ensues, bringing better health care and other social benefits”, said **Julio Frenk Mora**, “but it also works the other way around. Health directly reduces poverty. We must look at the mechanism by which good health produces economic growth as we have become aware in the Monterrey Conference. Countries in Africa that have a 20% HIV-AID infection rate cannot attract investment”, he said.

There is no question that growth does help health, said **Jagdish Bhagwati**. “There are some NGOs that want to stop growth”, he said: “I think that’s a criminal activity. Putting people in gainful employment will



From left to right **Julio Frenk Mora** and **Jagdish N. Bhagwati**

reduce poverty indirectly. The dole doesn’t do that – assuming you could put the millions of poor in developing countries on the dole.”

In the developed world, providing health care will need increasingly creative solutions, especially with an ageing population. Jagdish Bhagwati suggested there were ways for developing and developed countries to serve each other and save on huge costs. Why not have a trade in services, for example, in which insurance companies offer schemes under which patients could get important medical treatment in a country with high skills and go home for the follow-up treatment?” he asked. “We already import doctors, so we could export patients”, he added.

But central concerns for the developing world are gaining access to pharmaceuticals and the lack of effective health care delivery systems. “Global prosperity tied to increased trade has had no appreciable impact on poverty in the world, said **Jan Vandemoortele**. “We can look at the 1990s as the decade of broken promises”, he said, adding that “there are widening gaps not just in income, but in infant mortality and access to water and education”.

Drug prices are likely to go up in many countries, according to Jan Vandemoortele who stressed that the TRIPS agreement on patent rights had resulted both in a lack of innovation and had limited critical access to drugs in poorer countries.

“It is true that the developing world lacks the financing for adequate health care and access to pharmaceuticals”, Julio Frenk Mora said. “However, in order to provide cheap drugs to their populations, some developing countries are violating agreements related to intellectual property rights”, he said. “Although there may be a moral imperative, these practices could perversely limit technological innovation and future health care, he added”.

“The barriers to health care access in the developing world are generally viewed as being from three categories: intellectual property, cost, and health-care infrastructure”, said **Raymond Gilmartin**. “We know that patents are not significant barriers to access, because in many



Raymond Gilmartin

countries in need, patents do not exist”. At the same time, he added, “many essential drugs that are required for treatment are available off patent. We have also demonstrated that price alone is not the answer to access. By providing HIV/AIDS medicines at prices from which we make no profit in the world’s poorest countries, we have been able to reach many more people – but not the millions that are in need”, underlined Raymond Gilmartin.

Raymond Gilmartin went on to say, “this leads us to believe that the most formidable barrier to access is the capacity of the health-care delivery systems of the developing world”. One possible model for addressing this barrier can be found in the work done by Merck in its partnership with the Bill & Melinda Gates Foundation, and the government of Botswana in treating HIV/AIDS in that country. Through this public-private partnership, we are seeking to train medical personnel and help develop the logistics of health-care delivery, he said. “We have pursued such a broad-based partnership because it is clear that governments, and we in the private sector, cannot solve the problems of access on our own”. ■

Sustainable development and Johannesburg: Education, communication and trade are key

How to achieve success at the Johannesburg World Summit on Sustainable Development

- **MODERATOR: SIMON UPTON**, CHAIR, OECD SUSTAINABLE DEVELOPMENT ROUNDTABLE
- **BELMIRO DE AZEVEDO**, PRESIDENT, SONAE SGPA, SA, PORTUGAL
- **ANNA FIELDER**, DIRECTOR OF THE OFFICE FOR DEVELOPED AND TRANSITION ECONOMIES, CONSUMERS INTERNATIONAL
- **CLAUDE MARTIN**, DIRECTOR GENERAL, WWF INTERNATIONAL



Belmiro de Azevedo

in 1997. He added that WWF International takes journalists to Africa to show them projects and increase their understanding of what is happening. He expressed concern that there would be oversimplification of some of the issues due to the lack of knowledgeable reporters, "for example, calling for increases in official development assistance in South Africa will result in disaster for sustainability".

Belmiro de Azevedo agreed that education and increasing public awareness are critical: "we have to educate children from a young age". He added that NGOs themselves have to accept some of the blame for the lack of public awareness of sustainable development issues. "NGOs are scared to align themselves with a successful entrepreneur who is acting responsibly and doing well for fear that they undermine their cause. They only highlight bad examples."

It is not only the public that is in the dark according to **Anna Fielder**, who pointed to research into how governments are implementing the UN Guidelines on Sustainability introduced in 1999. According to the survey produced by

Consumers International and the United Nations Environment Programme (UNEP), 38% of governments did not even know the Guidelines existed. "Capacity-building is what governments need if decisions made at the WSSD are to be implemented successfully." She used the results of WTO negotiations in Doha as an example of how increased capacity can lead to results as developing countries got their message across, and this can only be seen as encouraging. Consumers International is also currently working to increase consumer awareness in poorer countries.

The audience expressed pessimism on Johannesburg's chances of success, and wondered how the summit would be any different from other big international meetings of the past, fearing it would just become another "talking shop". Anna Fielder and Claude Martin emphasised that talks must transcend national and regional boundaries and must create a synergy between all stakeholders. "The results must be targeted and timetabled; governments, NGOs and civil society must maintain a continuous relationship", said Claude Martin. He was concerned that failure in Johannesburg could have negative consequences for the WWF and would probably cause some important projects to be abandoned. Anna Fielder viewed a system of accountability with an established leader as the way to implement decisions. Belmiro de Azevedo agreed that some form of statistical research and results on sustainable development are necessary to ensure effectiveness.

Pessimism appeared to grow due to the sheer numbers of issues that have to be tackled at the WSSD (there are 100 points in a preparation document by the chairman



Claude Martin

The main obstacle to a successful result at the upcoming World Summit on Sustainable Development (WSSD) would be the lack of effective communication on the issues involved; this was a key message from this session on preparations for the Johannesburg Summit, beginning in late August 2002. "The role of the media might make the game for us or turn it against us", said **Claude Martin**, who called on the media to portray a real understanding of the issues that will emerge in Johannesburg rather than harking back to the failures of the Rio de Janeiro Earth Summit in 1992 and the Kyoto Summit on climate change

of the summit). When asked by the moderator, **Simon Upton**, to identify the single most important issue for sustainable development to succeed, the panel agreed the most fundamental factor was to eradicate poverty, and for that, trade barriers would have to be removed. But there was pessimism that this could be achieved in the near future. As Belmiro de

Azevedo emphasised at the end of the session, for the summit to succeed, the successful implementation of any initiatives will rely on education and mediation, with countries, businesses and stakeholders leading by example. Only by education would people be persuaded not to “always go for the cheaper product”, but to choose their options more responsibly. ■



Simon Upton

Entrepreneurship works

Entrepreneurship and economic transition

- **MODERATOR: MARIA CATTAIU**, SECRETARY GENERAL, INTERNATIONAL CHAMBER OF COMMERCE
- **ALMIRA GINYATULLINA**, CHIEF OF THE BOARD, BISHKEK CHAMBER OF COMMERCE, INDUSTRY AND HANDICRAFTS, KYRGYZSTAN
- **CHARLES KOVACS**, VICE CHAIRMAN OF THE SUPERVISORY BOARD, SPB INVESTMENT LIMITED, HUNGARY
- **GIDEON SAGEE**, CHAIRMAN OF THE SMALL AND MEDIUM ENTERPRISE (SME) AUTHORITY, ISRAEL
- **ARYL SEREN**, SECRETARY GENERAL OF THE FEDERATION OF EURO ASIAN STOCK EXCHANGES AND SENIOR VICE CHAIRMAN, ISTANBUL STOCK EXCHANGE, TURKEY



Charles Kovacs

American and European systems, which have long embraced free trade, with the hegemony of the Austrian, Ottoman and Russian empires, which eventually produced the conditions for Soviet Communism and the experiences of Eastern Europe”.

“These disadvantages”, said Mr Kovacs, “make the region’s progress in the last 10 years even more remarkable”. Today countries in the region have strong democratic institutions, 60-80% of their economies are privately owned, and 80-90% of their foreign trade is with OECD countries. “None of this”, he said, “could have occurred without entrepreneurship”.

“Though there have been some hiccups in the shift to open and free markets, the benefits are worth it”, said **Maria Cattai**. The downstream benefits of entrepreneurship include better human

rights, higher labour standards, and better environmental standards. “More importantly”, she said, “entrepreneurship promotes local investment, encouraging people to stay and create stable societies in their own countries”.

“In countries as small as Kyrgyzstan, with a population of just 5 million, entrepreneurship has helped pave the way for democracy and self-sufficiency”, said **Almira Ginyatullina**. With the help of international support and the encouragement of entrepreneurship, the private sector now accounts for 87% of the economy.

“But the good news is not just economic”, said Almira Ginyatullina, who attributes the peaceful shift in political, economic, and social systems in part to the development spurred by entrepreneurship.

In the Middle East, Israel has used entrepreneurship to help integrate and absorb the more than one million immigrants it has received from Commonwealth of Independent States (CIS) countries in the past decade. When Israel’s SME authority was established in



Maria Cattai

Entrepreneurship is an essential catalyst for economic growth, agreed the panellists, but it also brings about social and human changes that particularly benefit economies in transition. More needs to be done to allow it to flourish.

Entrepreneurship is nothing new. In fact, its roots go back to ancient Greece, where the most prosperous city-states in the southern Balkan region drew much of their wealth and power from the enterprising culture of traders and merchants. “More recently”, said **Charles Kovacs**, “we can contrast the benefits enjoyed by the Anglo-



Almira Ginyatullina

1993, one of its main goals was to support activities for entrepreneurs and business

owners from CIS countries. **Gideon Sagee** reported that in the years since, immigrant unemployment has dropped from 40% to roughly that of the national average (12%). "Beyond the financial success", said Gideon Sagee, "these entrepreneurial activities have had an important impact on the way CIS immigrants have been adopted into Israeli society".

"Many of Israel's neighbours are focusing their efforts on promoting enterprises by building structures that will support them. The Federation of Euro Asian Stock Exchanges is one example. With members

spanning Southeast Europe to the Middle East and Asia, the group's fundamental hurdle is "the lack of an institutional framework that will enhance the development of formal businesses," said **Aryl Seren**. The group has benchmarked policies from the EU and OECD countries and is producing a report that will pay particular attention to issues affecting funding. The report "will not be a set of prescriptions", cautioned Aryl Seren, "but a source of policies and practices that can be adapted to the specific circumstances in a country or region". ■

Reap what you sow, export what you reap

Policy coherence: Development dimension of agricultural trade

- MODERATOR: **STEFAN TANGERMANN**, DIRECTOR, DIRECTORATE FOR FOOD, AGRICULTURE, AND FISHERIES, OECD
- **TOM ARNOLD**, CHIEF EXECUTIVE, CONCERN WORLDWIDE, IRELAND
- **ILEANA DI GIOVAN**, AMBASSADOR AND DIRECTOR OF INTERNATIONAL ECONOMIC CO-OPERATION, MINISTRY OF FOREIGN AFFAIRS, ARGENTINA
- **MAGDI FARAHAT**, MINISTER PLENIPOTENTIARY, PERMANENT MISSION OF THE ARAB REPUBLIC OF EGYPT TO THE UNITED NATIONS, EGYPT
- **LIONEL FONTAGNÉ**, DIRECTOR, CENTRE D'ÉTUDES PROSPECTIVES ET D'INFORMATIONS INTERNATIONALES (CEPII), FRANCE
- **JOHN PAGE**, DIRECTOR, POVERTY REDUCTION AND ECONOMIC MANAGEMENT NETWORK, WORLD BANK



Magdi Farahat

barriers that limit developing country exports.

The new United States Farm Bill, providing increases in subsidies for US farmers, was perfectly timed for this panel. It came in for criticism for several reasons. **Tom Arnold** worried that the new US Farm Bill could worsen the situation of poorer countries by "making it more difficult for the WTO round" to reduce domestic support levels and trade barriers in OECD countries. He noted that the Farm Bill "may be moving policy in the wrong direction after a good start in the GATT round." **Ileana Di Giovan** said that this bill was a "seriously negative message to the

developing world". **Magdi Farahat** added that Egypt "cannot compete with the US Treasury in terms of support. It's not fair".

Tom Arnold defined policy coherence as consisting of three aspects: firstly, policies should fit together and complement each other; secondly, policies should be prioritised according to their impact and value for money; thirdly, there should be a realistic time frame set out. He urged a prioritisation of such areas as conflict resolution and health that would yield short-term results, as trade policy reforms take time to have any real impact. He drew attention to fresh evidence of the looming food crisis in Southern Africa as a situation



Tom Arnold

Agricultural trade is often characterised by policy incoherence, according to experts. Policies aimed at encouraging agriculture and reducing poverty in the developing world are being undermined by trade

requiring immediate action. For the long-term, Tom Arnold stressed the importance of good governance, an economic policy balance weighted more towards rural areas, and "well-targeted and effective aid".

Magdi Farahat noted that, ironically, agriculture and textiles are the two most highly protected areas of trade, yet it is in precisely these industries that developing countries have comparative advantage. Magdi Farahat and Ileana Di Giovan argued that agriculture should be brought firmly to the heart of the multilateral trade system, including the Doha process. In response to a question from the floor, he added that this would require great political will. They called for greater flexibility for developing countries to implement WTO directives, in view of the particular needs and circumstances of developing countries. Ileana Di Giovan went further and argued for special freedom to raise tariffs and provide support to farmers in the face of cheap, subsidised imports. Magdi Farahat feared that recent developments have raised serious concerns that may lead some developing countries to rethink commitments made in Doha and harden their positions.



Lionel Fontagné

John Page argued that there is much room for developing countries themselves to reduce their barriers to trade, not only "North-South" but also "South-South". The idea of regional trade blocs for groups of developing countries was raised in discussion as a possible step in this direction. John Page said current national trade policies both increase the volatility of, and suppress, agricultural prices. He identified protection that can be applied for residual amounts over tariff quotas as a serious problem. Moreover, he added that tariffs increase with each stage of production, making it difficult for developing countries to export finished

goods. John Page then introduced other issues to the debate, which had focused mainly on market access. Taking advantage of developed world markets would depend upon an effective supply-side response, which would in turn depend on investment in appropriate transport and other infrastructure. In Tom Arnold's words, "agricultural trade policy reform is necessary but not sufficient".

Lionel Fontagné spoke about environmental concerns, such as biological risks and a lack of product information. These are a threat to developing countries' exports as they "may justify the introduction of border measures by the importing countries". Do they constitute "protection or protectionism?" he asked. But, he added, "abuse of environmental arguments for protectionist reasons is likely for agricultural products, particularly in the form of non-tariff measures". "Interestingly", he concluded, "it's the large and developed exporters who impose the greatest number of environmental controls on their imports, while least developed countries are the most adversely affected by such barriers". ■

SourceOECD 

A single institutional subscription provides unlimited
access to OECD books, periodicals and statistics online
24 hours a day, 7 days a week

www.SourceOECD.org

Troubled waters for transport security

Transport: Efficiency and security

- MODERATOR: **WOLFGANG HÜBNER**, HEAD TRANSPORT DIVISION, OECD
- **LÉO DELWAIDE**, PRESIDENT, ANTWERP PORT AUTHORITY, BELGIUM
- **JOHN EVANS**, GENERAL SECRETARY, TRADE UNION ADVISORY COMMITTEE TO THE OECD
- **PIERRE-HENRI GOURGEON**, PRESIDENT AND CHIEF EXECUTIVE, AIR FRANCE
- **PIERRE JEANNIOT**, DIRECTOR GENERAL AND CEO, INTERNATIONAL AIR TRANSPORT ASSOCIATION (IATA)

Transport officials from airlines to labour unions to port authorities agreed that managing heightened security risks was now their primary responsibility, but they also called for increased efficiency in doing so, as well as clear international rules and shared costs.

In particular, panellists representing the airline industry said the hodge-podge of security measures thrown together after the 11 September attacks in the United States were angering customers and needed to be streamlined in order not to drive away business passengers. In addition, they argued that governments and other transport sectors should share the increased war-risk insurance premiums.

"Terrorist risk must be the responsibility of states before anything else. It is a collective risk," said **Pierre-Henri Gourgeon**, who added that other transport sectors should also pay their share of the added insurance costs. Pierre-Henri Gourgeon noted that Air France's annual insurance costs had more than tripled per year after 11 September.

Pierre Jeannot noted that the security standards put in place after the attacks "are far from consumer friendly" and that some travellers were choosing to move away



From left to right **Pierre Henri Gourgeon** and **Pierre Jeannot**

from air transport when possible. To remedy this, he called for "positive profiling" that would allow frequent travellers who posed no risk or little risk to flow quickly through the airport process. He acknowledged the risks of profiling, but said that he felt positive profiling could work.

Both Pierre-Henri Gourgeon and Pierre Jeannot also called for an international agreement on war risk insurance coverage. They suggested plans similar to some regional efforts now underway that would cap insurance payments at \$50 million per incident for example, with any claims above that partially covered by governments.

"The United States has shown, certainly in the case of 11 September, that it can move very fast when it comes to the interests of its own industry. I think worldwide we could hope for some kind of speedy action as well", Pierre Jeannot said.

Turning to maritime transport, **Léo Delwaide** said that the Port of Antwerp had decided to fully accede to all US wishes concerning increased security in cargo and shipping. "In the matter of security, the US will impose its will on its European partners, so we will simply comply," he said. The US is the Port of Antwerp's main customer.

Leo Delwaide listed a series of security

measures in place in Antwerp, including computerised cross-checking of shipments, assessment of security risks before cargo arrives in the port and close checks on trucks entering the port area that are moving cargo within the port.

"But the maritime sector remains rife with security holes and ripe for human rights abuse", said **John Evans**. He took particular umbrage to the "flags of convenience" under which ship owners, no matter their country of origin, can register their vessels in countries that provide the weakest regulatory environment or most advantageous tax situation.



John Evans

"If I could make one plea," he said, "it is to move to far greater transparency of ownership and control of ships. Let's use this occasion to begin to raise some of the screens of secrecy about ownership, particularly in the maritime area."

John Evans also warned against some of the proposals for personal identity cards for seafarers since they included few safeguards regarding how the information might be used, who would control it and whether it might discriminate unfairly against some employees. He added that governments needed to band together and work with businesses and trade unions to create a common security approach for maritime transport, and to try to combat the continuing scourge of piracy. ■

A panel in partial agreement

The multilateral trading system: Making the Doha Declaration work for all countries

- **MODERATOR: LUZIUS WASESCHA**, DIRECTOR GENERAL FOR WORLD TRADE, STATE SECRETARIAT FOR ECONOMIC AFFAIRS, SWITZERLAND, AND CHAIRMAN OF THE OECD TRADE COMMITTEE
- **NICHOLAS BIWOTT**, MINISTER FOR TRADE AND INDUSTRY, KENYA
- **NIALL FITZGERALD**, JOINT CHAIRMAN AND CEO, UNILEVER, UNITED KINGDOM
- **SUPACHAI PANITCHPAKDI**, DIRECTOR GENERAL DESIGNATE, WORLD TRADE ORGANIZATION (WTO)
- **GOVINDASAMY RAJASEKARAN**, SECRETARY GENERAL, MALAYSIAN TRADES UNION CONGRESS, MALAYSIA
- **ADOLFO URSO**, MINISTER FOR FOREIGN TRADE, ITALY

Luzius Wasescha summed up his group's discussion as a debate that had started but could not be completed. The worst danger was that excessively high expectations would be placed on the shoulders of the World Trade Organization (WTO), which could not be expected to solve all problems.

He said panellists were agreed on the market access question, under which advantages would accrue to those countries which were capable of developing their exports. But he noted the reality of African fears, as expressed by Kenya's Nicholas Biwott, was that the erosion of preferences was at stake, and there was apprehension about losses in the terms of trade.

Interventions in the session made it clear that uncertainties apparent in the post-Doha situation were caused by factors such as insufficient political will and speculation about the likely effect of China's entry into the WTO.



Niall FitzGerald

Niall FitzGerald said all non-Americans were appalled at the negative effect of the US Farm Bill proposals. But, unfortunately, there were some in Europe who took this as a signal allowing them to take the pressure off the demands for reforming the European Union's Common Agricultural Policy (CAP). He said agriculture had a multifunctional role, and as a European he felt he had to say, "we must look to ourselves about creating a fair trading environment by 2004 in line with the Doha commitment".

Hailing the huge part played by trade liberalisation in improving human development over the past 50 years, Niall FitzGerald said, "Many more countries want the benefits of world trade for their citizens. All countries need to negotiate better market access with a wide range of other countries". For the Doha Declaration to deliver tangible results for all participants, there were several key requirements. He listed them as: delivering sufficient progress and results in the key areas of the agenda at each stage of the Doha timetable; managing the Doha trade-related capacity-building pledges in a concerted and co-ordinated way; demonstrating leadership, notably by the US and the EU; underpinning action on the trade agenda with action on sustainable development in other fora; and, finally,

underpinning the whole enterprise with sustained advocacy of the benefits of trade liberalisation.

Nicholas Biwott called for the OECD Guidelines on Multinationals to be further developed, and hailed them as a flexible and useful framework within which countries could operate satisfactorily. He underlined that agreements needed to be respected and that, in turn, depended on firm commitments. Unspecific language such as "with a view to phasing out" had no place in any agreement. He said, "Today there is a ray of hope, but the fair trade issue badly needs a clear commitment from everyone". For developing countries it was important to know what safeguards were there for them.



Nicholas Biwott

In answer to a question from the floor about China, Supachai Panitchpakdi said it was a huge market, adding about 1% to the global trade volume. At the same time, entry into the WTO would help China implement reforms. Asked about attempts to link trade and labour rights, he said there was no mandate to countries about such a linkage. "My personal view is that we mustn't try to litigate issues all the time, because it is too time-consuming, and anyway we need more policy discussion first".

Adolfo Urso called upon the "strong" countries to display a more responsible attitude with regard to global trade issues.

He noted that China was joining that group, as would Russia later. More of the world's population was entering the field of globalisation, which was positive but challenging. For the African continent fair trade was not enough. What was needed was "just" trade, he said. However, a questioner from the floor commented that European agricultural subsidies outweighed all European development aid to African nations.

Among other key points raised by panellists, **Govindasamy Rajasekaran** stressed the importance of bringing in observance of international labour standards and practices, while Nicholas Biwott said that, while developing countries had undoubtedly derived national benefit from multilateral trade agreements, there still remained the problem that some countries were "overwhelmed" by the legal and negotiating complexities. ■



Supachai Panitchpakdi

Numbers everywhere

Measuring globalisation: Are the statisticians getting it right?

- **MODERATOR: ENRICO GIOVANNINI**, CHIEF STATISTICIAN, OECD
- **KATHLEEN COOPER**, UNDER SECRETARY FOR ECONOMIC AFFAIRS, DEPARTMENT OF COMMERCE, UNITED STATES
- **YVES FRANCHET**, DIRECTOR GENERAL, EUROSTAT, EUROPEAN COMMISSION
- **LELIO IAPADRE**, PROFESSOR, UNIVERSITY OF ROME "LA SAPIENZA", ITALY
- **PAUL VAN DEN BERGH**, BANK FOR INTERNATIONAL SETTLEMENTS

Globalisation, as a phenomenon, is inherently difficult to define, let alone try to measure. The rapidity with which international trade in goods and services has expanded is certainly one characteristic; the reach and scope of today's multinational corporations is another. Statistical indicators have fallen behind these global developments,



Kathleen Cooper

overburdened in a world in which an estimated US\$5 trillion circulates per day. And the statistical resources held by government agencies and the private sector are often incomparable.

Co-operation between national statistical agencies would be a statistician's dream. But statisticians don't set policy. **Kathleen Cooper** had just recently joined the Bush administration after experience as an economist in the private sector, and hoped to increase the administration's attention to data integration. "The US government has just announced its intention to accelerate the release of its trade data by 20 days", she said, adding that "any indicators of globalisation must reflect more than the just the transaction of goods and services".

All parties agreed that the harmonisation of statistical data pools is necessary for proper analysis of ever-growing global interactions. "Globalisation may even be a blessing for statisticians, since politicians were now becoming aware of the advantages of more comprehensive data", said **Yves Franchet**, Director General of Eurostat, the EU's official data agency. His organisation had played an integral part in integrating demographic and economic data between the countries of the European Union, and he considered this harmonisation as a model of "mini-globalisation". But he also



Yves Franchet

said that global statistical interaction had a long way to go, citing as an example the hundred billion dollar discrepancy in import/export figures between the US and the EU.

Global data pools, although more integrated in certain financial areas thanks to the International Monetary Fund (IMF), also leave several hanging questions, as they are often incomplete, incompatible or just plain out of date. "The decline of Italy's share of world exports in areas such as leather and footwear is a mystery because of the lack of detailed statistics", said **Lelio Iapadre**. "More data are needed in areas such as foreign direct investment and industrial subcontracting, as well as the final destination of temporary exports", he said. This, of course, supports the need for more reliable, internationally comparable data.



Paul van den Bergh

The financial sector may well indeed be ahead of the pack. **Paul van den Bergh** from the Bank for International Settlements (BIS) in Basel works with groups including the OECD, IMF, European Central Bank (ECB), and UN to design data exchange standards that monitor international financial statistics. "Statistics co-ordination must stretch from the micro level, with individual firms, and cover both infrastructure and financial markets". BIS, owned by over 40 central banks, uses one

of the world's most detailed data banks as a platform for financial dialogue.

In the end however, it is the policy-makers who will have to promote the collection of compatible statistical data, which is innately expensive. But when one looks at the cost-benefit analysis, along with today's new public willingness to address issues linked to security, and thus globalisation, the choice for elected officials should be clear. ■

Children of the world

Keynote address

- **CAROL BELLAMY**, EXECUTIVE DIRECTOR OF UNICEF
- **MODERATOR: BARRY MCGAW**, DEPUTY DIRECTOR, EDUCATION, EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS, OECD
- WITH THE PARTICIPATION OF OECD FORUM 2002 STUDENTS ESSAY CONTEST WINNERS



Carol Bellamy

The UN General Assembly held its first-ever Special Session on Children a week prior to the OECD Forum and it was the outcome of this session that **Carol Bellamy** reported to this gathering.

The UN session ended with a consensus agreement by more than 180 governments to put forward an agenda for the 21st century to build, "A world fit for children", that addressed major improvements in

survival, health, education and protection by the year 2015.

"The post-war 'emergency' may be gone from UNICEF", Carol Bellamy said, "but 56 years later, who can deny that an emergency still exists – one far more daunting in scale and complexity?" She explained that nearly 11 million children die each year, all from preventable causes like diarrhea, measles and respiratory infections. Hundreds of millions suffer from poverty and inequity, HIV/AIDS, armed conflict, gender discrimination and violence.

"More than 170 million children are malnourished and nearly 120 million never see the inside of a school", she said. "The most powerful aspect of the UN session", Carol Bellamy said, "is that a constituency is building that will support the making of hard decisions in favour of children, by encouraging all of us, in all parts of society, to put all our actions to a simple litmus test: "Is it in the best interests of children?"

"Children spoke their minds at the UN special session with astute comments", she said. A young Bosnian woman said, "War and politics are games played by adults



Audience in amphitheater

that children always lose." A 13-year old Bolivian girl said, "You think of us as the future but we are the present as well".

After her speech, Carol Bellamy turned the floor over for comments to the panellists, whose essays on international cooperation had won OECD prizes. We can talk about developing countries and their basic need, said **Cicero Habito** of the Philippines, "but there is a big problem of broken families in developed countries". He said that there are places where the physical and material needs are met, but children are suffering emotionally.

Tabilo Heavey of Chile echoed that comment. "The problem for children", he said, "is that the family and the other institutions that support (children) are not so popular".

In her summary, Carol Bellamy said that "basic education is the key to survival", to empowerment – the key to taking on challenges. It is key if reducing poverty is to be taken on in the next generation. ■

OECD Forum 2002 in pictures



CNIT dome provides an impressive backdrop



The cybercafé allows participants to keep in touch



Speakers Judith Ayres and Gérard Mestrallet mingle with the crowds



Time to relax and network in between sessions

Time to party



Emi Oshima quartet



Karim Gherbi



Dixie Doctors

Participants unwind at the end of the day with jazz and refreshments

Sound and lights sponsored by:



Beer and chocolats generously donated by Belgian companies Duvel and Godiva



MEDIA PARTNERS

Bloomberg
TELEVISION

L'Expansion

Herald INTERNATIONAL **Tribune**
ESTABLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST
THE WORLD'S DAILY NEWSPAPER

매일경제
MAEIL BUSINESS NEWSPAPER

讀賣新聞

YOMIURI SHIMBUN

KNOWLEDGE PARTNERS

Business and Industry Advisory Committee to the **OECD**
BIAC
Comité Consultatif Economique et Industriel Auprès de l'**OCDE**


CBL
CHAMBRE DE COMMERCE
BELGO-LUXEMBOURGEOISE, FRANCE

CFCE
Centre Français
du Commerce Extérieur

TUAC
TRADE UNION
ADVISORY COMMITTEE
TO THE ORGANISATION
FOR ECONOMIC CO-OPERATION
AND DEVELOPMENT

**WORLD
FINANCE**


“ Experience teaches that meaningful progress towards the goal of sustainable development for all can only be achieved through co-operation across national and political boundaries and involving the full range of society's stakeholders. Next year the OECD Forum 2003 will pursue this important dialogue and I look forward to welcoming you again on that occasion. ”



DONALD J. JOHNSTON

For more information about Forum 2002
please visit our Internet site
<http://www.oecd.org/forum2002/>
or contact us

 +33 1.45.24.80.25

 +33 1.44.30.63.46

 oecdforum@oecd.org

