

# Panel to study social aspects of globalisation

By Our Special Correspondent

**NEW DELHI, DEC. 25.** The International Labour Organisation has set up a World Commission on the Social Dimension of Globalisation comprising 26 eminent persons from various countries.

The commission will identify policies linked to globalisation that reduce poverty, foster growth and development in open economies and promote decent work. Deepak Nayyar, Vice-Chancellor, University of Delhi, is the Indian representative on the commission.

Expected to submit its report next year, the commission would also pinpoint ways of making globalisation more inclusive so that the process could be viewed as fair to all, both within and among countries. It would also promote a more fo-

cusSED international dialogue on the social dimension of globalisation to help the international community forge greater policy coherence so that both economic and social goals could be attained globally.

According to the ILO, during the past decade there had been much discussion and controversy over the impact of global economic integration. While increased trade and foreign direct investment had brought benefits, these were unevenly spread, with some countries and segments of the population clearly left out.

Besides, less developed countries had little part in the technological revolution, particularly the Internet, and this had aggravated the feeling of a growing gap between the richest and the poorest parts of the world.

Moreover, 1.2 billion people remained mired in poverty, living on under \$ 1 a day, while others, both in the developing and developed world, struggling to cope with the changes brought about by globalisation.

To ensure that the commission's work is as open and as inclusive as possible, a series of consultations have been planned with important actors in the globalisation process. Some of the dialogues would be taking place during meetings of the commission, while others would be held at regional or national levels.

The commission has decided to hold the dialogues in Bangladesh, Barbados, Brazil, Chile, Costa Rica, Egypt, Finland, France, Germany, India, Mexico, Peru, the Philippines, Russia, Senegal, South Africa, Tanzania and the United States.

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THE HINDU

## UNCERTAINTY IN GLOBAL ECONOMY

A YEAR AFTER the 2001 recession was supposed to have ended, the outlook for the global economy remains gloomy, with a risk of the current hesitant recovery being stopped in its tracks. This is the message from the 2003 edition of Global Economic Prospects, the annual World Bank report which assesses the short and medium-term outlook for the world economy and its constituents. The main uncertainty is about investment, with companies in developed and developing countries less than certain about business prospects in the domestic and international economies.

The global economy is now projected to grow by just 2.5 per cent in 2003, considerably slower than the 3.6 per cent rate of growth that had been forecast earlier. This will also be a deceleration compared to the pace of growth in 2002 and will affect both the developed and developing economies. A measure of acceleration is forecast for 2004, but considering that frequent revisions are made of the forecasts of medium-term growth this recovery is too far in the future to be taken with any certainty. The key to a sustained recovery lies in reviving investment. This is taking longer to recover after the technology boom went bust in 2000. In the advanced economies the wave of corporate scandals and the subsequent financial uncertainty has kept fixed investment low. In a globalised world, the effects of this dampening of investment have been transmitted to a number of developing economies. The World Bank report estimates that net capital flows to the developing countries have declined globally from \$228 billion in 2000 to \$140 billion in 2002. Net foreign direct investment flows in the world have also been declining steadily in recent years and now stand at just \$145 billion, with the World Bank describing the fall in developing countries as the most marked since the 1980s. Not all countries have been experiencing the same pace of falling foreign investment inflows. Asia (especially east and south east Asia)

is an exception. But the overall scenario is clear. In an uncertain environment, private investment declines and accompanying this fall is a decline in foreign capital flows. The fall in investment activity has affected the infrastructure sector in particular, where a combination of factors (a higher risk premium on developing country investments and the failure to honour some existing contracts) has reduced fresh foreign outlays in the developing countries. In this context, the World Bank study surprisingly calls for a measure of revival of public investment in infrastructure to fill the gap created by the withdrawal of foreign investment. The World Bank is, however, optimistic that in the medium-term growth can be accelerated in the developing countries provided two important changes are effected. One is introducing greater competition in the domestic economies; the other is for the world trading system to be more open to developing country exports of agricultural and manufactured products. The first is an unexceptional observation; the second is more wishful thinking going by the current state of negotiations in the World Trade Organisation.

The South Asian economies have not escaped the global downturn, though the effects here have been milder. The World Bank sees 2002 ending with GDP growth of 4.6 per cent in the region, compared to a 5.3 per cent growth forecast a year ago. A recovery is expected in 2003, but the expectations are modest with growth accelerating to 5.4 per cent next year. But even this recovery depends on four factors: improved weather conditions, political stability, better external security and larger trade volumes. It is somewhat unusual for the World Bank to make such a clear reference to conflicts affecting the prospects for more rapid economic growth. But it is obvious that strains between and within the economies of South Asia have been holding back GDP growth and will continue to do so until the security scenario shows an improvement.

# G-20 resolves to remove trade barriers

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PRESS TRUST OF INDIA 29/11

NEW DELHI, Nov. 23. — In a 9-point charter, G-20 finance ministers and central bank governors today committed to early removal of trade barriers and phase-out of trade distorting subsidies besides pledging to take more measures to eliminate terror funding.

Concerned over the fact that globalisation has not yet delivered its potential in reducing poverty, finance minister, Mr Jaswant Singh said the members unanimously agreed at the end of the G-20 meeting to phase out trade barriers and trade distorting subsidies for spreading the benefits of globalisation.

"Reduction of the remaining trade and related barriers and phasing out of trade-distorting subsidies would contribute to spreading further the benefits of globalisation including the poorest developing countries," Mr Singh said quoting the Delhi Communiqué adopted through consensus at the conclusion of two-day G-20 meeting.

Apart from India, the meeting was attended among others by the United States, Japan, UK, France, Germany, Canada, Brazil and Malaysia.

The meeting also decided to host the next meeting of the Group of 20 developed and emerging economies

## RBI CLAIM

**NEW DELHI, Nov. 23. — India has strong fundamentals such as low inflation, good growth and low current account deficit so as to prevent any financial crisis, RBI governor, Dr Bimal Jalan said here today. — PTI**

in Mexico in 2003, Mr Singh said.

The meeting which reviewed the progress in implementing the action plan to combat terror funding including freezing of terrorists' assets and exchange of information, agreed to continue efforts to eliminate other

abuses of the financial system, particularly, money laundering.

"We pledge to carry forward our work in this regard through support of the activities of the international financial institutions and other relevant international fora, and through appropriate domestic actions", Mr Singh said emphasising that the progress on these matters will be reviewed at the next meeting in Mexico.

On maximising the benefits of globalisation, the communiqué said the experience of G-20 case studies, to be published shortly, showed that strong institutions, a climate that fosters savings and investments, transparency and the rule of law coupled with increased investments in infrastructure and human capital in developing countries were essential ingredients for promoting growth and reducing poverty.

Earlier, the Russian finance minister, Mr Alekei Kudrin, in his address at the G-20 meet, stressed the need for strict action to stop terrorist groups.

# G-20 resolves to choke terrorist funding

By Our Special Correspondent

**NEW DELHI, NOV. 23.** The Group of 20 (G-20) countries comprising the developed and the important emerging market economies have reiterated their commitment to combat the financing of terrorism and have noted the trend that terrorist organisations are not necessarily depending on money transfers to finance their actions. Instead, there is an increasing tendency to finance terrorism through movement of goods, mainly gold and diamond.

Addressing the media at the conclusion of the fourth Ministerial Conference of G-20 Finance Ministers and Central Bankers here today, the Union Finance Minister, Jaswant Singh, also said that there could not be an universal mechanism for combating financing of terrorism and that each nation would have to fight it the best way it could. The meeting reviewed the progress made in implementing the action plan drawn up at earlier meetings in this regard but took note of the differing perceptions among nations on some issues.

For instance, hawala was an illegal operation in India, but all hawala transactions the world over were not necessarily for funding terrorism.

The Reserve Bank Governor,



**The Finance Minister, Jaswant Singh, along with Francois Loos, Minister of Trade and Commerce for France, Paul Soateng, Chief Secretary of the Treasury, U.K., and Paul H. O'Neill, Secretary of Treasury, U.S., during a G-20 meeting in New Delhi on Saturday. — Photo: Anu Pushkarna**

Bimal Jalan, is understood to have accepted the fact that some part of hawala did represent a cheaper form of money transfer. Hence the emphasis now would be on making such transfers cheaper and easier through banking and non-

banking channels which were universally recognised. Money transfer through such institutions would have records pertaining to the recipient and the sender of money.

On globalisation, where perceptions differed, it was noted

that the benefits could be maximised and associated risks mitigated through the pursuit of appropriate domestic policies and a healthy external environment. The international financial institutions would have to play a role in this.

At the same time, the conference acknowledged that the process of globalisation had not yet delivered its potential in reducing poverty in some of the world's poorest countries. It was, therefore, felt that reduction of the remaining trade and related barriers and phasing out of trade-distorting subsidies would contribute to spreading further the benefits of globalisation.

Asked whether the developed countries would abide by this and by when, Mr. Singh said "we have a statement of intent and a commitment towards elimination of trade barriers and this cannot be without a time-frame."

The conference also appreciated the recent higher commitments by some countries to enhance Official Development Assistance (ODA) and to implement and fully finance the enhanced Highly Indebted Poor Countries (HIPC) initiative.

At the end of the conference, it was decided that Mexico would handle the chairmanship of the G-20 in 2003.

24 NOV 2002

THE HINDU

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# Seoul meet stress on rights law

By Our Diplomatic Correspondent

NEW DELHI, NOV. 12. At a time when there is considerable concern about the "war against terrorism" impacting on civil liberties in different parts of the world, the 100-nation plus "Community of Democracies" meeting in Seoul has stressed the importance of international human rights law.

A statement on terrorism, issued by the November 10-12 "Community of Democracies", said: "The participants stress that any laws or measures against terrorism should comply with States' existing obligations under international human rights law, as well as international humanitarian and refugee law applicable in specific situations."

Though international human rights law and the obligations of individual nations vary, the fact that India is party to the statement may well be posited against the passage of the Prevention of Terrorism Act (POTA).

"The participants underscore that terrorism cannot be justified by any cause or under any circumstances and note that the fight against terrorism requires a comprehensive set of actions, including addressing conditions that may offer a breeding ground for terrorism," the statement said.

"The promotion of respect for human rights and fundamental freedoms, mutual understanding, respect for cultural diversity, public civil education as well as collaborative efforts to alleviate poverty and empower socially-marginalised people could help contain terrorism and promote a more peaceful and prosperous international community," it said.

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Stressing the need for cooperation "between and among States" in the fight against terrorism, the statement reflected an Indian concern as well: "They (the participants) reiterate their resolve...to strengthen cooperation to face trans-national challenges to democracy, such as State-sponsored, cross-border and other forms of terrorism."

"They, therefore, welcome increased cooperation at the regional as well as the global levels. They renew their commitment to these concerted efforts to combat terrorism. In particular, they reiterate the need to enforce the provisions of all the relevant United Nations Security Council resolutions, including UNSCR 1373," the statement added.

## Role of media

In a related development, the External Affairs Minister, Yashwant Sinha, who led the Indian delegation to the Seoul meeting, wondered whether news sources dominated by powerful conglomerates located only in some parts of the world would do justice to the developing world.

Mr. Sinha, who chaired a roundtable on "Media and Democracy", said there was consensus that control or censorship by the State was a bad idea.

"Any interference by the executive will amount to jeopardising the freedom of the media; further historical experience has shown that it is bound to fail," he said, presenting a summary of discussions at the roundtable.

"A free media cannot survive in non-democratic societies. At the same time, a

free media promotes and nurtures the democratic process. The media functions as a watchdog, as a check on the executive and even, it was said, as political opposition," Mr. Sinha maintained.

"We also agreed that with freedom comes the concept of responsibility or accountability to society. The media freedom, or...the right of expression, can clash with other freedoms and rights....points were also made about vested interests, political or commercial, which can influence the media. It was noted that just because the media is free, one cannot assume that it is without bias.

"For journalists to be truly free, their levels of remuneration and their working conditions are also factors; they cannot be exploited and expect to remain professional. Points were made about the need for objectivity or accuracy in news, while recognising that opinions can be divergent," Mr. Sinha said.

Chile, the Czech Republic, India, Mali, Mexico, Poland, Portugal, the Republic of Korea, South Africa and the United States are among the leading lights of the "Community of Democracies", which first met in Warsaw two years ago.

## 'No decision on PM's China visit'

PTI reports:

A decision on the visit of the Prime Minister, Atal Behari Vajpayee, to China this year was yet to be taken, the External Affairs Minister, Yashwant Sinha, said here today. "Our relations with China is as cordial as ever."

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TELE HINDIA

# Pause before a war

Iraq's acceptance of UN Security Council resolution provides room for optimism

**I**RAQ'S acceptance of UN Security Council resolution 1441 two days before the deadline provides some basis for optimism of a war averted. The resolution stipulates stringent inspection by the UN and IAEA inspectors. But Iraq seems to have created a case for future policy choices by getting its national assembly to unanimously reject the proposal to accept the UN resolution. The official letter unambiguously states "Iraq neither had produced nor was in possession of any weapons of mass destruction, nuclear, chemical or biological, throughout the time of the inspectors' absence from Iraq". The Iraqi letter strongly reminds the UN Secretary General that it is willing to co-operate 'in spite' of the ongoing holy month of Ramadan. Washington would do well to note these, rather than dismiss them cynically.

The process of inspections would now proceed broadly in keeping with the UN Security Council resolution. Iraq has emphasised that agreements on the return of inspectors and the technical details and procedures had already been agreed upon between the UN and itself in September and October. The tussle itself now will revolve around the details of violations by Iraq. The resolution itself does not

define 'material breach' which could then be the basis of future action. Presumably, this would depend upon the evidence that might emerge, and how that is perceived by the major powers. Only time would remove such ambiguities. However, any evidence of breach could trigger a major confrontation, if not a war. No wonder Russia has already cautioned the US about working within the limits of the UN resolution.

The world should welcome the realism that finally seems to be emerging both in Baghdad and Washington. After months of internal tussles in the US administration, Secretary of State Colin Powell's approach seems to have won over the more aggressive policy advocated by the Rumsfeld-Cheney group. But more important is the success in restoring the dignity and authority of the UN which has been increasingly at risk of being undermined in recent years. President Bush's unilateralist strategy for the time being has given way to the more multilateral approach to keep international peace and security through the UN and its charter. The US and UK's convergence with the response of the UN Security Council constitutes a victory for international peace.

The report on world development focuses on broad strategies

# Poorly developed

S. VENKITARAMANAN

**T**he recent conference at Johannesburg on sustainable development revisited most of the issues, which had been addressed in Rio de Janeiro. A large number of participants, including heads of states and the secretary general of the United Nations, Kofi Annan, attended this conference. By all accounts, the enthusiasm of the participants was great, but governments did not deliver on promises.

In an attempt to focus the attention of the world on the issues of sustainable development, the World Bank issued a special report — World Development Report 2003. WDR 2003 maintains its tradition of excellence. However, by its own admission, the report does not attempt specific sectorwise solutions, but limits itself to broad strategies. It focuses mainly on the institutional aspects of the development process, pointing out that development of institutions is a key to the successful implementation.

WDR 2003 revisits some of the earlier controversies on the limits to growth. In particular, the Malthusian fears stressed in the Fifties and Sixties that the world will not be able to feed the rapidly growing population have turned out to be untrue, thanks mainly to the Green Revolution in agriculture. The predicted scenario of famine and starvation, especially in China and India, did not materialize.

In this context, there is hope that the genetically-modified crops can give us much higher increases in productivity of grains needed by the increased population in the coming years. Unfortunately, resistance to genetically-modified crops is still fomented by many environmental activists, who fear grave danger in such crops. It is not the people in the developed countries who need to further productivity that would come from genetically modified crops. It is precisely for poor countries, like those in famine-affected Africa, who need substantial additions to production, which the genetically modified crops can bring. This issue was not addressed frontally by the Johannesburg conference.

**T**he WDR 2003 recalls the prophecy of doom, earlier made by the Club of Rome, which had predicted that the increased demands of development would lead to the earth running out of its natural resources. So far, this prophecy has not been fulfilled. Technological changes have in-

creased the availability of resources to replace the existing ones, such as, for instance, fibre optics in place of copper. The report also highlights the success of the world in eliminating diseases, such as small pox and river blindness.

The development strategies have still to come face to face with the sharp growth in inequality in the world as a whole. While there has been a significant drop in the percentage of people living in extreme poverty — thanks to the growth of economies, like India and China — inequality between countries and inside countries has worsened. Further, hundreds of cities in developing nations have reached the limits of air pollution; struggles over water are becoming increasingly frequent. The WDR 2003 predicts that availability of water is likely to become one of the most pressing issues of the current century. One-third of the world's people live in countries that are already facing moderate to high water shortage. In the next 30 years, this proportion could rise to half.

**A**nother striking statistic disclosed by the WDR is that one billion people in low and middle income countries do not have access to safe water for drinking, personal hygiene and domestic use. In addition, land has been progressively degraded. Since the Fifties, nearly two billion hectares of land, representing 23 per cent of the cropland of the world has been degraded. These areas naturally yield much less than before the degradation. The WDR 2003 also highlights a sharp increase in deforestation. One-fifth of all tropical forests has been cleared since 1968 and most of these are in the developing world. There is also the worsening position of bio-diversity. These persistent gaps in sustainability of environment call for immediate action both on the part of national as well as global authorities. The report admits that market forces cannot answer all environmental problems. It will be necessary for the state to intervene and compensate for market imperfections.

While the WDR 2003 is strong on facts and analysis of causes, it is weak on specific remedies. It seems to focus mainly on the strength of institutions to undertake the task of development. While, no doubt, institutions are important, right policies are equally vital. But, given this caveat, it is important to note that the WDR is strongly in favour of a more democratic form of

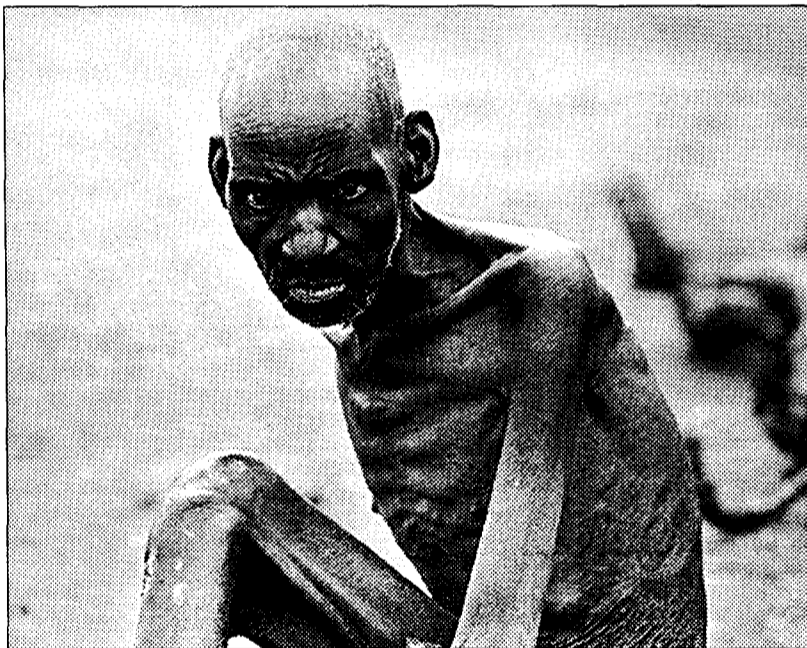
government, which will be "inclusive" to accommodate the currently-ignored sections of the society. This alone will help to achieve success in the strategy of development.

One important aspect of global development, to which the WDR draws attention, is the projected growth of global income at 3 per cent per annum over the next 15 years, which implies a fourfold rise in global output. Such a large increase in output would inevitably place a strain on environmental and social fabrics. This would highlight the need to shift patterns of production and consumption, both for de-

veloping and developed countries. Particularly it is important to ensure that new investments for increased production should, as far as possible, use environmentally responsible technologies.

The WDR also draws attention to the fact that the demographic transition in the developing world is likely to prove more friendly to environmental concerns. First, there has been a welcome deceleration in the overall rate of growth of population. Indeed, the global population is expected to stabilize at the end of the 21st century at 9 to 10 billion people — about 30 per cent lower than the earlier forecast. The nature of demographic transition has also led to a lower dependency ratio. That is, the proportion of working population in relation to that of children and elderly is rising. While, no doubt, this could increase the demand for school places

and jobs, it also opens out a possible opportunity for higher savings and therefore higher investment. The WDR 2003 is not definitive in its recommendations on what strategies the world should adopt for overcoming the threats to sustainable development. While it emphasizes the need for institutional development, it has not concentrated on the provision of infrastructure, particularly in respect of energy, which is the bottleneck for most poor countries. In this respect, the attitude of environmentalists to possible alternative options to fossil waste energy continues to be intriguing.



**It is precisely the poor countries, like those in famine-affected Africa, which need substantial additions to production**

ing. Environmentalists of the world are united in opposing larger dams, hydro-electric projects and nuclear power, all of which can be the best options for energy-starved countries in search of alternatives to fossil fuels. The developed countries, with their linkages to local non-governmental organizations, do their best to stop development of hydel options, even when displaced people are offered suitable

rehabilitation measures. The investment by China in the mega project of Three Gorges invited protests by NGOs around the world. Environmentalists protested against large displacement of population and submersion of large tracts of land. Fortunately, the Chinese authorities stood their ground and went ahead with the project, which contributes to substantially lessen China's dependence on fossil fuel. It will also lead to a reduction of the threat of floods.

**W**hat is "sustainable development"? Following the 1987 Brundtland commission, WDR 2003 defines it as "progress that meets the needs of the present without compromising the ability of future generations to meet their own needs". It is on this dilemma that the debate on sustainable development rests. In this context, options, such as hydro-electric projects and nuclear power, which can be made environment-friendly, should not be abjured if the threat of emissions from fossil fuel-based power is to be met. Unfortunately, well-endowed NGOs supported by funds abroad oppose projects of this nature in poor countries, although their need is great. Neither the Rio de Janeiro conference nor the Johannesburg conference focussed adequately on these issues of alternatives.

Some critics have pointed out that these conferences are a waste of time because they are in effect a rehash of older gatherings. But, I suppose the nature of the subject "sustainable development" is such that no definitive solution, which will be acceptable to all, is easily attainable. The effort of finding a solution is necessarily hard and will take long. The conference, such as the one at Johannesburg, is an essential stepping stone to the final solution. But, the organizers of the conference should not forget the basic truth which Indira Gandhi emphasized in her statement at the Stockholm conference in the Sixties. She had then said that "while the poverty of environment has to be addressed, the world should not forget that it is more important to tackle the environment of poverty", a sensible warning to single-minded enthusiasts for environmental sustainability.

**I**t must, however, be granted the WDR 2003 attaches due importance to the issue of poverty alleviation and the strategic importance of global cooperation for the task. Hopefully, the warriors against environmental degradation will now turn their attention to the fight against poverty on the broad basis of strategies, including those that the WDR 2003 emphasizes.

The author is former governor, Reserve Bank of India

# Developed states must reform economies: G-24

SC-13 PRESS TRUST OF INDIA 23/9

WASHINGTON, Sept. 28. — In a dramatic role reversal, developing countries have urged the developed countries to abandon protectionism and open up their markets to boost their exports.

In wake of several large-scale corporate scandals in the USA, developing countries, through the G-24, yesterday urged the developed nations to abandon subsidies and carry out structural and companies reforms.

The G-24 advice, under the chairmanship of Mr Mallam Adamu Ciroma, will form the backdrop of the Development and International Monetary and Financial Committee meetings today, and the annual meeting of the IMF and World Bank on Sunday.

G-24 is a group representing developing country members of the International Monetary Fund and the World Bank.

The ministers called for "growth-oriented structural reforms" in the Euro area, and encouraged a more flexible interpretation of the fiscal constraints of the Stability and Growth Pact.

Undue concern with inflation, the G-24 said, should not be allowed to derail the nascent recovery in the euro area.

In Japan, the G-24 urged that monetary policy should be supportive of recovery, and "structural reforms should be accelerated, especially in the banking sector."

The current outlook for the world economy has deteriorated since the last G-24 meet in April 2002, the Group said in a communique, adding, "the risks to the strength and sustainability of the global

recovery has "shifted predominantly to the downside."

The G-24 is concerned at the sluggishness of domestic demand in major industrial countries, the persistence of deflationary pressures in Japan, and the potential for their spreading to other countries, it said.

While developing countries have made significant progress in reforming their economies and adopting sound and growth-oriented policies, in the developed world, there was a general decline in equity prices, with severe effects on investor confidence, amid concerns about corporate governance problems, the G-24 communique observed.

This could have far-reaching implications on the prospects for global growth.

The G-24 ministers called for "prompt and decisive actions in the USA, including through the effective implementation and enforcement of corporate governance legislation, to restore investor confidence."

They also called for further easing of monetary conditions "if the fragile recovery does not gain momentum."

The ministers drew attention to the risks posed by the volatility of capital flows and the exchange rates of major international currencies

The communique also said that the ministers welcome the completion of negotiations for International Development Association to provide concessional multilateral external financing to low income countries and the compromise reached on a grant component for certain purposes.

29 SEP 2002

THE STATESMAN



# On the brink of global deflation

By C. Rammanohar Reddy

14-10 26/9

ON THE eve of an immoral U.S. attack on Iraq, there should be some concern about where the world economy is heading. There are economists and policy-makers who even argue that a war may indeed be good for the U.S. economy and therefore for the world economy as well. But these are fringe elements whose advice, if acted upon, will end in disaster. But that apart, war or no war, economic conditions in few parts of the world are anything to feel optimistic about. It is strange then that a mood of indifference has settled in among the global economic decision-makers on the eve of the annual meetings of the International Monetary Fund and the World Bank.

Economic growth in the U.S. continues to sputter at an annual rate of under two per cent. Long after the twin effects of the bursting of the technology boom and the loss of confidence in the aftermath of the terrorist attacks of 2001 have worn off, the U.S. economy has not fully recovered. The recession of 2001 was not as deep as initially feared, but the recovery too has not been vibrant. The slack in the U.S. performance is not being made up by either the European Union or Japan, where growth is slower or in some countries on the verge of turning negative. In parts of the developing world there is a deep crisis, notably in South America where Argentina's GDP is now nearly a fifth smaller than two years ago and Brazil where international capital is bent on showing its disappointment with the electoral choices that the country's citizens want to make. Among the other larger developing economies, it is now accepted that India will see growth slipping perhaps below five per cent in the financial year 2002-03. A slowdown in agriculture is the ostensible reason; but the incipient industrial recovery had begun to stall even before the monsoon began to play truant. The only bright spot in the world economy seems to be in South East Asia and China where growth will be strong in 2002. Yet, since these econ-

*The least that can be expected is that during the IMF-World Bank meetings in Washington this weekend, the Finance Ministers of the world will look closely at the looming danger of deflation.*

omies have tied themselves so closely to the global market, the less than anticipated renewal in world trade that is now taking place means that the current economic momentum is unlikely to last too long.

In spite of all these developments and trends, the IMF is strangely not very worried about the short and medium-term prospects of the global economy. In its biannual World Economic Outlook, presented earlier this week, the IMF appears to compliment itself for the accuracy of its April forecast for global economic growth in 2002 — 2.8 per cent. Realising that the ongoing economic recovery is not as strong as earlier expected, the IMF has no doubt lowered by a small proportion its prediction for growth in 2003. But the accuracy or otherwise of the estimates of the rates of growth is not the real issue. The more important question is whether or not the IMF sees that there are deep-rooted problems in the world economy, which have not been settled by the pricking of the technology balloon in 2000.

Unfortunately, the IMF does not seem to acknowledge the seriousness of the situation. It does, of course, observe that the risks are greater on the "downside" — that is, it is more likely that global economic growth will be slower (rather than faster) than expected. A handful of such risks have been identified. The first is a volatility/possible increase in international petroleum prices following a "conflagration" in West Asia (i.e. a U.S. attack on Iraq). The WEO estimates that a \$15 "sustained" rise in global oil prices will shave off one percentage point from world economic growth. (This, however, does seem like a very mild impact for a 65-70 per cent rise in oil prices.) The

second risk comes from an excessive dependence on the U.S. to lead economic recovery. In addition, the U.S. runs the prospect of a sudden downward adjustment in the value of the dollar because of its continued large current account deficit in the balance of payments. The third risk comes from the volatility in the equity markets of the advanced economies. In an interesting analysis, the IMF points out that the decline in

## MACROSCOPE

equity prices has been in many cases larger in the past six months (March-September 2002) than in the previous two years beginning from the end of the technology mania in March 2000. Such precipitous declines (accompanied in the U.S. by a loss of confidence in businesses because of the string of corporate scandals) means higher borrowing costs for companies and an evaporation of the wealth effect that has driven the U.S. consumer boom all these years. The fourth risk is that the crisis in developing/middle-income countries (Argentina, Brazil and Turkey) will deepen and spread to other "emerging markets".

In spite of highlighting the dangers posed by all these factors, the WEO is confident in the prowess of the growth in productivity, that is supposed to have been ushered in by the IT revolution, to accelerate recovery. For some time now the sceptics of a global economic recovery have been pointing to another possibility — the likelihood of "a double-dip recession" in the U.S. which means that the recovery after the 2000-01 downturn will be short-lived and will soon be followed by another downturn. While that is a possibility, the more likely and more dangerous outcome at this stage looks likely to be deflation.

Deflation is the opposite of inflation: prices keep falling, as a result the economy begins to slow down.

For consumers who are used to rising prices, deflation may seem like a good thing. But that is not so. When prices steadily fall consumers feel they can gain by postponing their purchases and waiting for even lower prices. This can be a disaster in an economy which is growing slowly. Consumers' decisions to put off purchases affects producers who cut back on production, incomes then decline, prices fall further and the economy slows down even more. Deflation is something that Japan has been experiencing in recent years. Other countries too are facing a similar situation.

For that part of the developing world which is dependent on export of agricultural and metal commodities (which make up some of the world's poorest countries), falling commodity prices have been a fact of life from the early 1990s and even earlier. Commodity prices have recovered a bit during 2002. But deflation is now threatening to become more widespread in the advanced countries. Consumer prices in the U.S. and even the European Union are on an average rising at just a little over one per cent a year. Prices of many products, especially of assets, have actually been declining. Asset prices are falling because the advanced economies have not yet worked themselves out of the huge investment excesses of the late 1990s.

The IMF had earlier analysed the causes and consequences of deflation. But in the interests of expressing of what it describes as "cautious optimism" about the world economy, the multilateral institution is for some reason downplaying the importance of acting on "urgent pessimism", which must follow the acknowledgement of the threat of widespread deflation. The least that can be expected is that during the IMF-World Bank meetings in Washington this weekend, the Finance Ministers of the world will look closely at the looming danger of deflation.

7 SEP 2003

THE FINANCIAL

# Act of desperation

**W**e still wander in a daze. Democracies rarely stay up all night seeking reasons to go to war. Normally they do the opposite. They talk, negotiate, compromise, take refuge in the United Nations. They do not like fighting, unless driven by an overwhelming logic of events.

The British government's dossier on Iraq reads like a desperate quest for such a logic. Ministers cannot be quaking with fear at the prospect of an imminent assault from Saddam Hussein. A year ago they claimed that their bombing was "containing" him, stopping him from harming even his own people, let alone his neighbours or British interests.

Of course, he seeks nasty weapons. Paranoid dictators always do. But nothing in the dossier constitutes evidence of an early threat, let alone a *casus belli* between Britain and Iraq. What is going on?

I am no pacifist sap. I was convinced when past British governments told me of threats to the British state. One threat was from Soviet Russia, and came complete with target maps, lists of vulnerable cities and an armoury of all-too-effective weapons of mass destruction. Yet where were Tony Blair and Clare Short, Britain's Secretary of State for International Development, and others in the Labour Party? They wanted unilateral nuclear disarmament and claimed that the "threat" was dreamt up by warmongering Americans. They were wrong.

Unlike many in the Labour Party, I believed that the Falklands war had to be fought against a palpable assault on British sovereignty. I thought the Gulf War just in that the invasion of Kuwait could only be resisted by *main force*. I felt the same about domestic terrorism. Mr Blair, supported by Ms Short and others, believed in releasing Irish Republican Army terrorists from prison on the strength of vague promises of disarmament. This seemed naive and reckless appeasement, and so it has proved. People need no lessons from Mr Blair or Foreign Secretary Jack Straw in being "tough on terrorism, tough on the causes of terrorism". But Tuesday's dossier is not serious. Mr Blair told us yet again on Tuesday what a nasty person Mr Hussein is.

We know that. The task of leadership is not to write tabloid front pages but to judge how far a threat to the nation's interest is real and, if so, how the nation should respond proportionately. Neither Mr Blair nor President George Bush has yet explained what has suddenly led them to abandon containment of Iraq and to demand Mr Hussein's head on a plate.

Indeed, the first surprise for those who thought the West's policy on Iraq has been crass and counterproductive is to find that Mr Blair agrees. Despite what we were told at the time, the 1998 bombing of Baghdad was ineffective. It did not remove weapons of mass

Nothing in the dossier constitutes evidence of an early threat, let alone a *casus belli* between Britain and Iraq. What is going on, asks SIMON JENKINS. The possession of evil weapons is no legal basis for aggressive war



British Foreign Secretary Jack Straw listens as British Prime Minister Tony Blair addresses the House of Commons during a debate on Iraq on Tuesday. Earlier, the government had published a dossier of evidence on Saddam Hussein's weapons of mass destruction programme. - AFP

destruction. Sanctions did not stop Saddam Hussein from rebuilding his arsenals. They did eliminate the entire Iraqi business and professional class as possible opposition to Mr Hussein and make him so rich that he could buy any weapons he wanted. Every bomb that landed cemented him in power. Containment was such a failure, says Mr Blair now, that Britain must go to war to rectify it.

The dossier's attempt to present Mr Hussein as an incipient nuclear power is worse than half-hearted. He has no factory to treat enriched uranium even if he found it "somewhere in Africa". Had he such a factory, it could be bombed. His biological weapons are hard to deliver, least of all with his aging Scuds. They were not used even in the Gulf War.

Mr Hussein has had these weapons for 20 years. So have many highly unstable Central Asian states. Nor does the dossier explain why these weapons could not be eliminated "surgically", as their predecessors were by the Israelis in 1981 and allegedly by American missiles ever since. Mr Hussein displays no expansionist intent. Containment has at least held him within his borders for a decade. He is not known to be arming a terrorist group. There are no urgent pleas for Western help from his neighbours. He has made no ultimatum against them or against the West that would justify a pre-emptive attack. The possession of evil weapons is itself no legal basis for aggressive war. The whole scenario is bizarre.

Mr Hussein is certainly a league leader among dictators. We are not dealing with a jumped-up Taliban or a

mad ayatollah. The Iraqi leader's 20-year rule has been tenacious, merciless and brutal even by Middle East standards, long before the West gave him the excuse of economic sanctions as an engine of repression. Yet he was considered an ally of the West and was supplied with Western arms.

A strong ruler in Baghdad was seen as useful by Western pragmatists. To the hard men of Washington and London, high-flown phrases about democracy, humanity, disarmament and civilised values were for wimps. They liked the cut of Mr Hussein's jib when it suited them.

Now he is beyond mere damnation. He is the object of a Third Crusade in the holy war on terror. After Kosovo and Afghanistan, the suspicion is hard to avoid that the West's warrior statesmen are seeking new citadels to conquer. Whether or not Mr Hussein is a menace to world peace, menace he must become.

Hence Tuesday's lurid report. As Randolph Hearst cried of the prelude to a different encounter: "You furnish the pictures, I'll furnish the war." Until this month, there seemed little doubt that Mr Bush, with Mr Blair in tow, would have gone directly to armed conflict as soon as troops were in place. Both were abruptly constrained by democracy.

A battery of international lawyers declared such aggression illegal and a wide "coalition of the cautious" emerged, not least from congressional leaders and members of Mr Bush's family court. They demanded that any such adventure must first win the support of the UN and allies. Mr Bush was right to go to the UN this month.

It was a UN resolution that Mr Hussein has flouted since 1991. America now accepts that the UN should lead the next response to that flouting. Nuclear proliferation was always the unfinished business of the Cold War.

The UN had a primary role in curtailing that proliferation. The world has a collective interest in seeing the UN's will obeyed. Seeking that obedience is already proving messy. On Tuesday, Britain's Ambassador to the UN claimed that America had dropped "regime change" as a demand, since the UN cannot enforce it and Mr Hussein can hardly accept it.

The USA has since denied this. In the mean time, the French on the UN Security Council are redrafting both the American and British requests, to avoid building in an inevitable path to war. Washington's fear that the UN route would prove a morass of delay is coming true. Yet this venture is too tenuous for any other route to be plausible.

For the moment, it might seem that America's hands are tied. Yet on the assumption that weapons inspection proves as unsatisfactory as it did before, then war is back in play. On that assumption, America would be vastly reinforced in its view that Mr Hussein is a *prima facie* threat. Reinforced too would be the demand that he and his arsenals be neutralised and the UN's will enforced.

There is little doubt that a renewed failure of arms inspection would secure a UN Security Council mandate authorising military enforcement of Iraqi disarmament. Whatever strong-arm tactics America and Britain might deploy to win that mandate, mandate it would be. America would have done as it was bidden.

Opposing American action to enforce the mandate would mean opposing the enforcement of the will of the UN. That in turn would be an intolerable boost not just to Mr Hussein but to global lawlessness.

At this point, UN supporters would have little option. However thin the evidence of an Iraqi nuclear arsenal, however minimal the overt threat to peace, "appropriate force" to punish a decade-long and blatant defiance of the UN would be hard to question. The content and security of Third World arsenals is a reasonable concern to Western democracies.

The UN might seem humiliated into a forced acquiescence of American aggression against Iraq. That would be better than the UN being humiliated by Mr Hussein.

That route, and that route alone, would justify Britain joining a war against Iraq. The route is long and tortuous. It might take months, even years. But the British government on Tuesday failed to make a case for any short cut.

- The Times, London.

# US warplanes damage Basra airport radar

HASSAN HAFIDH

Baghdad, Sept. 26 (Reuters): Iraq said today US warplanes had raided Basra civilian airport and damaged its radar system, in the latest attack by Western jets enforcing no-fly zones over Iraq.

The US confirmed it has attacked the airport, saying it had targeted a military radar there.

Iraq's state-run satellite television quoted a government spokesman as saying the attack on the airport in Basra, 480 km southeast of Baghdad, took place last night.

The airport occupies a large area in the strategic Basra province, home to Iraq's main port at the head of the Gulf and major oil installations.

"The raids destroyed the main radar system in the airport

as well as damaging the main service building at the airport," the television said.

In Washington, a Pentagon spokesman said early damage assessments of the Basra attack showed the US jets had destroyed the military radar that was the target of the raid.

"The Basra strike did take place at a civilian airfield but it was directed at a military radar located on the civilian airfield," Lt. Colonel Dave Lapan said. "The strike was directed at the radar which has threatened coalition aircraft."

He said US aircraft also struck a target near al Kufa, located about 130 km south of Baghdad.

US aircraft, along with British jets, police two no-fly zones in northern and southern Iraq set up after the 1991 Gulf War.

The zones, which Baghdad does not recognise, were imposed to protect a Kurdish enclave in the north and Shiite Muslims in the south from possible attacks by the Iraqi government.

The Iraqi News Agency reported President Saddam Hussein chaired a meeting of top Iraqi officials hours after yesterday's attack.

INA said they discussed "the current political situation", but gave no further details. It said vice-chairman of the Revolutionary Command Council Izzat Ibrahim, vice-president Taha Yassin Ramadan, deputy Prime Minister Tareq Aziz and the oil minister Amir Muhammad Rasheed attended the meeting.

Exchanges have increased sharply in recent months as speculation has grown of a possible US attack

against Baghdad to remove President Saddam Hussein from power. Washington accuses Saddam of developing weapons of mass destruction, a charge Iraq has repeatedly denied.

It was the second attack on Basra airport's radar system. US F-16 warplanes destroyed the system last August.

US defence officials said at the time the warplanes attacked a military radar as part of a concerted strategy to destroy Iraq's air defences, which regularly fire at Western warplanes.

Baghdad said yesterday US and British jets attacked civilian targets in the south of the country the day before and one civilian was wounded.

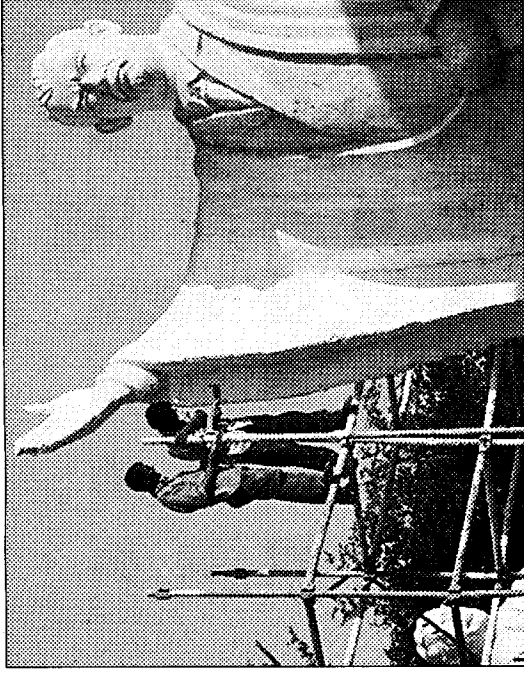
Iraq, keen to avert war in neighbouring Iraq, said today it was to hold talks with foreign ministers from both Baghdad and its old enemy Baghdad and

Washington's closest ally Britain. Iran fought a bitter eight-year war with Iraq in the 1980s and is no friend of President Saddam Hussein, but it fears an attack on Baghdad by its arch-foe the US could dangerously destabilise West Asia.

Iraqi foreign minister Najji Sabri is due in Iran on Sunday in a visit seen as a bid to muster Iranian support against possible US strikes on Baghdad.

"Different foreign groups will visit Iran in the coming days, of which Sabri's visit on Sunday is one of them," foreign Ministry spokesman Hamid Reza Asefi said today.

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Two workers put the last touches on an eight-metre statue of President Saddam Hussein at the Fine Arts Academy in Baghdad. The inauguration of the statue is scheduled along with the October 15 presidential referendum. (AFP)

## Rapprochement with N. Korea favoured

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EL SINORE (DENMARK), SEPT. 23. European and Asian leaders threw their weight behind efforts by Japan and South Korea to lure communist North Korea out of its decades-old isolation.

The Japanese Prime Minister, Junichiro Koizumi, briefed 24 other leaders gathered in Denmark for a Europe-Asia summit on his historic trip last Tuesday to the reclusive state, branded by the United States as part of a global "axis of evil".

The South Korean President, Kim Dae-jung, also outlined the rapidly evolving situation on his divided peninsula, days after the two Koreas began work to clear mines and reopen road and rail links across their border.

"Both (men) gave a very en-

couraging picture of the development on the Korean peninsula," the summit host and Danish Prime Minister, Anders Fogh Rasmussen, told reporters yesterday after a leaders' dinner at a castle near Copenhagen.

At the two-day European Union-Asia (ASEM) summit which officially starts later on Monday, the leaders are expected to adopt a statement welcoming progress so far and urging Washington to resume its own dialogue with Pyongyang after a two-year freeze.

"The leaders will reconfirm the importance of engaging (North Korea) in the international community through constructive dialogue," said one source close to the ASEM talks.

— Reuters

24 SEP 2003

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# The world order — I

By Mushirul Hasan

**T**HIS IS an appropriate moment to take stock of the enormous changes that have taken place since the United Nations came into being. It is not at all an unhealthy sign to look at its achievements, whether to iron out certain mental doubts or to gather momentum for further strides. Thinking along these lines has taken place recently, both on the national and international planes, as to the possible U.N. contribution to the modern world generally and the cause of peace in particular. Certainly, in the developing world that feels politically and economically vulnerable after the Soviet Union's collapse, the U.N. is the sole guarantor of peace. This is what its peacekeeping missions have done for many years. Besides bringing poise and dignity to his office, the Secretary-General has averted many a crisis, many a threat to world peace. The most recent of his many accomplishments is to soothe inflamed passions over the United States-Iraq imbroglio. If Kofi Anan can also pull off an Israel-Palestinian accord, he will be raised to a pinnacle of fame surpassing anything achieved by other statesmen of the past and the present.

Yet, the task ahead is a tortuous one. In the 18th century, neither Islam nor Christendom were prepared to adapt their religious principles to forge an understanding based on equality and reciprocity. Today, the same degree of mistrust and, perhaps, the lack of respect, are in evidence in some parts of the world. At this critical juncture, the U.N. is ideally placed to promote an enduring rapprochement between nations and communities for peace and security. It must also make it clear to all nations that the hope of world dominion — economic, military or ideological — which has hovered before many in the past, will perpetuate hostilities and ultimately lead to disaster.

Long years ago, Cicero had written: "There is in fact a true law namely right reason, which is in accordance with nature, applies to all

men and is unchangeable and eternal... It will not lay down one rule at Rome and another at Athens, nor will it be one rule today and another tomorrow. But there will be one law eternal and unchangeable binding all times and upon all peoples."

This principle is enshrined in the U.N. Charter; indeed, the modern

ual liberty to a superior authority. Lamentably, the same idea is being played out in defining relationships between good and evil, the civilised and the savage. Rules for foreign relations are the rules of an imperial state which would recognise no equal status for the other party (or parties) with whom they happened

rorism, and prop up warlords to maintain the political equilibrium in Afghanistan.

World peace and stability are surely threatened by the reckless and ill-advised resurgence of terrorism, as by rich countries accumulating weapons of mass destruction without any accountability to the U.N. Nuclear weapons should be destroyed wherever they are stored: in the U.S., Russia and the United Kingdom, and Israel, and not just in India, Pakistan, North Korea and supposedly Iraq.

This will never happen. If so, the First World must also own responsibility for creating and enlarging the theatres of conflict and war.

The U.S., for example, must realise that there will be no peace without resolving the Palestinian question and without withdrawing sanctions against the Iraqis. The children of these countries have grown up thwarted and stunted and full of a deep-seated anger against the world, no doubt useful emotions for the Islamists, but not if they are to be citizens of a world where their legitimate grievances are redressed. Napoleon's 'Continental System' will not work in this day and age. Blockades and sanctions belong to another era, not to ours.

The states in Central Asia cannot be held hostage in the name of the war against terrorism. The preservation of freedom and democracy does not mean the destruction of historic cities, symbols of not just Islam but human civilisation, and the desecration of holy places in Herat, Najaf, Jerusalem and Karbala. The sufferings of Iraqis cannot be prolonged to ensure the free flow of oil from the oilfields.

How long and, for what purpose, is this belligerent posture towards Iraq going to persist? For over ten years the sun rose and set, the moon waxed and waned, the stars shone in the night, but the people of Iraq have seen no daylight out of the impenetrable darkness. If the past is any guide, the powerful nations must realise that people rise from the ashes to defy oppression and tyranny.

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***World peace and stability are surely threatened by the reckless and ill-advised resurgence of terrorism, as by rich countries accumulating weapons of mass destruction without any accountability to the U.N.***

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law of nations presupposes the existence of a family of nations composed of a community of states enjoying full sovereign rights and equality of status. If these ideas were to be accepted widely and translated into practice by the rich and the poor, the powerful and the weak, our world will be free of unilateralism, the scourge of terror, and the threat of war and destruction.

But the painful reality is that the stronger nations recognise no other nation other than their own since their ultimate goal is to subordinate the whole world to one system. In Washington, in particular, a new definition of national sovereignty is being put forward that implies the curbing of its full exercise by those countries who are unmindful of U.S. global claims. A place in paradise is reserved for those who conform to U.S. standards, but those who defy invite damnation. For the developing world that is being forced to surrender its economic sovereignty in this highly competitive and globalised world, the insistence on strict conformity is like the faithful enforcing the *sharia* codes on an unwilling population.

The English philosopher Hobbes based his social contract theory on the assumption of the evil nature of man that made it imperative that he should surrender part of his individ-

to fight or negotiate. It follows therefore that the binding force is not based on mutual consent or reciprocity, but on a powerful country's own interpretation of its political, economic and now moral and religious interests, as its leaders regard their principles of morality and religion as being superior to others.

The 'axis of evil' exists because of U.S. perceptions. A change of regime in Iraq is considered imminent because someone is militarily equipped to destroy weapons of mass destruction that the U.N. inspectors have failed to unearth over the last decade.

Yasser Arafat's removal is considered legitimate because he is an impediment to peace and not the Prime Minister of Israel, who has a murderous record in Lebanon's Sabra and Shatila refugee camps.

This being the case, the conduct of foreign relations tends to be Machiavellian and coercive. Just as the European representatives in Constantinople resorted to bribery and intrigue to achieve their ends, some of the democratically elected leaders in the First World are prone to acting with equal belligerence. When it suits them they set up the Kurds against their adversaries, invent an opposition in Iraq, reward a dictator in our neighbourhood for his good conduct in this war against ter-

# Humanity faces new challenges

By Surendra Mohan

**T**HE World Summit on Sustainable Development (WSSD) in Johannesburg was almost a repeat of the ministerial conference of the WTO at Doha last November. The developed countries, and the U.S. in particular, yielded little on the parameters suggested by the developing countries for safeguarding the physical environment. Some promises were made but grave apprehensions remain about their implementation. It is becoming obvious at every international conference, whether on the new economic order, climate change, ecology or bio-diversity, that the disparities between the developed and the developing world will grow further. Possibly, this process will accelerate since every new advance in technology is appropriated by the global capitalist order, with the resources and the institutional mechanism at its command.

For, capitalism has not only become global in its reach through the multinational corporations but also because of the new instrument of World Trade Organisation which is as dominated by it as the World Bank and the International Monetary Fund have been. It defines the rules for all countries to follow; yet in practice, the developed countries, and again the U.S. in particular, defy them with impunity. The primary motive, of course, is the acquisition of maximum profits. This motive leads them to dominate the economies of the third world countries, acquire control over their bio-genetic resources and use all the political and financial powers they have in the service of this objective. The old theory of free trade, laissez faire, in which everyone has equal opportunities in a hopelessly unequal world, becomes the ruling ideology.

Predictably, in the mid-1950s, the theoretical underpinnings of a fresh assault on the developing countries were provided by the idiom that technology had made ideology redundant. Old colonialism and imperialism were under hasty retreat, and the Soviet Union and China were proposing to the newly-freed countries an alternative paradigm of eco-

conomic development in which the state was to play a major role. The appeal of the new path had to be neutralised; hence, the ideology had to be ridiculed. Then, the communist order was made to face the challenge of deadlier inventions in armaments and join in the competition. Later, the new consumer wares came in vogue. They attracted a middle class in the east European countries which had triumphed, thanks to the socialist system, over insecurity and deprivation. As consumerism spread, the

displaces labour. The countries freed from decades or centuries of colonial exploitation had little capital. However, they had rich raw materials and abundant, unemployed workforce. They could have thought of marrying the two by adopting alternative, appropriate technologies. Moreover, the western model also requires that technologies are borrowed from the industrialised countries. These too were tied just as the loans were. Modern technologies require intensive inputs of energy. But, many of the Oil

plain that in respect of agriculture, they would not reduce their enormous subsidies. This position was taken despite the request, made jointly in a memorandum submitted by 70 poor countries to Mike Moore, Director General of the WTO, that during the preceding four years, their agriculture had suffered gravely. As for patents, the only concession was in terms of some life-saving and essential drugs. The joint memorandum had also referred to the plight of the industrial sector of these poor countries and the rapidly increasing unemployment. It received no consideration. In fact, Murasoli Maran, our Commerce Minister, who had mobilised the support of 55 countries, found in the end that he was alone. Poorer and smaller countries' leaders were coerced, bribed or won over by concessions.

On his return, Mr. Maran pleaded for the creation of a Development Coalition of the third world countries. However, with our protracted quarrel with Pakistan, misunderstanding with Bangladesh and rivalry with China, India obviously cannot take any initiative in this direction. In fact, this is yet another instrument of policy that the industrialised countries, those among them which export armaments in large numbers, the n-weapon States and the five permanent members of the Security Council possessing veto power, make use of. They interfere freely in clashes between two immediate neighbours or foment internal revolts by provoking tribal jealousies. Apart from the profits accruing from sales of sophisticated weapons, they are able to manipulate the politics of third world countries to guarantee that there can be no peace. Moreover, their traditional diplomatic skills as also their secret assist them in dominating a whole humanity and decide its future. All for a 'few pieces of silver', as a poet, in another context, said.

The world has become a global village and the U.S. is the boss. Unfortunately, its supreme leaders act as arbitrarily as any merciless, egocentric, unscrupulous headman would. The poor of the whole world have to grapple with this hugely tragic reality.

*It is becoming obvious at every international conference... that the disparities between the developed and the developing world will grow further.*

ideals of equality and austerity started to evaporate. Communist rulers also sought to meet these emergent challenges on the terms of the capitalist system. Even they were giving up ideology.

The developing countries, having achieved freedom and created their respective nation-states, adopted first a model of mixed economy and some of them built up strong and resilient public sectors. What was described as the non-capitalist path of development came to be practised. These countries expected that the developed nations, which made promises in the United Nations and the United Nations' Conference on Trade and Development to transfer knowledge of modern technology and provide 0.7 per cent of their Gross Domestic Product, would help them in their economic development. But, the latter were more keen on trade than aid. Therefore, these promises remained mere words, as the Malaysian Prime Minister, Mahatir Muhammad, once pointed out. Nevertheless, the allurements to pursue the economic model of the West won. The World Bank and the IMF greatly encouraged them in this by offering liberal loans and more liberal advice and consultancy along with the loans.

This model is capital-intensive and

Producing and Exporting Countries had already tied themselves with the developed west. Prime Minister Mossadeq of Iran tried to wriggle out and was assassinated. Iraq faces repeated bombardments. Central Asian Republics are pressured into making agreements with the U.S. Since Israel is a permanent custodian-cum-client state in the region, the Palestinians have to face an enormous and tragic war.

Another oil-rich country, Venezuela, went through a very recent experience when an elected President was overthrown through the machinations of certain foreign and indigenous vested interests, and returned to power on the strength of a rebellious people. While Black Gold, as oil has been described, is still the primary cause of monetary allurements or use of physical force which the developed countries are bringing to bear on such nations, issues relating to commercialisation of water are appearing on the international horizon to jeopardise the peace in the future. The same would be the case with the third world's wealth in flora and fauna. Nor are the developed countries prepared to limit their profits to ensure that the ozone layer is spared further erosion caused by the emission of harmful gases from their factories.

At Doha, the Big Seven made it



# GEO-POLITICAL INSTABILITY

## World Must Shift Confrontation To Cooperation

By GURMEET KANWAL

The 20th century was mired in conflict and was the bloodiest in history, but the period of the Cold War between Nato and the Warsaw Pact was one marked particularly by strife and chaos. Numerous wars and small conflicts the world over resulted in the loss of life and property on a very large scale. One or the other great power was invariably behind these conflicts, directly or indirectly. However, the threats were almost always predictable and a balance of power system, tentative and skewed as it was, ensured that the world was spared the spectre of another major world war.

### Foremost challenge

The peace dividend expected to accrue at the end of the Cold War failed to materialise. The unexpected and sudden break up of the Soviet Union created a power vacuum and further exacerbated the prevailing uncertainties. Long-suppressed ethno-nationalist aspirations for autonomy and self-governance came to the fore the world over. Fissiparous tendencies surfaced where the existence of fissures in society could never have even been imagined — for example in former Yugoslavia. Wars of interest were supplemented by wars of conscience as the international community, newly awakened to the horrors of the violation of human rights, moved to relieve the suffering of those who had been long oppressed and those who were being victimised for sectarian and ethnic differences. Movements for democracy came to the fore in many countries governed by dictatorial and authoritarian regimes.

The proliferation of the weapons of mass destruction has become a major concern in the emerging world order. Some analysts have classified terrorism as the foremost challenge confronting the world today. Other non-military threats to national security, such as the proliferation of small arms, low levels of food, energy and water security, mass migrations, information warfare, narcotics trafficking, ecological disasters and environmental concerns, have now begun to overtake military threats. In short, strategic uncertainties have become the order of the day. Planning for defence and national security in such a scenario is becoming increasingly more difficult and complex.

Defence planning is necessarily based on a nation's perceptions of the strategic capabilities and intentions of its adversaries. It is directly affected by the changes that may possibly come about as the adversaries develop new capabilities over many decades. Obviously, threat perceptions vary from country to country and even within countries. In an era of strategic uncertainty, it is more prudent to opt for capability-based force structures rather than

threat-based planning as it would then be easier to react to emerging threats.

At the same time, when capability based planning is discussed the, various types of emerging threats for which the capabilities are to be acquired, must be skilfully visualised through a process of systematic analysis. The capabilities to be created should be inherently flexible to react to changes, which will inevitably take place. Hence, under such circumstances, it is necessary to possess both a strong conventional capability at all times, backed by nuclear weapons where the security environment so demands, and a capability to react to emerging situations short of conventional conflict.

While the possibility of conven-



tional wars cannot be ruled out, the time has come to redefine the role of armed forces since non-military threats to security, including internal security threats, are gaining greater importance day by day. The ruling elites in some of the developing countries are of the view that it is necessary to give the armed forces a role in the governance of the country so as to help in the management of internal security and law and order.

### Checks and balances

If such a course of action appears unavoidable, due to the complexities of the internal security threats being faced by a particular state and its apparent inability to deal with the situation with the help of only the civilian police and paramilitary forces, very carefully thought out checks and balances will need to be built into the system to ensure that the fundamental rights of the people are not compromised by giving a role to the armed forces in governance.

Such a role for the armed forces is best avoided; instead, civilian security forces should be strengthened to deal with problems such as insurgencies and foreign sponsored large-scale terrorism. Pakistan is a case in point. The Pakistan army has had a de facto role in governance for almost half a century. General Musharraf is now trying to legitimise that role

into a de jure one.

Often, discussions on defence planning tend to focus too much on defence expenditure as a percentage of the GNP. While this may be a reasonably reliable comparative indicator, it is not a good yardstick of whether a country is spending an adequate amount for national security, or whether the expenditure is too much or even too little.

A nation must first analyse the threats to its security and then decide on the level of defence spending that it can afford to meet these threats. Depending upon its stage of development and its need for strengthening its socio-economic infrastructure, it may not be able to fully meet its defence expenditure requirements. Today, it is widely accepted

that there is a need for two kinds of forces; one, to meet external threats to national security and the second, to meet internal threats to security, including terrorism. However, what really matters is how much the budget can support the capabilities required for these two kinds of forces.

While discussing a framework for international security, the world needs to come to terms with the type of attacks that are being routinely launched by the US on Iraq and the present preparations for another assault on that country. These attacks are without the sanction of the UN Security Council and are taking place against a country that has not committed aggression after 1991.

The international system appears to have serious loopholes that allow the infringement of national sovereignty by two or more nuclear weapons states coming together. A similar thing could happen to other nations in future. The "might is right" school of thought cannot be allowed to gain prominence in international affairs.

Even in this mega-media age in the wired and networked world that knows no commercial and intellectual boundaries, national sovereignty must remain sacrosanct if international chaos is to be avoided. This is even more important in the era of strategic uncertainty. If the basic tenets of

international law are violated, this will in itself contribute further to instability in the world and create, still more uncertainties. It is axiomatic that when a nation is forced into a back-to-the-wall situation, it is likely to be forced to take precipitate action that may endanger life and property in large areas of the world.

The increasing promiscuity in the international marketing of arms and ammunition is also leading to the creation of instability in many regions of the world as it creates disparities and spurs an arms race.

### Vested interests

This is an important factor to be considered when taking up the issue of regional and international security and discussing ways and means to reduce threats to national sovereignty. The United Nations Arms Register has quite obviously not had the impact that it had been designed for. The vested commercial interests of powerful arms lobbies must not be allowed to annul years of diplomatic efforts to reduce tensions. Political considerations must not be allowed to override international security concerns; and militarised foreign policy should not dictate political discourse.

The factor of emerging developments in weapons technology will have a major bearing on international security in the coming decades. Also, the cost of military equipment is progressively rising and defence requirements have to compete with other pressing developmental needs.

Hence, to ensure security and stability, today all nations need to exhibit immense political will, ingenuity and imaginations while dealing with the various new factors and forces, which have come into play. While defence and national security can never be planned at the cost of development, it must be recognised that meaningful development cannot take place in an unstable security environment. In a situation of uncertainty and fear, industry can never hope to prosper and negative growth rates are likely to be achieved. It is a fundamental duty of the state to ensure the basic security of all its citizens and their enterprises.

There is a need for greater understanding and cooperation among members of the international community to shift from confrontation to cooperation and evolve a viable security framework for the 21st century. Concepts like containment and balance of power are relics of the Cold War and are neither feasible nor desirable any longer.

What the people of the world need on priority are enhanced impetus to human development and the safeguarding of values like human rights. This is possible only in an assured environment of durable peace. The great powers must take the lead in this noble venture.

*The author is a former Senior Fellow, Institute for Defence Studies and Analyses, New Delhi.*

Mr. Abbas  
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# Living in an unequal world

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**T**his report is about politics and human development. It is about how political power and institutions — formal and informal, national and international — shape human progress. And it is about what it will take for countries to establish democratic governance systems that advance the human development of all people — in a world where so many are left behind.

Politics matter for human development because people everywhere want to be free to determine their destinies, express their views and participate in the decisions that shape their lives. These capabilities are just as important for human development — for expanding people's choices — as being able to read or enjoy good health.

In the Eighties and Nineties the world made dramatic progress in opening up political systems and expanding political freedoms. Some 81 countries took significant steps towards democracy, and today 140 of the world's nearly 200 countries hold multi-party elections — more than ever before. But the euphoria of the Cold War's end has given way to the sombre realities of 21st century politics.

Developing countries pursued democratization in the face of massive poverty and pervasive social and economic tensions. Several that took steps towards democracy after 1980 have since returned to more authoritarian rule: either military, as in Pakistan since 1999, or pseudo-democratic, as in Zimbabwe in recent years. Many others have stalled between democracy and authoritarianism, with limited political freedoms and closed or dysfunctional politics. Others, including such failed states as Afghanistan and Somalia, have become breeding grounds for extremism and violent conflict.

Even where democratic institutions are firmly established, citizens often feel powerless to influence national policies. They and their gov-

## Extracts from the Human Development Report 2002, published by UNDP

ernments also feel more subject to international forces that they have little capacity to control. In 1999, Gallup International's millennium survey asked more than 50,000 people in 60 countries if their country was governed by the will of the people. Less than a third of the respondents said yes. And only 1 in 10 said that his government responded to the people's will.

Globalization is forging greater interdependence, yet the world seems more fragmented — between rich and



Forsaken by the state

poor, between the powerful and the powerless, and between those who welcome the new global economy and those who demand a different course. The September 11, 2001, terrorist attacks on the United States of America cast new light on these divisions, returning strategic military alliances to the centre of national policy-making and inspiring heated debates on the danger of compromising human rights for national security.

For politics and political institutions to promote human development and safeguard the freedom and dignity of all people, democracy must widen and deepen.

Economically, politically and technologically, the world has never seemed more free or more unjust

At the March 2002 United Nations Conference on Financing for Development in Monterrey, Mexico, world leaders and policy-makers assessed progress towards the development and poverty eradication goals set at the UN Millennium Summit in 2000. They also pledged an unprecedented global effort to achieve those goals by 2015.

Many developing countries are making progress on several fronts, particularly in achieving universal primary education and gender equality in access to education. But for much of the world the prospects are bleak. At current trends, 33 countries with more than a quarter of the world's people will achieve fewer than half the goals by 2015. If global progress continues at such a snail's pace, it will take more than 130 years to rid the world of hunger.

Two problems seem intractable. The first is income poverty. To halve the share of people living on \$1 a day, optimistic estimates suggest that 3.7 per cent annual growth in per capita incomes is needed in developing countries. But over the past 10 years only 24 countries have grown this fast. Among them are China and India, the most populous developing countries. But 127 countries, with 34 per cent of the world's people, have not grown at this rate. Indeed, many have suffered negative growth in recent years, and the share of their people in poverty has almost certainly increased.

The second major problem is child mortality. Although 85 countries are on track to reduce under-five mortality rates by two-thirds from 1990 levels or have already done so, they contain less than a quarter of the world's people. Meanwhile, 81 countries with more than 60 per cent of the world's people are not on track to achieve this goal by 2015.

TO BE CONCLUDED



# Globalisation is real agenda of earth summit

By Chandrika Mago  
TIMES NEWS NETWORK

**Johannesburg:** Ahead of the formal start of the World Summit on Sustainable Development (WSSD) here on Monday, delegates were already locked in negotiations to resolve issues which have defied solution so far.

The negotiations come amid fears of a fractured summit that may just see the divide between the developed and the developing worlds deepen and leave the poor exactly where they are—out in the cold.

US President George W. Bush's absence from the summit is "a bad sign", acknowledged Jan Pronk, special envoy of the UN secretary-general to the summit. But the US is "engaged", goes the official message, as 4,179 official delegates get down to the nitty-gritty of "cleaning up" documents for the 104 heads of state and government expected here this week.

The WSSD, which comes 10 years after the first Earth Summit sought to bridge the gap between economic development and environment protection, is focussed on an ambitious agenda of water, energy, health, agriculture and biodiversity, all aimed at improving lives at least cost to the environment.

The sticky point is not the fine intentions but the fundamentals of targets, time-tables, money and transfer of technology. Much of what was promised at the first summit in Rio de Janeiro has not come through, and new promises haven't been kept. Financial assistance from the developed countries has plunged.

But the "real fight" or "hidden agenda" behind the summit, is said to be globalisation, and the shape it has taken over the past 10 years, with organisations such as the World Trade

Organisation, the International Monetary Fund and the World Bank setting the agendas.

On Sunday, Greenpeace political director Remi Parmentier set the cat among the pigeons by making public an officially unacknowledged joint paper by the US and European Union on globalisation which, he said, leaves unaddressed key issues such as corporate accountability, limits to trade, subsidies, and the relationship between the WTO and multilateral environment agreements.

"Globalisation is at the heart of the Johannesburg summit," he said. "The real fight over

globalisation and governance will be coming up in the next few days."

The summit is also being seen as an acid test for multilateralism amid very real fears about the entire focus on, and push for, bilateral-

ism and agreements outside the formal process.

It was a danger that Mr Pronk acknowledged on Sunday. "What is at stake," he said, "is action to implement what ought to have been implemented. We cannot leave Johannesburg without firm commitments to implement."

The choice, as he and others see it, is between two paradigms of development—since 9/11, the security paradigm has been overwhelming, it is said.

At a news conference on Sunday, however, South African foreign minister Nkosazana Dlamini-Zuma and summit secretary-general Nitin Desai sounded an optimistic note, hinting that "good progress" is being made at resolving differences but refusing to delve into specifics.

But the call for "credible commitment to specific action" came also from Mr Desai.



- Bhopal activist's plans, Page 10
- See Edit: Fate of the Earth, Page 12

Was Gandhi the greatest anachronism of the 20th century? Inequalities continue as do wars, just the areas and manner of domination change

# WORLD ORDER

ARTHUR Koestler, in his highly critical essay, "Gandhi, a reevaluation" (Sunday Times, London, 5 October 1969) had observed: "When all is said, the Mahatma, in his humble and heroic ways, was the greatest living anachronism of the twentieth century." He picked holes in most of Gandhi's ideas and ideals and pointed out their paradoxes. But as we look at the world at the close of this century we find that it is western civilisation that has caused the worst paradoxes and perplexities and has itself become "the greatest living anachronism of the contemporary period".

Maybe the present-day world, over which the western civilisation dominates, is scientifically and technologically highly advanced but is it not socially and morally retarded? Maybe it has acquired phenomenal knowledge in most spheres of human affairs but is it not spiritually bankrupt?

The present situation raises a host of questions. Why, even after World War II and the establishment of the UN, have more than 20 million people died in conflicts? Why is a "new world disorder" replacing the cold war era? Why, despite humanitarian declarations, do the rich industrialised countries continue to create a more unfair, unjust and unequal world, and why are millions still being starved, tortured, humiliated, abused or hurt in one form or another? Why have UN institutions, set up with hope and faith, failed to attain their objectives?

"Since wars begin in the minds of men, it is in the minds that defences of peace must be constructed". It was with this objective that UNESCO was set up in 1946. Esther Brunner, head of the US official delegation to the preparatory commission, explained: "The moving spirit behind UNESCO is the determination of people throughout the world to establish truth as a guide to public action." But

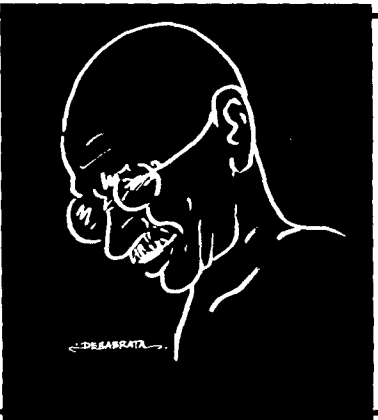
*The author is Union Minister for Culture and Tourism.*

6/10  
after more than five decades of UNESCO's existence the position, in essence, remains the same. The "minds of men" show the same propensity to be aggressive as before. And truth is being butchered as cynically as in the previous era. The only real change is in the areas of "war", techniques of domination and the manner of resorting to untruth.

The people's "determination to establish truth", about which

the sway of incipient barbarism. As brought out by various Human Development Reports, inequalities in consumption have increased to such an extent that "20 per cent of the world's highest-income countries account for 86 per cent of the total private consumption expenditures — the poorest 20 per cent a minuscule 1.3 per cent". The inhuman aspect of these disparities finds telling expression in Rene Dumont's

**"The rich white man, with his over-consumption, behaves like a veritable cannibal; he eats the poor people of the poor countries."**



Brunner spoke so eloquently in 1946, now appears to be a joke. With all the facilities of the modern media, the powerful elements, both at the national and international levels, are able to condition even man's mind and make him think or do what they want him to think or do. It is the propaganda of the vested interests, and not the truth, that has established its sway.

Gandhi, on the other hand, raised truth to the level of absolute faith — a religion in itself. He said: "I am led to my religion through truth and non-violence. I often describe my religion as religion of truth. Of late, instead of saying God is Truth, I have been saying Truth is God. We are all sparks of Truth... To be true to such religion, one has to lose oneself in continuous and continuing service in life."

By side-tracking these ideals of truth and service, the West has continued with its old attitudes and kept the world under

observation: "The rich white man, with his over-consumption, behaves like a veritable cannibal; he eats the poor people of the poor countries."

Ironically, even in the rich countries, affluence has not enlarged the scope of individual happiness or brought about greater balance and harmony in society. On the other hand, it has dehumanised individuals and made them selfish and mechanical in pursuit of personal pleasures.

Finally life is disintegrating. In some countries, children born out of wedlock outnumber those born in it. In the USA alone, there are, on an average 150,000 cases of rape every year, and expenditure on the consumption of narcotics exceeded the combined GDP of 80 developing countries. More than 100 million in the developed countries are homeless. At least 37 million are without jobs. In short, "God of the industrialised world" and its ideal

of perpetual growth and unbridled consumption, too, have failed. The vision and hopes entertained by agencies like UNESCO have not materialised, and human conditions, when evaluated in terms of human happiness, have not improved either in the industrialised rich countries or in the Third World.

The present-day contradictions and inequities of the type indicated above have arisen because the 20th century did not accept the ethicscape offered to it by Gandhi whom Louis Fisher called "a unique person, a great person, perhaps the greatest figure of the last 1900 years."

By not following Gandhi's interpretation of religion and by despiritualising politics, the present-day world is merely adding to its sickness and reinforcing its hidden inhumanities. Unfortunately, it is ignoring Gandhi's warning that "politics bereft of principles are death traps; they kill the soul of a nation". Gandhi's ideal of non-violence had a deeper significance. It involved a continuous effort to curb fear, greed, anger and other evils that lurk inside man.

Gandhi foresaw also the present environmental crisis. He understood that at the root of the environmental problems lay the culture of consumerism and acquisitiveness. He rightly pointed out that "nature had enough for everybody's greed". It is, therefore, not surprising that the present-day world has been caught in the web woven by itself and its one part is facing degradation and degeneration on account of the problem of plenty and the other part on account of problems of paucity.

If the prevailing spiritual atrophy has to be removed and the world made safe for justice, truth and human happiness, a new mindscape, rooted in Gandhi's ideals, has to be created, and all those, like Arthur Koestler, who considered him as the greatest living anachronism of the 20th century consigned only to a decent place on the library-shelves.

# Democracy and development

By C. Rammanohar Reddy

**I**F HUMAN development is about expanding people's choices to lead the lives they value, then democratic rights should surely be an integral part of this concept of development. Democracy then is an end, to be valued for itself. But because, in theory, democracy gives the citizen a voice to demand, for example, good education, health services and an enabling environment for higher incomes it is also an instrument for expanding human development.

It is therefore surprising that in its constant endeavour to refine the concept of human development, the annual Human Development Report (HDR) of the United Nations Development Programme has, other than one half-hearted attempt in the early 1990s, avoided a discussion of democracy. The 2002 edition of the HDR has set out to correct this anomaly. It is not a discussion that will satisfy everyone because, first of all, the HDR, as always, makes a sanitised presentation of the more contentious issues in the exercise of democratic rights. Second, it prefers to reduce every socio-economic phenomenon to a measurable number. This may be its strength — as demonstrated in the growing popularity of the human development index (HDI) — but when the practice of democracy in each country too is measured by a variety of numbers, this creates problems of its own kind.

Such failings apart, the HDR this year is interesting for both highlighting the importance of democratic processes in human development outcomes as well as for pointing out what is self-evident but is often forgotten in Western analysis, that there is no straightforward relationship between democratic practices and economic outcomes.

To take the second subject first, we are the best example there can be of a democracy failing to provide a measure of decent well-being to a majority of the citizenry. While we can take justifiable pride in the deep roots

that electoral democracy has taken at home; dictatorships and semi-dictatorships have raced ahead in ensuring a higher level of human development, when measured in terms of income, education and health. This leads at times to an ill-informed expression of disgust towards democracy and a corresponding (ill-informed) preference for some form of dictatorship. The HDR's review of the research on the links between democracy and economic development leads it to conclude, not surprisingly, that there is no clear relationship between the

freedoms and human development have to do with the "democratic deficits", as the HDR calls them. These deficits are of many kinds. One, there is the lack of accountability in democratic institutions. Legislators are held accountable only at election time. Two, the checks and balances between the Legislature, Executive and the Judiciary are often sufficiently weakened to prevent the exercise of accountability. Three, corruption, money power and criminalisation together can subvert democratic institutions. Four, discrimination which is institutionalised by society — in

*In India, democratic deficits are growing alongside its uninterrupted record (other than during the Emergency) in electoral democracy.*

two. The best that can be said is that "democracy appears to prevent the worst outcomes, even if it does not guarantee the best ones". This may not be the best advertisement for democracies (irrespective of the fact that democratic rights are to be valued for themselves), but this does lead to the question about why is it that democracies sometimes fail in ensuring better economic outcomes. This is where issues other than elections and voter turnout become important in strengthening the links between democracy and human development.

The HDR postulates a two-way relationship between political freedom and human development. Democratic rights enable people to demand improvements in their human development status, as in education and health. At the same time, education, for instance, "increases their ability to demand economic and social policies that respond to their priorities". But for this virtuous circle to be set in motion it is not enough to have regular and universal elections.

The weaknesses in the instrumental connection between political

gender, community and socio-economic status — means that participation in democratic processes can often be only of symbolic value. Five, centralisation of executive powers in a democracy reduces even further the strength of people's voices, especially when they are about the delivery of social services.

These are the more obvious problems with the practice of democracy today. The situation varies from country to country. Where electoral democracy has been the practice for a longer period are not necessarily the countries where the imperfections are less common. In India, democratic deficits are growing alongside its uninterrupted record (other than during the Emergency) in electoral democracy.

India's record in some areas is eulogised in the HDR 2002. The independence and activism of its judiciary comes in for special mention. So too the system of panchayati raj as an example of successful decentralisation. But a majority of Indian citizens would not be impressed with these certificates from the UNDP. When it comes to exercising

the right to vote, Indians may show a far greater determination than voters in 'more mature' democracies. That is the one time when the people's representatives are held accountable for their quality of governance. But their general experience with the institutions of democracy is an increasingly unhappy one. Subversion of institutions through corruption and criminalisation is common. Elite capture of the Legislature and the Executive takes many forms and routes — through money, caste and religion.

Even decentralisation and the Judiciary — the HDR's two examples of successes — are not processes and institutions the Indian citizen is entirely happy about. More than 15 years after the first serious attempt at decentralisation was carried out in Karnataka and nearly a decade after the 73rd and 74th Constitutional Amendments, in no State has decentralisation made a measurable difference to governance. The promises and claimed successes are many. But the reality has been different largely on account of subversion, elite capture and insufficient political support.

The record of the Judiciary too has been less than exemplary. How can it be otherwise, when one Chief Justice of India was compelled to publicly state that 20 per cent of the judicial officers in the subordinate courts are corrupt?

We may demand, as the Union Human Resource Development Minister, Murli Manohar Joshi, did when presented with a copy of the HDR 2002, that as a democracy of half-a-century India should be placed higher in the global ranking of achievements in human development. But be it in the practice of democracy or progress in the components (income, health and education) that currently make up the HDI, we cannot honestly claim to belong elsewhere than in the bottom echelons of the medium human development group of countries.

3 AUG 2002

UNDP

MONDAY, JULY 29, 2002

## DEMOCRACY AND DEVELOPMENT

29/7  
HD-10  
Dr. Abraham

THE ANNUAL HUMAN Development Report of the United Nations Development Programme once again presents a mixed picture of where the nations of the world are in economic and social well-being. The trends in human development during the 1990s, as measured by the human development index (HDI), show that amidst the improvement that has taken place in many countries (including India) there are large spots of deterioration. Countries in central and east Europe and sub-Saharan Africa are at a lower level of human development today than they were a decade ago. The prospects of a dramatic improvement in the future do not look very bright either. In the HDR's assessment, Governments are not doing enough to attain the U.N.'s seven millennium development goals on hunger, education and health, which heads of state endorsed two years ago. More than 120 countries with 40 per cent of the world's population are growing too slowly to be able to halve poverty by 2015. Contrary to the assessment made by other agencies, the HDR sees India too as falling far behind in achieving the goal on reduction of extreme poverty as also on infant and under-five mortality. This should temper any satisfaction India may take in its steady but slow improvement in the HDI during the past decade, with its ranking among 135 countries having improved six places since 1990.

Deepening democracy for human development is the main theme of the 2002 report, a subject that does not lend itself easily to quantification which is what the HDR has always been good at. Yet, the disappointment with democratic governance from the perspective of human development has rarely been addressed as frontally as in the latest HDR. It is a fact that the substantial increase during the 1990s in the number of countries opting for multi-party democracy has not led to a corresponding improvement in social and economic outcomes. This does not mean that authoritarian regimes do a better job — for what they are worth statistical analyses do not show any correspondence between authoritarianism and development. But the more important

point, even if it seems self-evident, is that democratic governance facilitates human development only when institutions are accountable to people and the people themselves can fully participate (beyond voting in elections) in local and national debates and are involved in decision-making. In this respect, addressing the "democratic deficits" in some practices (money power in politics and corruption in governance) and strengthening institutions (the media and civil society) are critical for building a virtuous cycle between governance and human development, a cycle in which one strengthens the other. The HDR sees addressing the democratic deficit in the international institutions — especially the World Bank, the International Monetary Fund and the World Trade Organisation — as an important part of this process, since these institutions are witness to a replication, at the global level, of the imbalances present in the decision-making processes within nations. The problems with the structure and functioning of some of the global organisations are well-known but when they are made by institutions which have been largely marginalised (i.e. the U.N.) they are more likely to be interpreted as a demand to be given a seat at the table.

The HDR's need to reduce everything to a number does affect the quality of its analysis. Only 80 of the 140 countries which hold multi-party elections are categorised as "fully democratic" by one measure. The numerical scale of democracy on which countries are placed is one developed by a U.S. university and based on an arbitrary selection of categories. The HDR admits that there are objective (like the voter turnout rates) and subjective indicators of democratic governance. But the use of many subjective measures developed by a variety of institutions — university departments, the World Bank and non-governmental organisations — can lead to very peculiar listings. In freedom of the press, for example, India is ranked lower than Burkina Faso, Mongolia and Bolivia. Numbers are best left out of discussions of issues such as the quality of institutions in a democracy.

THE HINDI

29 JUL 2002

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# 'Many countries lapsing into authoritarianism'

By Our Special Correspondent

**NEW DELHI, JULY 25.** The annual Human Development Report of the United Nations warns against compromising on human rights and support for democracy in the fight against global terror launched after September 11. It also strongly disputes the notion that authoritarian regimes are better for political stability and economic growth.

The report released here notes that the wave of democracy building of the 1980s and 1990s has stalled with many countries lapsing into authoritarianism or facing rising economic and social tensions. In this respect, it refers to the military rule in Pakistan and the "pseudo-democratic" rule in Zimbabwe.

Others, including those described as "failed states" such as Afghanistan and Somalia, have become breeding grounds for extremism and violent conflict.

The HDR 2002 with the theme "deepening democracy in a fragmented world" says last year's terrorist attacks on the United States cast a new light on global divisions, returning strategic military alliances to the centre of national policy-making and inspiring heated debates on the danger of compromising on human rights for national security.

"For politics and political institutions to promote human development and safeguard the freedom and dignity of all people, democracy must widen and deepen," the report says.

It opposes the view of countries in the de-

veloping world in countries such as Malaysia, Pakistan, Colombia and Kazakhstan, where populist or authoritarian leaders have argued that there is a trade-off between national stability and personal freedom.

The report cites recent research showing that established democracies are less likely to experience civil war than the non-democratic regimes. This holds important lessons for peace-building in Afghanistan where efforts to build democracy need to go along with efforts to restore peace.

On developmental goals, it says nearly two years since world leaders set measurable targets for poverty eradication by 2015 only 55 countries with 23 per cent of the world's people are on track to achieve 75 per cent of these goals. And 33 countries with 26 per cent of the world's people are failing on over 50 per cent of the targets.

Referring to the growing fragmentation of the world despite globalisation, it says protesters in developed and developing countries have been concerned that poor people and countries are losing out in the way global affairs are being managed.

The report calls for concrete reforms to increase the role of developing countries in international institutions and make them more open and accountable to the people and countries whose lives they affect.

Nearly half the voting power in the World Bank and International Monetary Fund rests in the hands of seven countries. And though all countries have a seat and a vote in the

World Trade Organisation (WTO), in practice decisions are taken in small group meetings and heavily influenced by Canada, the European Union, Japan and the U.S. In 2000, 15 African countries did not have a single trade representative stationed at the WTO.

The HDR proposes several reforms that could address some obvious imbalances in global decision-making. These include eliminating the United Nations Security Council veto, reforming the selection process for the heads of the IMF and the World Bank (currently controlled by Europe and the U.S. respectively), and new programmes to help poor countries better represent their interests at the WTO.

At the Security Council, it points out the majority of vetoes do not concern vital international security issues. As many as 59 vetoes have been cast to block admission of member states and 43 vetoes have been used to block nominees for the Secretary General in closed sessions of the Council.

The report says that recent global civil society campaigns have pointed at ways to reach more collaborative solutions to global problems in an interdependent world. Over 1,000 civil society organisations across the world worked together in the campaign to establish an International Criminal Court.

The World Commission on Dams also brought together not only government and financing institutions but also people to be resettled, engineering firms, NGOs and other stakeholders.

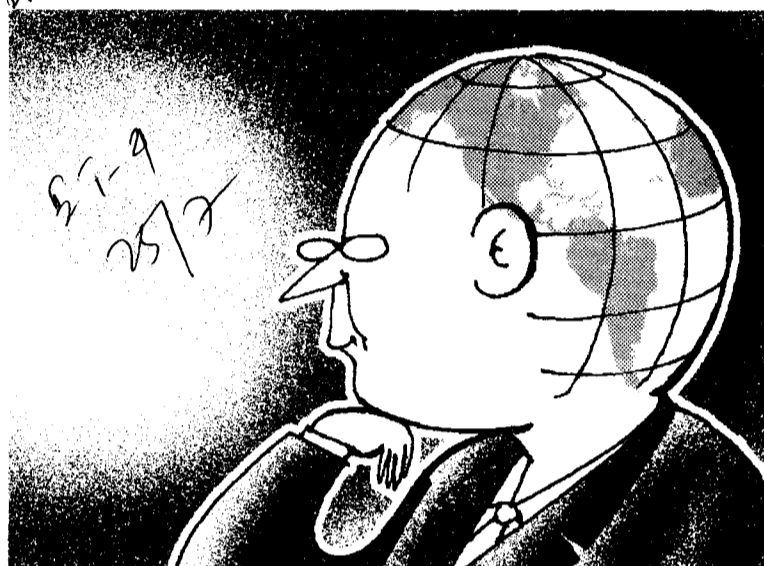
# Globalisation versus nationalism

The challenge for companies is to run a multinational and multicultural operation that respects local, religious, cultural and national identities, but within well defined and agreed global principles, says **Vikram Singh Mehta**

**T**HE stern travel advisory that foreign nations issued in June urging their citizens to leave India provokes a set of questions that should be debated against the context of globalisation and liberalisation. Do governments on account of their obligation to safeguard their citizens have overriding "rights" to expect compliance, in matters such as where, when and for what purposes, citizens should travel? Should MNCs subordinate their responsibility towards their host society, not to mention their shareholders, to comply with the directives of their parent government? Should the political risk assessments of foreign office functionaries be accepted as gospel notwithstanding the fact that most companies carry out their own sophisticated internal assessments?

I ask these questions not because I have any doubts about the motives for the June advisory. I can appreciate governments acting with prophylactic caution in anticipation of what could have become a logistical nightmare of large-scale evacuation had the border situation spiralled out of control. I ask these questions because, right or wrong, the advisory triggered reactions that tell us something important about the context in which MNCs and governments operate today.

The CII, for instance, saw the advisory as a form of economic sanction; others as a component of a broader geopolitical plan to pressure India and Pakistan to de-escalate; yet others as simply a misreading of ground realities. The advice also put MNCs in an awkward situation. They had to decide whether to accept the advice and evacuate all expatriates notwithstanding possibly their own more optimistic assessment but risking thereby the disruption of operations and the erosion of carefully built up local relationships. Or to demur and then risk criticism from their embassy. They also had to consider the impact on staff morale. After all, if the situation was indeed dire enough to warrant immediate evacuation of foreigners then surely the security of local staff who



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after all are no less a part of the organisation also needed to be addressed.

This article cannot answer all of these questions but it can provide one backdrop against which I believe, the answers should be formulated. There will no doubt be other perspectives. The point is to ensure that in the event border tensions escalate again the resultant actions and reactions will be less divisive and preemptory.

We live in a world today, which is in many respects truly global. This does not mean that the nation state and nationalism is dead; rather that there is now greater interaction amongst societies. There are a large number of issues in which governments and companies (not to mention NGOs and the public) have overlapping, though often conflicting, interests. Global terrorism, environment, narcotics, AIDS, are but a few such issues. The challenge for governments in this "new order" is to manage the tension between, the "germ of a universal consciousness" (to quote the scholar Raymond Aron) in the value of transnational

cooperation and liberal open market norms on the one hand, and the continued pull of national self interest and "unilateralism" in decision making on the other. The travel advisory in June has highlighted this challenge.

**M**NCS face a not too dissimilar set of challenges. Globalisation and liberalisation has given them greater freedom of action and a greater say in policymaking in many countries. It has opened up new avenues for investment and growth and facilitated a "footloose" manufacturing and marketing strategy wherein components are often manufactured in one country, assembly is done in another and sales of the final product are made to a third. The challenge for companies is to run a multinational and multicultural operation that respects local, religious, cultural and national identities, but simultaneously, operates within well defined and agreed global principles. The challenge is compounded by the heightened expectations of the public regarding environmental and social performance. Companies

that do not behave responsibly risk harsh reactions and possibly the withdrawal of their licence to operate and grow. Companies make a commitment to local relationships and wider community development not simply out of philanthropy. The call for the unilateral evacuation of expatriate staff without consideration of the impact on local stakeholders belied recognition of the complexity of the various commitments that globalisation entails.

These arguments should not be unduly stretched. There is no denying that governments and companies must forewarn visitors against travel to potential trouble spots; nor that foreigners especially westerners are often the targets of random attacks; and that most people feel a heightened sense of insecurity in a foreign land. There is also no denying that globalisation has not altered the "enduring national nature of citizenship". A primary driver behind the June advisory was domestic public opinion — what if indeed one of their citizens got hurt?

Equally, however, one must not deny that in this emergent "new order" the adoption of narrowly self interested policies have consequences, often unintended, that can reach well beyond the target audience. The June order has dealt the Indian tourist industry a severe blow and the Indian IT companies are scrambling to reassure their international clients of uninterrupted service.

Notions of sovereignty predate the imperatives of globalisation. A clash is not therefore surprising. The question is whether, notwithstanding the conflicting constituencies of governments and industry, the consequences of such a clash can be contained. The tools of technology exist to share and scrutinise information and facilitate collaboration. Next time a border crisis occurs it should be deployed to bring together all concerned parties (CII, embassies, companies, NGOs) to ensure that at least each eschew the simplistic "unilateralism" of the status quo ante.

*(The author is chairman, Shell; views expressed are personal)*

The cartel is worried about Russia's improving relation with the US

# Opec warns of long oil price war with Russia

ST  
Bridges Row

22/7

Matthew Jones &  
Robert Cottrell

LONDON/MOSCOW, 21 JULY

The Organisation of Petroleum Exporting Countries said on Friday it was prepared for a price war unless Russia took steps to curb its rapidly growing production.

A senior Opec official said the cartel, which supplies about a third of the world's oil, was becoming increasingly frustrated by Russia's improving relationship with the US and its growing share of the world market.

"The Russians are playing a dirty political game with Opec and it is becoming very hard to trust them. If they are keen on having a price war, so be it. It is time we abandoned the soft approach and became more aggressive," said the official.

The comments mark an escalation in the tension that has been building between Opec and Moscow over the past six months.

Russia, in common with Mexico and Norway, other large non-Opec members, agreed to



trim exports in the first half of this year in an effort to maintain oil prices in Opec's \$22-\$28 per barrel target range.

But many observers believe Russian producers kept volumes high through exports of refined products and exports of oil to neighbouring countries of the Commonwealth of Independent States, which were not covered by the loose agreement with Opec.

The Opec official's com-

ments followed remarks by Rilwanu Lukman, Opec president, that the organisation had "the reserves and the capacity" to respond to a price war with Russia.

Opec ministers are due to meet on September 18 to decide whether to change the current production quotas. The official said an increase in output was backed by most ministers, with the intention of driving crude oil prices down by \$3 or

\$4 a barrel.

The US has been encouraging Russia to raise its oil production and exports as relations between the two countries have improved since the terrorist attacks on the US last September. It sees Russian oil as a means of reducing Opec's ability to fix prices and as a hedge against instability in the Middle East.

According to Renaissance Capital, a Moscow investment bank, Russian crude oil production rose 8.6 per cent year-on-year in the first half of 2002, and total crude oil exports rose 3.4 per cent.

In February this year Russia briefly overtook Saudi Arabia, the leading member of Opec, as the world's biggest oil producer.

Leo Drollas, oil analyst at the Centre for Global Energy Studies, said any move by Opec to drive down the crude price would be "nonsensical".

"The only way Opec could win the market share issue would be by dropping prices to \$12-\$15 a barrel and that would hurt Opec countries more than Russia," he said.

(Financial Times)



14 Africa  
19-10

# The G-8 summit and beyond

By Kant K. Bhargava 19/7

AT THE Kananaskis summit of leaders of the eight most powerful industrialised and democratic countries, the focus was on the Africa Action Plan; the Spread of Weapons and Materials of Mass Destruction; Terrorism and Russia's Role in the G-8. Other documents adopted included 'A New Focus on Education for All', 'the Heavily Indebted Poor Countries (HIPC) Initiative', 'G-8 Initiative on Conflict and Development', 'G-8 Views on Disarmament, Demobilisation, and Reintegration of Combatants involved in Conflicts'.

South Asia as a region did not figure in any of the summit documents relating to development cooperation policy. An 'alternative summit', the 'G-6 billion of civil society actors', generated more strident criticism of the G-8, especially on Africa, but failed to project the problems of poverty in South Asia. Even the media and the scholarly community were oblivious of the issue. Apparently, civil society in South Asia was either sleeping or too hamstrung by India-Pakistan tensions to think about this matter despite its importance. This is regrettable because poverty reduction is as important in South Asia as in Africa. At the SAARC Summit in Kathmandu last January, South Asian leaders recognised the enormity of the problem and called for a supportive international environment and an enhanced level of assistance by the international community for poverty-alleviation programmes in the region. The opportunity of getting a favourable response to this collective call at Kananaskis was missed.

The Independent Commission on Poverty Alleviation in South Asia set up at the Kathmandu Summit, expected to have its third meeting in India in the near future, can profit by studying the initiative taken by African states in adopting the New Partnership for Africa's Development (NEPAD) and the G-8 Africa Action Plan. On the political side, the India-Pakistan standoff resulted in the G-8

Foreign Ministers making joint statements in December 2001 and again on May 31, 2002. Meeting in Whistler, Canada on June 11 and 12, 2002, prior to the Kananaskis summit, they discussed in detail the tensions between India and Pakistan. They talked of the continuing concern regarding the risk of conflict between "nuclear weapons capable nations" and "the threat this would pose to regional and global security and sta-

G-8 action is contemplated in international bodies such as the International Civil Aviation Organisation (ICAO) and the International Maritime Organisation (IMO). The second instrument relates to "The G-8 Global Partnership against the Spread of Weapons and Materials of Mass Destruction." Its aim is to prevent nuclear, chemical or biological weapons falling into the hands of terrorists. The most important provi-

infectious diseases and trade-related matters, the G-8 has found this a stupendous task. Much of the economic agenda at Kananaskis, apart from Africa, covered areas where G-8 initiatives, after initial progress, showed signs of running out of steam, either because of inadequate resources for tackling problems of education and health or because they met domestic resistance in matters such as granting trade access. This perhaps explains the apparent neglect of South Asia insofar as development cooperation issues are concerned.

The Kananaskis summit has revealed some of the strengths of the G-8 process: its ability to launch innovative and forward-looking initiatives, to cover a wide range of different issues and to combine political and economic actions. The combining of the Africa Action Plan with the NEPAD is the latest initiative in this field which should be studied carefully by South Asian policy analysts. In spite of the seemingly limited resources of the G-8, the South Asian polity needs to engage the G-8 in a serious and meaningful manner on cooperation in development matters where the problems faced by the region are such that international assistance is required. On its part, the G-8 has given notice that it will remain committed to continuing its work with India and Pakistan to deal with the fundamental political problems of the region. To a point, G-8 commitment and involvement seems to be unexceptionable. But on issues such as Kashmir, the political obstacles faced by India and Pakistan are such that these two countries alone can remove them.

During the period when Canada chairs the G-8, Indian diplomacy ought to emphasise in a nuanced manner the business of G-8 cooperating with South Asia for poverty alleviation and facilitating creation of conditions for its dialogue with Pakistan to resume.

(The writer is a former SAARC Secretary-General.)

***The South Asian polity needs to engage the G-8 in a serious and meaningful manner on cooperation in development matters.***

bility". They reiterated the call for "both countries to continue to work with the international community to ensure that there will be a diplomatic solution to the current crisis". Carefully avoiding the word mediation, they, nevertheless, observed: "We are committed to continuing to work with India and Pakistan to deal with the fundamental problems underlying the current crisis and to sustaining coordinated diplomatic efforts in the region". At the Kananaskis summit, there was the expected exhortation to Pakistan for putting a permanent stop to terrorist activity originating from territory under its control and a call for commitment by both India and Pakistan to a sustained dialogue on the underlying issues dividing them. The recent spate of visits of dignitaries from G-8 countries to Pakistan and India is to be viewed in this light. Collectively, they will review the position when they meet in New York during the General Assembly Session in September.

At Kananaskis, the leaders took stock of existing measures against terrorism, including terrorist financing, and added two new instruments to the existing panoply. The first was an agreement on transport security, including travel documents, containers, ports and aviation security. Joint

sion was a commitment by the G-8 to spend up to \$20 billion over 10 years in destroying or cleaning up nuclear and chemical weapons, initially in Russia but also in the other countries of the former Soviet Union.

The G-8 has apparently accepted the concept articulated by the United Nations Secretary-General, Kofi Annan, that the WTO meeting at Doha, Conference in Monterrey for Financing for Development and the World Summit on Sustainable Development (WSSD) scheduled to be held in Johannesburg form an ascending sequence. But the WSSD may be in trouble, partly because of differences between the G-8 members.

The G-8 Summits are also concerned with managing the advance of globalisation. The most intractable problem here is that poor countries and poorer sections of populations can miss all the potential benefits of globalisation and thus fall further behind. Precisely because it is so intractable, this problem of poverty-reduction has become lodged with the G-8. At the Summit meeting in Genoa a year ago, the G-8 leaders had adopted a comprehensive Poverty Reduction Strategy. But despite a series of initiatives in regard to debt relief, Information Technology, HIV/AIDS and other

19 JUL 2002

THE HINDU



# Sharon gives go-ahead to fresh talks

Agence France-Presse

W. Arafat  
57-3 15/7

Abdelrazek al-Yahiya on Tuesday.

JERUSALEM, July 14. — Israeli Prime Minister Mr Ariel Sharon today gave the go-ahead for a new round of talks between his dovish foreign minister Mr Shimon Peres and Palestinian officials, Mr Sharon's office said in a statement.

Mr Sharon and Mr Peres met to discuss the resumption of contacts, tentatively broached at a meeting with two newly appointed Palestinian ministers this week, a day after Mr Peres postponed a planned meeting with a Palestinian team, amid what sources close to Mr Sharon said was opposition from the premier.

It was agreed that a meeting of the Israeli and Palestinian teams will be held in the coming days, the statement said.

It said a steering committee headed by Mr Sharon will direct the talks, with the participation of Mr Peres, defence minister Mr Binyamin Ben Eliezer and finance minister Mr Sylvan Shalom.

Mr Peres held the first Cabinet-level talks in months with the Palestinians last week, meeting new finance minister Mr Salam Fayad on Monday and new interior minister Mr

But the talks have prompted no let-up in Israeli and US efforts to have Palestinian leader Mr Yasser Arafat replaced.

**Attack on Gaza:** The Israeli air force today destroyed two buildings in the Gaza Strip, including one said to have been the home of a slain Islamic militant, while Israel went on high alert over fresh warnings of planned bombings.

A witness said two US-made Apache helicopters fired one rocket apiece at a building in Khan Yunis used by Palestinian police, who had evacuated the area before the strike. The witness said an F-16 warplane fired a rocket at another house nearby, destroying the three-storey building. Hospital officials said five people were injured.

**Slur on Arafat:** The Palestinian Authority has transferred "tens of millions of dollars overseas" in case of a long-term occupation of the Palestinian territories by the Israeli army, an Israeli paper reported today. An Israeli document, quoted by the *Yediot Aharonot*, accuses Mr Arafat of having transferred \$ 5.1 million into the Parisian bank account of his wife Suha.

THE STATESMAN

15 JUL 2002

## How M. A Mirror Image

A panchayat orders a young girl to be gangraped for a 'crime' her brother allegedly committed. He was caught in the vicinity of a woman from a 'superior' community. Sounds familiar, doesn't it? This time around, these incidents have taken place in Pakistan but they are a mirror image of our own unique brand of village-level justice. Of course, we will say that we expect nothing better from a country where the legal system rests on outdated Hudood ordinances. But what excuse do we, a democratic country with progressive legal guarantees in place, have when such incidents happen here? And they happen with frightening regularity. Ever so often, reports surface of the lynching, hanging or burning of a couple who dared to defy tradition. The pattern is chilling. The village panchayat convenes, the elders pass the sentence and the couple is done away with in full view of the villagers. There are no half-measures, no mere admonishment, the price to be paid is death.

Significantly, investigations get stymied because no one is willing to come forward and give testimony, not so much out of fear but because of a deeply-ingrained belief in 'tradition'. Clearly, the problem at one level arises from a fundamental contradiction between a formal legal system based on liberal jurisprudence and non-state laws that issue from very different notions of individual identity, rights and, indeed, justice. Many feminist critics have in recent times argued that given the abysmal failure of the statist legal system in providing gender justice to women, it is perhaps time to take more seriously existing, alternative non-state mechanisms for the redressal of atrocities against women. But cases such as the one in question militate against any simplistic argument in favour of non-state structures for resolving conflicts and ensuring justice at the local level. However, the continuing denial of justice to *saathin* Bhanwari Devi, who was gangraped nearly a decade ago for taking up the issue of child marriage in her village, shows up only too starkly the 'insensitivity' of the 'official' system towards women. In Pakistan, General Musharraf has hesitated from taking on hard-line Hudood advocates for fear of a backlash. The government has only given the gangrape victim compensation for her humiliation. Here the task is seemingly easier: to vigorously implement the law when such human rights violations take place. But for that the Indian state has to show a far greater sensitivity to gender justice.

9 JUL 2002

THE TIMES OF INDIA

# The sweep of globalisation

By Neera Chandhoke

*Should we let non-Indians who are not of our world... who more importantly have agendas of their own, influence the business of making and disseminating news?*

EXPECTEDLY, THE Government's move to allow 26 per cent foreign investment in the print media has sparked off a massive and rather acerbic debate in the country. Even though managerial and editorial control of newspapers will continue to be in Indian hands, the power of foreign news corporates to now influence the agenda of news-making and news-dissemination is regarded with profound distrust and misgivings by most critics. They speak of the danger posed to national security and culture by the entry of foreign capital into the sector. And they hark back, rather nostalgically, to the days of Jawaharlal Nehru, when the first Press Commission in its 1954 report had warned against allowing foreigners into the print media. Following the report, which had also recommended the setting up of the Press Council, the Nehru Cabinet in 1955 formulated specific policy recommendations on the matter. The policy barred non-Indians from running Indian newspapers and prevented foreign publications from initiating Indian editions. During the discussions, leaders such as Abul Kalam Azad, G.B Pant, C. D Deshmukh, T.T Krishnamachari and Rajkumari Amrit Kaur among others, insisted that the country's sovereignty and national self-respect ruled out the idea that non-Indians should either make news or break news.

It is this reasoning that is invoked by the critics of the Government's move today. What is forgotten is that the 1955 policy was framed in an entirely different temporal, ideological and conceptual context. Those were the days when we as a nation could dream of self-sufficiency, of standing tall in the international arena on our own terms, of national pride, of repelling any attempt to take over the economy or the culture of the country. Those days are long over and we as a country do not even pay lip service to the idea of national self-sufficiency or national autonomy in crucial matters today. The context to-

day is different, for we as Indians are guilty of collectively genuflecting before the power of international capital, even as it intrudes into every domain of collective activity — education, agriculture, industry, entertainment, culture and the services and consumer sector. We hear no talk of national self-sufficiency. For, the one phenomenon that has changed our minds and our manners, the one circumstance that has legitimised the power of foreign/Western capital is globalisation.

The acceptability globalisation commands is truly astonishing. It has managed to do what earlier processes of internationalisation of capital had not even dreamt of. It has managed to become self-legitimising. This is surprising because globalisation, in its bid to expand and intensify the reach of capital, has succeeded in encroaching into all dimensions of our daily existence. We have but to see how the strategic internationalisation of manufacturing and financial flows across and within national boundaries has affected the most intimate aspects of life to grasp this point. The material implications of this project are more than visible: new structures of production based on post-Fordist regimes of accumulation have drastically altered the nature of work and production relationships. The sociological implications are no less visible. The information revolution that is at the core of the current restructuring of capital has constructed a culture of virtual reality. As the pervasive, interconnected and diversified media system seeks to mould and alter perceptions of the world, the transformation in the way people come to perceive and interpret events is dramatic. The only other instance that history provides

us of such a sensational transformation in people's lives is the industrial revolution.

Marx's words on that occasion, "all fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions, are swept away; all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned" apply equally to us today. These words continue to haunt us even as capitalism has entered another phase altogether. For, global flows of information drastically erode the capacity of people to order their own affairs. Relatively autonomous societies and relatively autonomous groups have been prised open to receive new messages, new symbols, new meanings, new ways of thinking about the world, new ways of thinking about political and social arrangements, new ways of managing inter-personal relationships, new ways of producing and exchanging, and above all, new ways of consuming things. These messages are, of course, not new for the Western world from where they originate, but they certainly are new for communities which may have till now, somehow, managed to control the transmission of messages and symbols from the world outside. National communities have been curbed and truncated as their traditional tasks of allotting meaning systems to their members have been swamped by new symbols carrying new messages.

If there is one thing that we have learnt about globalisation, it is that the process spares no one. The project of globalisation reaches out relentlessly and insistently to sweep everything into its coils. No one is exempted from the merciless march of globalisation: not the small farmer

growing groundnuts or cotton, not the academic who wants to understand her own society, not the consumer wanting to shop for a music system, not the policy planner and certainly not the defender of the 'free market'. Why should the print media be an exception to this rule? Should it not become more competitive and more efficient? Should it not rethink the low rates of the daily newspaper, which have been adopted in order to pre-empt competition? This is what the defenders of the current move of the Government argue.

And yet, the entry of foreign capital into this sector causes disquiet. For, as everyone knows by now, news reports do not only chronicle events that have taken place in the country and outside the country objectively, they inevitably prioritise these happenings. They report some occurrences, exclude many, highlight some and downplay others. In the process, the way an event is represented, interpreted and evaluated becomes more important than the event itself. At times, representations lose connection with what is being represented. They acquire an autonomous existence.

Considering that all this shapes the perceptions of those individuals who consume this reportage, considering that these representations, never entirely objective and never entirely subjective, temper and mediate the way readers come to understand and interpret the world of everyday practices, dailies wield an enormous power. Newspapers in other words set the terms for politics, for culture, for society, for the economy as well as set the terms for our responses to these events and happenings. Should we let non-Indians who are not of our world, who do not share our pains and our sorrows and who more importantly have agendas of their own, influence the business of making and disseminating news? Should we allow others to represent us as a people even when they have no stakes in the system, except the stake of profit? The questions are truly troublesome.

THE HINDU

1 JUL 2007

# G8 clinches \$20-billion Russia security deal

FROM RON POPESKI

Calgary (Alberta), June 28 (Reuters): The Group of Eight rich nations clinched a \$20-billion deal yesterday to help Russia rid itself of weapons of mass destruction and to keep the raw materials for nuclear bombs out

of the wrong hands.

The US hailed the deal, which it had been promoting for weeks, as a major step forward in implementing US President George W. Bush's war on terrorism.

Russian President Vladimir Putin welcomed it, saying Moscow needed help to deal with

5-3 29/6  
a troublesome legacy of the Soviet era. But he denied Russia had a security problem.

"I've read the papers and watched television where it is said that there is a threat of proliferation of arms from Russian territory. There is no basis for this," he said.

"All the weapons are subject to strict controls. But they do pose a certain threat in ecological terms. That is a fact."

Putin said it would ease delays from Soviet times in dismantling nuclear-powered submarines and destroying chemical arms.

A statement by the G8 said up to \$20 billion would be raised over 10 years, initially for Russia and later for other ex-Soviet states, to prevent militant groups seizing control of arms and nuclear materials.

The programme, dubbed "the G8 Global Partnership," would help destroy chemical weapons, dismantle ageing reactors aboard decommissioned nuclear-powered submarines and dispose of fissile materials.

It would also find work for arms scientists frequently cast into post-Soviet poverty.

But the statement provided no details on the proportion of funds to be raised by other G8 members — Britain, Canada, France, Germany, Italy, Japan and the US. And it set down few details on a concrete programme.

US National Security Adviser Condoleezza Rice described the deal, struck at the summit in the Canadian Rockies, as "a very important initiative, and we're delighted to get it done."

"So, in the area of terrorism and weapons of mass destruction, the President's agenda was moved forward substantially," she told a news conference.

The US is clearly worried about nuclear materials passing into the hands of militant groups or "rogue states" like Iran, Iraq or North Korea.

THE TELEGRAPH

29 JUN 2002

New bid to fight 'nuke' terror

# G8 club lets in Russia

FROM CRISPIAN BALMER

**Kananaskis (Alberta), June 27 (Reuters):** The world's most powerful leaders, meeting behind well-guarded gates at a Canadian mountain resort, named Russia a full member of their exclusive club yesterday and sought new ways to help stop terror groups getting their hands on nuclear bombs.

The Group of Eight industrialised nations, meeting in the shadow of the snow-covered Canadian Rockies, also offered a ray of hope to economies reviving from the slowdown of last year and promised an extra \$1 billion for poor-country debt relief. Russia, until now excluded from key parts of the annual meetings of the world's richest countries, would host the 2006 summit, the G8 said.

"The world is changing. Russia has demonstrated its potential to play a full and meaningful role in addressing the global problems that we all face," the G8 said in a statement.

"This decision reflects the remarkable economic and democratic transformation that has occurred in Russia in recent years, and in particular under the leadership of President

(Vladimir) Putin." Putin, who arrived in Canada a day after the other leaders, would also benefit from a possible deal to hand over up to \$20 billion to help decommission weapons of mass destruction in the former Soviet Union.

Officials were working on the final details of the agreement, which could see Russia receiving \$10 billion from the US and \$10 billion from other countries over the next 10 years, a Canadian official said.

Western nations have been worried that militant groups like al Qaida, which Washington blames for the September 11 suicide attacks on the US, might get their hands on nuclear arms, perhaps from poorly guarded Russian atomic sites.

The summiteers, guarded by police, tanks and anti-aircraft missiles in the biggest security operation Canada has ever seen, are discussing political and economic issues against a backdrop of poverty in Africa, crisis in West Asia and faltering stock markets after a new US accounting debacle.

Chretien said things were looking up for economies hit by the September 11 suicide hijackings in the United States.

# The new trade balance

Two major changes, China's WTO entry and America's tilt towards protectionism, can change the balance of global trade. India needs quick reforms to survive and grow, says Raghendra Jha

TWO momentous changes in the structure of world trade have recently taken place within a short interval of each other. On the one hand China's entry into the WTO marked a major expansion in world trade. On the other hand, we saw the beginning of a new phase of protectionism in the US with announcements of tariffs on certain varieties of steel as well as record breaking subsidies on US agriculture. As one rapidly growing large economy is opening up, an even large economy is beginning to look inwards—yet again.

At the same time, however, the two countries are in intense competition with each other to capture markets in Asia—particularly the highly lucrative ASEAN region. This region has put the worst of the currency crisis behind it and looks resurgent again. Rapid expansion of this region's exports to China is a major reason for this. China is now offering the region both a carrot as well as a stick. With China joining the WTO, it will be the major competitor for ASEAN semi-processed exports in third markets. As ASEAN countries rely on their time-honoured export promoting strategy for development, this could be a formidable obstacle given the already well-established price advantage that such goods from China have.

The recently released UN annual Trade and Development Report argued, "In labour-intensive manufacturing, including assembly operations in electronics, it is middle-income producers, such as the members of ASEAN and Mexico, that face the greatest exposure" to competition from China in third markets.

Hence China would like to seek a trading arrangement with ASEAN that enhances complementarities and cost advantages for Chinese goods in third markets. The Chinese would prefer ASEAN countries to provide them with goods at a lower stage of processing so that the Chinese contribution has higher value added. Against this background, the Chinese are keen to conclude a Free Trade Agreement (FTA) or several FTAs with the countries



in the region, with this preferred structure of trading relations. This strategy is also exclusionary for others. In particular, China wants to keep Japan and the US out of this picture, although it argues that the trade expansion consequent upon China-ASEAN FTAs would be beneficial for the US, Japan and EU as well. The stick for ASEAN is simply the realisation that the Chinese economy is growing fast and will continue to grow very fast and they would be missing an important opportunity if they did not align themselves sufficiently intimately with the Chinese economy. From the Chinese perspective, the costs of having to change export and industrial structures to suit China's needs are not important enough.

Several countries in the ASEAN region, however, are deeply suspicious of China, not in the least because of old border disputes and ethnic mistrust among Chinese and non-Chinese in many of these countries. There is an unspoken fear in some circles that such FTAs would mark the beginning of the expansion of China's political influence. Hence, these countries are

wary of entering into FTAs with China—particularly those that keep trusted allies like Japan and the US out.

Against this backdrop, India could emerge as an important trading partner of ASEAN—provided an aggressive trade and reforms program was quickly put in place. Since India could vacate more of the higher value added space to ASEAN and would not insist on keeping out Japan and EU, this proposition could look attractive to ASEAN. This is a new trade challenge that Indian policymakers face. Presently this has only economic undertones but, at a later date, there could well be serious strategic manifestations.

An India-ASEAN consultative will meet in Kampuchea in November but India is currently in no position to provide a viable alternative to the Chinese proposal. To be able to provide this alternative India must first begin with a complete overhaul of its tariff structures. Indian applied tariff rates at about 27% are way above the average (17%) even for low-income Asian countries. The tariff on industrials (sometimes in excess of 30%) is higher than that

on agricultural goods. This is important since ASEAN countries are likely to be primarily interested in exporting industrial goods to India. The percentage of items that are duty-free is another indicator of the openness of the economy.

In the Indian case this is less than 10% of all tariff lines. For most middle income countries this figure hovers around 21%, and for high-income Asian countries around 28%. Hence, despite 10 years of reforms, India remains a relatively closed economy. Further, a concerted attack has to be made on the dispersal of Indian tariffs, which is much higher than ASEAN levels. It is important to remember that ASEAN countries—irrespective of whether they took IMF assistance—did not raise tariffs significantly in response to the Asian crisis. In fact in some countries, the 1997 Asian financial crisis was a stimulus for unilateral liberalisation.

Another area urgently in need for reform if India is to look attractive from the ASEAN perspective is the labour market. In the presence of footloose corporations, not having an exit policy as liberal as your competitor/partner is non viable, in the absence of credible international labour standards. The ability of corporations to shift production elsewhere enhances the bargaining power of firms relative to workers.

This improvement in exit options is particularly important in the case of FTAs and would need to be taken into account by strategists for India's labour markets. The mere threat of moving a factory to a different location may require significant impact on wages or institutional variables such as unionisation rates, even in the absence of any movement by firms.

Given the opportunity at hand, Indian policy makers would do well to put these changes in tariff and labour market policies in place. The failure to do so is likely to have serious economic and strategic consequences.

*(The author is professor and executive director, Australia South Asia Research Centre, Australian National University)*

24 JUN 2002

THE STATESMAN

## Leaders for new ties with poor nations

HALIFAX (CANADA), JUNE 16. Expressing confidence in the global economy, the Finance Ministers of the world's industrial powers said on Saturday their bosses would discuss a new relationship between developed and developing countries at an upcoming summit.

As the two-day meeting of the Finance Ministers concluded, riot police fired tear gas to disperse several dozen protesters outside the convention centre and arrested 19 people in confrontations at four locations.

Most of the discussions at the summit dealt with reforming development aid programmes — what the British Chancellor of

the Exchequer, James Gordon Brown, called a "new compact ... between developed and developing countries."

The underlying principle is for developing nations to assume responsibility for stability and good governance that will make them attractive to both aid donors and foreign investors. The Finance Ministers endorsed a compromise on the form of World Bank aid for the poorest countries, agreeing that about 20 per cent should be grants with no repayment instead of traditional low or zero-interest loans.

U.S. officials wanted more grants to ease the debt burden of poor countries while Britain and other European countries ar-

gued that would undermine funding for the World Bank programme. The Ministers also tried to work out differences on debt forgiveness for poor countries. "It's not simply enough to forgive debt if the poorest countries still do not have the revenues to sustain" economic stability, said the Canadian Finance Minister, John Manley.

The Ministers worked on details of reforms for development aid programmes, discussed the world economy and trouble spots such as Argentina. "Since we last met, growth in our economies has strengthened and should continue to consolidate throughout the year," said a final statement from the Ministers. — AP

17 JUN 2002

# U.S. trade policies unhelpful: Canada

HALIFAX, NOVA SCOTIA (CANADA), JUNE 15. G-7 Finance Ministers met on Saturday to talk about the global economic condition — and to weigh strategies for preventing international financial crises like the one in Argentina.

The two-day meeting that opened with a Friday night working dinner is a prelude to a Group of Eight summit in Alberta later this month. Finance Ministers did not discuss their talks, but Canada's John Manley said the main topics were crisis prevention, new ideas on development aid for poor nations, and the overall economic picture around the world.

While the U.S. and other major economies are rebounding after last year's slowdown — exacerbated by the September 11 attacks — the overall climate is not "problem-free," Mr. Manley said on Friday. He also said some U.S. trade policies, such as recently approved agriculture subsidies, hinder the ability of rich nations to convince others to reform their economies. "It's going to be difficult for all of us to advance the cause of liberalisation" in the new round of global trade talks agreed to last November, Mr. Manley said.

In a long-running dispute between the North American neighbours, who share the world's largest trade relation-



**CRYING FOR ATTENTION:** A man feeds his son during a protest of unemployed people to demand jobs and food in Buenos Aires on Friday. A quarter of Argentine children go hungry following a financial disaster. — Reuters

ship, the United States has set high duties on Canadian softwood lumber — a move Canada has challenged before the World Trade Organisation.

The Group of Seven compris-

es the United States, Britain, Canada, France, Germany, Italy and Japan. Russia, a member of the G-8, also was invited to the meeting, along with the World Bank, International Monetary

Fund and European Union. Police barricaded streets surrounding the convention centre, and a few dozen policemen armed with pistols and clubs stood at the fence outside as about 100 protesters marched in the streets, some playing bagpipes and banging drums. Activists also held a news conference to call for cancellation of debt owed by poor African nations and more openness in the talks.

Mr. Manley said the Finance Ministers would "set the stage" for the June 26-27 summit, particularly on a new African development plan pushed by the Canadian Prime Minister, Jean Chretien. Called the New Partnership for African Development, it is based on the idea that foreign investment is more effective than direct foreign aid in promoting economic growth needed to combat poverty, AIDS and other ills.

Other issues on the agenda included a compromise in a dispute between the United States and Europe over World Bank support for poor countries. The U.S. says the World Bank, which extends support to poor nations as loans, should shift to grants that don't have to be repaid.

Britain and other European nations say the shift could hurt the World Bank's pocketbook unless rich countries put more money in. — AP



1st Attempt  
H.D. 15  
18/6

# Play fair, rich nations told

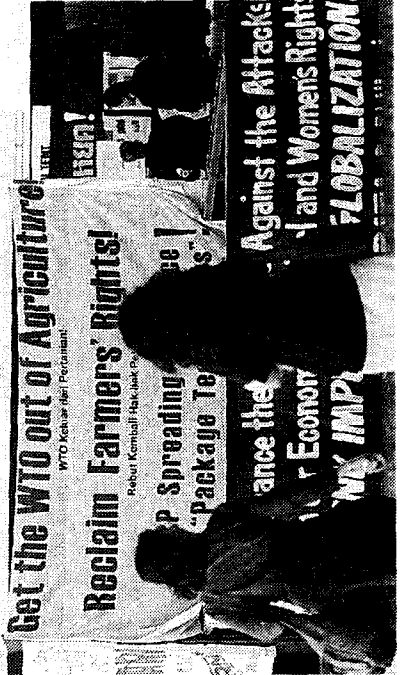
**ROME, JUNE 12.** Accusing rich nations of practising double standards, Asian nations have urged world leaders at the U.N. food security summit here to help create a level-playing field so that developing countries can also take advantage of global trade liberalisation.

Leaders of prominent Asian trading nations have told the World Food Summit, convened by the U.N.'s Food and Agriculture Organisation (FAO) after a gap of five years that with international trade increasingly becoming the main engine for economic growth, the developing countries should be given a fair chance to gain from this.

Following a similar complaint by the President of Sri Lanka before the gathering of more than 180 nations, senior Government leaders from the Philippines and Thailand said the World Trade Organisation (WTO) should not operate as an organisation of rich nations alone.

They were backed by Australia, which asserted that the "massive assistance" to agriculture in developed nations "underrmine the agricultural

Thailand, Pitak Intrawitayanut, "The disturbing fact is that economic policies in developed countries effectively prevent poor countries from trading their way out of poverty. Perversely, some of the staunchest advocates of free trade impose tariff rates on developing country exports that are on average four to five times higher than tariffs on developed countries' exports." "Moreover, millions of dollars in farm subsidies by some of the richest countries keep small-scale farmers in the developing world mired in poverty," Australia's Minister for Agriculture, Fisheries and Forestry, Warren Truss, in his statement stressed that a "fair and open trading system" was vital for ensuring global food security and urged all countries to "seize the opportunity presented by the WTO Doha round to secure agricultural reforms in three key areas — market access, domestic support and export subsidies. Lack of reform by key nations is sending the wrong message at a time when strong leadership is so important to success in the Doha negotiations", he said.— UNI



**Participants pass by anti-globalisation banners during the NGO forum which runs parallel to the U.N. Food and Agriculture summit in Rome on Wednesday. The activists are pushing for a new global food programme. — AFP**

advancement and poverty reduction objectives of many developing countries."

In his statement to the summit today, the Vice-President of the Philippines, Teofisto Guingona, exhorted the gathering: "We are poor and you are rich. Level the playing field! Recognise special and differential treatment! Do not impose subsidies for exports. Do not dump

the views of the Deputy Prime Minister of

W. A. P. 11/10  
H. O. - 10

## A WORLD OF HUNGER

11/10

IT IS A measure of the little importance the world gives to malnutrition that a global summit to discuss ways to reduce hunger has opened in Rome with poor participation by heads of government. The summit, organised by the Food and Agriculture Organisation, is meant to take stock of progress in achieving the goals set at the 1996 World Food Summit. The review summit, WFS-Five Years Later, has itself been postponed by almost a year, first, because the Government of Italy, fearing street protests, wanted the FAO to shift the summit outside Rome and, second, because the world's preoccupation with the aftermath of the terrorist attacks in the U.S. left no room for a summit on food and nutrition.

The limited attention that the summit has received is unfortunate because the Governments of the world are falling behind in fulfilling the most basic of rights — freedom from hunger. In 1996, the World Food Summit set itself the very modest target of halving — not eliminating — hunger by 2015. This meant that the number of people suffering from hunger was to be reduced from an estimated 800 million to 400 million over the two decades, or 20 million people had to climb out of a situation of chronic hunger every year. The same goal was adopted as part of the "Millennium Development Goals" at a United Nations summit in 2000. Yet, unless there is a collective and dramatic global effort to tackle world hunger, this target is not going to be met. The FAO estimates that while progress has been made in the 1990s, it is too slow and concentrated in only certain areas of the world. The assessment of 99 developing countries, where progress was tracked between 1992 and 1999, is that in only 32 of them was there a noticeable reduction in starvation. Only 6 million people have been leaving the world of hunger every year, which is just one-third of the required number, making it that much more difficult to achieve this particular Millennium Development Goal by 2015.

Unless there is a definite acceleration, it is quite likely that 2015 will see as many as 600-700 million still suffering from chronic hunger.

The FAO in an attempt to accelerate the process has proposed a new global "Anti-Hunger Programme". The plan is to allocate \$24 billion annually in public investment programmes in agriculture and rural development activities. The multi-layered plan for outlays in rural infrastructure, irrigation, conservation of natural resources, small businesses, school meal and food-for-work programmes is not meant to produce more food, rather it is meant to improve economic access to food. Given the scale and the urgency of the problem, which in a small way has begun to surface in the developed countries as well, a global programme of this kind is needed. The FAO has also proposed that the cost of the programme should be shared equally between the developed and the developing countries. While this may soften the demands on the developed countries to increase their financial assistance for the developing countries, the proposal is unlikely to find many takers among the rich countries. The global mood on additional foreign aid has improved after the U.N. conference on financing for development which was held in Monterrey, Mexico, earlier this year, but only marginally so and certainly not to accommodate a \$24-billion annual programme over the next decade. The FAO has suggested new forms of finance such as channelling the expected (hoped for) savings that will emerge from lower subsidies to agriculture in western Europe and the U.S. to the proposed programme. But even if trade liberalisation of agriculture does take place on the lines proposed, it will be hard to visualise the developed countries parting with their savings for a foreign anti-hunger programme. The message unfortunately from the FAO summit will be that the world is too busy to be concerned about matters like starvation.

THE HINDU

11/10/02

# Living with the new world order

MD-10 2/5  
By Chinmaya R. Gharekhan

*There is no room for sentiment in diplomacy...  
The only basis for a stable relationship with  
another country, particularly a strong one, is  
mutuality of interests.*

**T**HE CURRENT international scene is simultaneously interesting and dull for the same reason. The foreign policy of nearly every country has a simple agenda — to be in the good books of the sole superpower, the United States. Everyone needs American help — Europeans for security (Bosnia, Kosovo, etc), Russia for many reasons, China to get into the WTO, Indonesia to fight the Abu Sayyaf, Nepal to tackle the Maoists, India to pressure Pakistan and for several other purposes, the Palestinians to survive. Only in the case of Israel, the U.S. seems to need it more than the other way around. America has come close to being the indispensable power. Even terrorist movements recognise the need to win American understanding for their cause.

After the collapse of the Berlin Wall in 1989 and of the Soviet Union a year later, and the consequent end of the Cold War, there was a five-year period when many developing, non-aligned countries lamented the disappearance of the Soviet Union which had provided the 'balance' to international relations. Despite the occasional heightened tension in the world, resulting from the conflict between the two opposing blocs and systems, countries around the world had got used to the stability provided by the Cold War. They felt familiar, almost comfortable with it. The Soviet Union was always there as a dependable ally in support of many of the causes dear to the poor, non-aligned countries such as decolonisation and disarmament. It is, however, well to recognise that while on colonial issues it was the non-aligned countries which found the Soviet Union a helpful ally, on disarmament issues it was the Soviets who used the former in their propaganda offensive against the West. The Soviet Union did not have colonies in the classical sense and was, therefore, more than happy in joining the Afro-Asians in the anti-colonial movement.

As soon as the Soviet Union col-

lapsed, its constituent units lost no time in asserting and gaining their independence from Moscow. As for disarmament issues, the Soviets exploited the understandable fears of the "have-nots" with whose vocal help they mounted campaigns against those aspects of military balance in which they were at a disadvantage.

The Cold War happened to end at a good time. Decolonisation had more or less been achieved. The only people whose legitimate aspirations had remained unfulfilled were the Palestinians, but they quickly adjusted to the new realities. After initially feeling the loss of Soviet political support, which in any case had brought them no concrete advance towards their goal, the Palestinians decided to take their chances with the Americans and with moderately good results at least in the beginning. As for disarmament, Mikhail Gorbachev had already compromised on several contentious issues. When Russia replaced the Soviet Union, disarmament largely disappeared from the international agenda.

Once the Cold War era ended, the world did not remain in the transition mode for long to find a new equilibrium. The new world order has turned out to be one in which the U.S. has come to occupy and wield a dominant influence including at the United Nations. People in most countries, and not only in developing countries, resent this development. However, it might be worthwhile to reflect on what the world might have been like if the other side had won the Cold War. The Soviet Union was never a complete superpower. It had some of the attributes — large territory, sizeable population, enormous military arse-

nal. But it lacked some essential aspects such as the political cohesion of its people and the willing cooperation of its allies. While the Americans intervened overtly and covertly in different areas of the world, they never had to send in their tanks to keep errant military allies under control.

We see the consequences of the victory of the West. The principles of market capitalism are governing the economies of all countries; democracy has become the objective, though not yet the fact everywhere, respect for individual human rights has become universal. What would a Soviet victory have meant? Establishment of communist regimes everywhere? Centrally-planned economies in all developing countries? "East Europeanisation" of Western Europe? It is doubtful if any of these things would have happened. The Soviet Union would have survived a little longer and the peoples of Eastern Europe would not have achieved their liberation for some more time. At least in retrospect, it ought to be recognised that there was a moral dimension to the Cold War. But we, the non-aligned countries, need not feel bad; our participation on the side of the West would have made no meaningful difference to the speed of the Soviet Union's demise, though we may still be bearing the consequences of our tilt towards the East.

India's emergence as an independent nation coincided almost exactly with the onset of the Cold War. The abandonment of the socialist economy and the introduction of economic reforms happened at the same time as the end of the Cold War. Are there any lessons for us in the diplomatic history of the past 55 years?

One of the important lessons is that

we need to be pragmatic, calculating, almost cynical in the conduct of our foreign policy. There is no room for sentiment in diplomacy. We should never have to feel "let down" by our "friends", as Pakistan so often has. We must realise that the only basis for a stable relationship with another country, particularly a strong one, is mutuality of interests. It is always helpful, of course, if we can invoke high principles such as shared values, etc. But the crucial element is commonality of interests. This can and ought to be done while maintaining our self-respect and dignity. Then there is the penchant for playing the leadership role. Fellow non-aligned, developing countries played on our weakness for leadership and we readily obliged, often alienating the very countries we needed at other fora. The urge to play a role on the world stage did not bring any leadership recognition from others and harmed our national interests.

One other conclusion we can draw is that we have to preserve flexibility in the management of our foreign relations so that we can take advantage of an opportunity that might suddenly present itself. For example, if it would suit our purpose to let some country try its hand in bringing down tension with our neighbours, we should welcome it instead of clinging to slogans of no outside interference, etc. Perhaps the most important lesson is that we must single-mindedly pursue policies, which will bring economic benefit to us. Given the hostile environment with which we are surrounded, we will have to maintain a strong defence capability, but even for that we need a strong economy. A robust economy is imperative to deter potential trouble from across our borders as also to realise the vision of eliminating poverty from our country. Diplomacy can play a big part in this campaign.

(The writer is a former Permanent Representative of India to the United Nations and U.N. Special Coordinator for Gaza.)

THE HINDU  
2 MAY 2002

HQ-10

## GLOBAL ECONOMIC RECOVERY

20/4

THE INTERNATIONAL MONETARY Fund's forecasts of global economic growth, put out twice a year in the World Economic Outlook, have rarely turned out to be very accurate estimates. But the forecasts contained in the April 2002 edition of the WEO are of particular interest since there are signs that the global downturn is ending much earlier than expected. This is good news for India since the slowdown in the international economy has been blamed for the sharp deceleration in export growth during much of 2001-02 and even the official projections for the current financial year have been of a low growth.

Six months ago, when the WEO made its forecasts in October 2001, the IMF had predicted that the U.S. economy would grow in 2002 by a mere 0.7 per cent, but it is now confident that growth would be 2.3 per cent and accelerate to over 3 per cent next year. The European Union will not witness a similar acceleration but since it did not experience a large deceleration last year this will not have a negative effect on overall growth. And while Japan is one large economy which is still expected to contract in 2002 the overall picture, driven by the U.S. recovery, is of global expansion of 2.8 per cent. This is only marginally higher than the 2001 growth rate of 2.6 per cent, but the comparison should be with what might have been if the U.S. economy had not recovered. The impact of this recovery on global trade is of a contraction in the volume of trade in 2001 turning into a modest expansion this year, which too would pick up in 2002. This will be welcomed by all developing countries, though their expected export growth of 4.8 per cent this year will still be far below the impressive 15 per cent expansion they registered in 2000. A larger question must be about the strength of the global upturn, since there have been other and more conservative forecasts which suggest that the recovery will be a weak

and short-lived one. While the IMF discounts such a possibility, it has highlighted three possible weaknesses. The first is the high levels of household and corporate debt that are still present in the U.S., the second is the huge current account deficit of the U.S. (which could have its own implications for the U.S. dollar) and third, perhaps the biggest threat given the present political situation in West Asia, the price of oil. The WEO suggests that every \$5 increase in the international price of a barrel of oil will result in 0.3 percentage points being shaven off the global economic growth rate. Considering that the present global price of oil has already crossed \$26 a barrel, while the IMF's estimates are based on a price of just \$23, a continuation of the bloodshed in Palestine holds the real threat of nipping the global recovery in the bud.

As in the recent past, China and India are seen as holding up overall growth although based on the valuation of their GDP on market exchange rates their weight in the world economy is not large enough to make a difference. The picture is different when GDP is measured on a purchasing power parity basis, which considerably boosts the size of both economies. However, the key issue here is the reliability of the estimates and of the quality of growth as well. The weakness of Chinese economic data is increasingly become apparent, while in India's case it is a question of the authenticity of growth estimates based on service sector expansion. The WEO has made a more cautious assessment of India's fortunes in 2002, placing growth at just 5.5 per cent as against the optimistic prediction of 6 per cent made recently by the Asian Development Bank. But if there is some degree of accuracy in the IMF's forecasts of GDP growth of the advanced countries, the estimates for India — which are essentially extrapolations of the official Indian data — are much less so.

THE HINDU

23 APR 2002

# Ban battlefield nuclear weapons

By R. Rajaraman

**T**HE NOTION of using tactical nuclear weapons as just another piece of arsenal in waging war, rather than as a deterrent against nuclear attacks, has started rearing its head again. During the Afghan offensive, the U.S. Defence Secretary, Donald Rumsfeld, when asked whether the U.S. planned to use tactical nuclear weapons to "flush out" the Taliban and Al-Qaeda members from their shelters, would not rule out such contingency plans. In the event, no nuclear weapons were used in Afghanistan, but one cannot remain sanguine about the prospects of such reticence in future conflicts if one goes by the recent disclosures of a "Nuclear Posture Review" document prepared by the Pentagon. The document reportedly recommends contingency plans to use tactical nuclear weapons not just in retaliation against biological or chemical weapons but even in the event of surprising military developments. Stronger, nuclear tipped earth-penetrating weapons are also on the anvil. In the words of a nuclear arms expert, all this "makes nuclear weapons a tool for fighting a war rather than deterring it".

It is vital to register strong worldwide opposition to the use of such weapons. In countries fortunate enough not to possess them already, such as India and Pakistan, there should be a mutually agreed ban on their development.

At first sight, a call for opposing the less potent tactical weapons may seem silly in a world which already has loads of giant nuclear bombs going up to the multi-megaton range. Historically, the branching out of weapon builders into smaller tactical bombs has taken place relatively unopposed. As the initial arsenal of 15-20 kiloton fission bombs of the type used in Hiroshima gradually grew to include "hydrogen" (fusion) bombs running into megatons in TNT equivalent, each stage of this growth was met with alarm and protest by anti-nuclear activists. But somewhere along the line started a parallel development of smaller "tactical" nuclear

weapons, originally intended for use in Europe should conflicts flare up between the NATO and Soviet blocs, far away from the Cold War principals. Advocates of such battlefield nuclear weapons argue that with their relatively low yield they need not be viewed as such horrendous things since they would not cause significantly more damage than a barrage of giant conventional bombs.

But there are very sound reasons for vigilantly opposing these battle-

these countries used a nuclear bomb even once.

There were a variety of different reasons behind each of these examples of abstinence from using nuclear weapons. But one major common factor contributing to all of them has been an ingrained terror of nuclear devastation. The well documented images of Hiroshima and Nagasaki, the awesome photographs of giant mushroom clouds emerging from nuclear tests in the Pacific and the nu-

***Whatever military advantage tactical sub-kiloton weapons may offer, it is not worth the price of destroying the time-tested psychological barrier blocking the road to nuclear holocaust.***

field nuclear weapons which pose a grave danger of a different sort, no matter how low their yield. That danger stems from opening, after a very long gap, the nuclear Pandora's box. It should be remembered that subsequent to the two atom bombs dropped on Japan in rapid succession at the end of World War II, there has been no known incidence of nuclear weapon usage except for tests. This despite the fact that the nuclear arsenals have grown from a handful of weapons in the hands of the Americans to tens of thousands of far more powerful bombs spread among a half a dozen countries. It is not as if there has been a shortage of major conflicts involving countries possessing nuclear weapons. We have had, among others, the Korean War, the Vietnam war, the Soviet war in Afghanistan, the Iraqi war, the Sino-Soviet border skirmishes and most pertinently for us, the Kargil conflict. Some of these were long drawn out wars with heavy casualties. The U.S. in Vietnam and the Soviets in Afghanistan had to bear the ignominy of losing the wars to smaller and technologically less developed antagonists. One might have imagined that under such severe circumstances nations would employ all available weapons in their power to turn defeat into victory. Yet, none of

merous movies based on nuclear Armageddon scenarios have all contributed to building up a deep rooted fear of nuclear weapons. This is not limited just to the abhorrence felt by anti-nuclear activists. It permeates to one extent or another the psyche of all but the most pathological of fanatics. It colours the calculations, even if not decisively, of the most hardened of military strategists. The unacceptability of nuclear devastation is the backbone of all deterrence strategies. There is not just a fear of being attacked oneself, but also a strong mental barrier against actually initiating nuclear attacks on enemy populations, no matter how much they may be contemplated in war games and strategies. As a result a taboo has tacitly evolved over the decades preventing nations, at least so far, from actually pressing the nuclear button even in the face of serious military crises.

It is this taboo which will be broken if battlefield nuclear weapons, however small, begin to be used. Once the line dividing nuclear weapons and conventional bombs is crossed, it will become acceptable to use "baby nukes" and the radiation deaths that go with it. A gradual erosion of the feeling of abhorrence against nuclear weapons is bound to occur. The use of

a sub-kilaton artillery shell in battle by one country will elicit a similar response with possibly a heavier yield weapon, if not in the same war, somewhere else. The ante will keep going up till eventually the use of bigger multi-kilaton and megaton weapons would be contemplated more seriously as realistic military alternatives. The single largest universal deterrent against nuclear holocaust will be lost forever.

In India tactical nuclear artillery has presumably not yet been assembled let alone deployed, despite the inclusion of sub-kiloton devices in the Pokhran tests. Now is the time to firmly oppose their production, no matter how strong the military argument for their use in the battlefield. The Indian Nuclear Doctrine declares a No-First-Use policy and claims that the sole purpose of our nuclear arsenal is to deter the other side by the threat of unacceptable retaliatory damage. Such deterrence does not require battlefield nuclear weapons.

Tactical nuclear weapons also bring with them more difficult problems of command and control. Their control will necessarily have to be less centralised than for the strategic weapons, particularly during wartime. Or else they will lose their operational value in the battlefield. With such unavoidably looser control and broader distribution, all the risks of inadvertent, hasty or unnecessary firing attendant with strategic weapons become further multiplied for tactical weapons. So does the risk of pilferage by terrorists or other non-state actors. Smaller than heavy-duty nuclear bombs, nuclear artillery shells would be easier to steal, hide and fire on the target.

It is best not to cross the *Lakshman Rekha* separating nuclear weapons from conventional arms. Whatever military advantage tactical sub-kiloton weapons may offer, it is not worth the price of destroying the time-tested psychological barrier blocking the road to nuclear holocaust.

(The writer is Professor of Theoretical Physics, JNU.)

20 APR 2002

THE HINDU

# G7 says recovery taking hold, oil remains a risk

Reuters

WASHINGTON, 21 APRIL 5

Finance chiefs from the world's wealthy nations on Saturday agreed that a global economic recovery is taking hold as they unveiled a plan for heading off debt crises like the one crippling Argentina.

In a closing statement stressing determination to clamp down on groups that fund attacks such as those that leveled the World Trade Center and damaged the Pentagon, Group of Seven finance chiefs vowed to do whatever is necessary to sustain a pickup in activity in the face of risks like costlier energy.

But the unity they strove to present was marred over the course of the meeting by public displeasure from European officials over hefty US steel duties. Europe has put the wheels in motion for retaliation against some US goods.

"Economic recovery from the slow-

down is under way, supported by appropriate and proactive macroeconomic policies that were in part a response to the tragic events of September 11, but downside risks remain, including those arising from oil markets," the one-page communique said.

World oil prices have surged in recent months, largely because of the turmoil in the Middle East. A continuing rise could send costs and prices higher in the industrial economies of the G7 — the US, Britain, Canada, France, Germany, Italy and Japan.

European officials still were simmering after the meeting about trade issues, specifically US steel import tariffs.

Spain's Rodrigo Rato, current chairman of the Euro Group of finance ministers, said Europe pressed its point that America's steel duties could hurt recovery hopes. "Conflicts between countries, not least between the US and EU, are important not just to us but to the world

economy," he said.

The three-hour meeting took place in a heavily guarded US Treasury Department behind steel barricades manned by hundreds of police. As officials mulled the economic future, tens of thousands of protesters marched peacefully through nearby streets, raising their voices against everything from globalisation to Israeli military actions in the West Bank.

But attention inside the meeting focused on other kinds of crises. The G7 ministers said that, in future, agreements by emerging market countries to borrow money should include debt restructuring provisions that will clarify what happens if payment problems arise. This was represented at least a partial victory for US officials who have been pushing for a "market-based approach" to handle economic difficulties more smoothly in future than has been the case with Argentina, which

continues in social chaos as it desperately seeks new loans.

After the G7 finance ministers' meeting wrapped up, the IMF held its semi-annual gathering nearby, where the new G7 action plan was likely more fully discussed. Argentina also was expected to press its case for renewed loans from the IMF.

US treasury secretary Paul O'Neill, host of the G7 ministers' meeting, said that Argentina "is still a key concern" and urged authorities to work with the IMF to craft a comprehensive and workable reform plan.

At a media briefing, he said the G7 wanted to "move from reacting to crises with repair efforts to a world in which all nations have investment-grade sovereign debt." Investment-grade ratings make countries more attractive to investors.

The US treasury chief said there was no talk of currency values at the

G7 session, and drew laughs when he said European participants did not raise the issue of America's big current-account gap, which some say is a potential danger if other nations begin investing less in the US.

But France's finance minister Laurent Fabius said later the big US deficit on current account—the broadest measure of trade since it includes not only goods but also flows of capital—was indeed a concern.

"There are clearly positive signs of an economic recovery in the United States, but the imbalances in its current account are worrying, and they should be addressed soon," Fabius said.

Any change in US prospects that made its markets less attractive to foreigners seeking good investment returns could lead to swift and unsettling swings in the relative value of currencies that would be upsetting to the whole G7 group.

# G-7 seeks cooperation on terror funds

ASSOCIATED PRESS

WASHINGTON, April 20. — The world's top economic powers, confidently predicting that the global economy was on the mend, agreed today on better cooperation to choke off terrorists' financing.

They also released a plan to improve the handling of international bankruptcy cases such as Argentina's massive debt default.

Finance official from the USA, Japan, Germany, France, Britain, Italy and

Canada said in a joint statement that they were optimistic that last year's global slowdown, the worst in a decade, had ended.

"Economic recovery from the slowdown is under way," said the officials from the seven wealthy nations. They said they found "prospects for the global economy more positive than a few months ago." The statement was issued after morning discussions led by US treasury secretary Mr Paul O'Neill and federal reserve chairman Mr Greenspan.

Outside the IMF and World

Bank buildings, scores of officers stood guard behind waist-high metal barricades near large black bags containing riot gear. All around the capital, thousands of protesters rallied peacefully against USA policy in the West Asia, Afghanistan and Colombia.

A 21-year-old student at Ohio-Wesleyan College, said: "We're all working under the same banner of pro-choice, pro-environment, pro-worker and pro-women. There is just diversity of tactics and viewpoints here." There were no

reported incidents.

The group said for the first time that it would make a joint designation of terrorist financing sources rather than just following the lead of USA authorities. They said there were growing signs of an economic recovery, but that "downside risks" remain.

They cited the recent surge in oil prices and the economic crisis in Argentina, which was forced in December to default on its massive \$141 billion foreign debt, the biggest state default ever.

■ Another report on page 12

2 APR 2002

11:20 AM

**GLOBAL ECONOMY / EVIDENCE OF RECOVERY**

*W. Affairs*

# Growth hopes soar as key signs sparkle

*HD-15*  
*10/3*

**FRANKFURT, MARCH 9.** Global growth hopes capped an upbeat week with more good news on Friday which, putting U.S. steel tariffs aside, adds up to a decisive recovery.

A closely watched barometer of the world business cycle from the OECD jumped in January for the third straight month, while February employment in the U.S. rose for the first time in seven months.

Investors endorsed the news with a fresh rally on Wall Street, advancing gains made in world stock markets as the mood brightened and chimed with assurances from both the Federal Reserve and European Central Bank that growth was on the mend.

"This week has provided clear-cut evidence (of recovery). It was also the week in which investors began to believe their own economists," said Michael Saunders, chief European economist at Schroder Salomon Smith Barney in London.

The Tuesday decision of U.S. President George W. Bush to im-

pose tariffs of up to 30 per cent on a range of steel imports may have sparked fears of an escalation into a full-blown trade war. But the story told by the data was altogether upbeat. In Paris, the Organisation for Economic Cooperation and Development (OECD) said its composite leading indicator for the OECD area rose to 114.5 in January from 113.4 in December, and 111.1 in October last after the air attacks in the U.S.

In Washington, the Labour Department said U.S. unemployment shrank to 5.5 per cent last month from 5.6 per cent in January.

Japan's economy continued to shrink, data released on Friday showed, but Economy Minister, Heizo Takenaka, said the economy probably turned the corner in the fourth quarter.

"I am encouraged by unfolding events, no doubt about it," said Joseph Quinlan at Morgan Stanley in New York, although he warned firms still faced a tough profit environment and stronger end-demand would be

needed to complete the recovery picture.

Buy buy buy this has not deterred investors. The CBR (Commodity Research Bureau) index hit a six-month high this week, money flooded into U.S. junk bonds and stock markets around the world took heart. This saw the MSCI all world free equity index post a 5.5 per cent gain in five days to Thursday, just the sixth time since 1991 that equities have moved so strongly ahead on this measure.

"The recent evidence increasingly suggests that an economic expansion is already well under way, although an array of influences unique to this business cycle seem likely to moderate its speed," Federal Reserve chairman, Alan Greenspan, said on Thursday.

The European Central Bank president, Wim Duisenberg, also speaking on Thursday, delivered a similar message: "While the strength of the recovery remains uncertain there are good reasons to expect a return of economic growth to levels in line

with potential towards the end of the year". Since then the news has got better, with the OECD index taken as a particularly strong signal for a rebound.

"The indications from the industrial side of the economy are for a profoundly strong recovery," said economist Neville Hill at CSFB in London. The CSFB estimated that the numbers, if annualised, would add up to a 10 per cent rebound in U.S. manufacturing, the strongest since 1983, and a gain of well over 5 per cent in Europe.

Markets use these polls to predict changes in the business cycle between three and six months down the line and the OECD's work has a good track record for getting it right.

In the U.S., the jump was even more pronounced at 118.1 in January from 115.9 in the previous month, while in the 12 nation Eurozone the index rose to 112.1 from 111.4. The CSFB had forecast the indicator to rise by one per cent for the OECD area and by 1.4 per cent for the U.S. — Reuters

THE HINDU

10 MAR 2002



# GLOBAL QUESTIONS-II

## Between The Individual And The Society

By DIPAK BASU

W. A. Thomas

5/16 19/2  
**M**ultinational companies, particularly in the developed countries, face conflicts with the trade unions as well as the organised labour force who consider them as agents destroying the welfare state by reducing autonomy of the host governments. In the developing countries, however, where both the governments and trade union movements are weak, multinational companies face difficulties only in certain countries or in certain parts of the country. It is quite normal to expect that the host governments will use force to destroy any opposition to the multinational companies.

### Sustainability

Relaxed labour laws and environmental regulations in the developing countries are some of the most important attractions for multinational companies. The globalisation process is intensifying these tendencies to undermine labour and trade union rights in the developing countries in their drive to attract foreign investments when they are all trying to be like China, where no rights of the labour or trade union exist.

The crucial question is whether the new system is sustainable and, if not, what system may emerge. If a new system of economic management is not rooted in the cultural values of the recipient country or if because of its cultural characteristics, the recipient country cannot adjust to the new reality, the new economic system will fail. An organisation is successful if it gives rise to an organisational culture, which is embodied in the national culture of the country in which the organisation exists.

The philosophical basis of the globalisation process is the philosophy of capitalism, i.e., the utilitarianism of Bentham, James Mill, John Stuart Mill and other 18th and 19th century writers. The idea is that maximisation of self-interest is the virtue. Individuals, while maximising their own interests, maximise the combined social welfare of the society; the process was explained as the "invisible hands of the market" by Adam Smith.

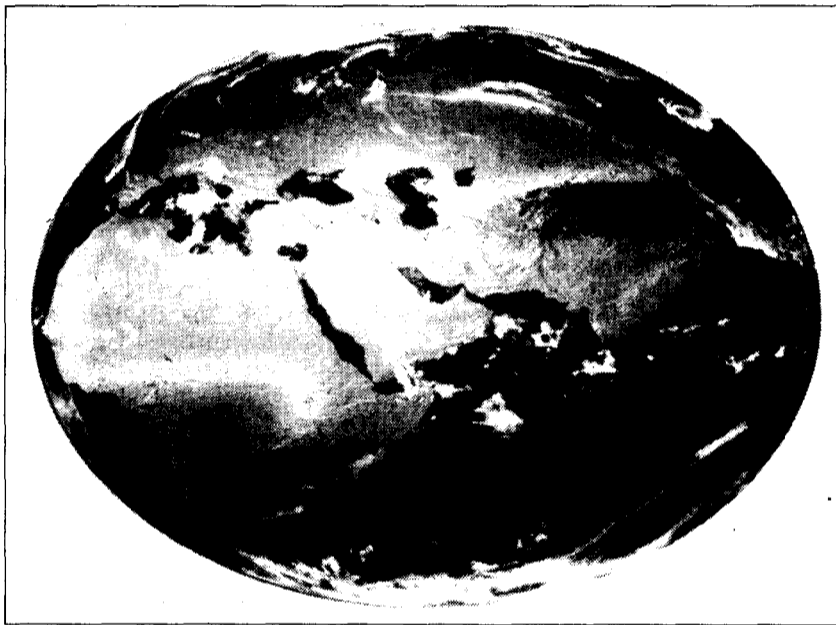
All human actions are based on self-preservation and self-interest. Selfishness is a virtue which brings economic prosperity. In the pursuit of profit maximisation, producers allocate resources only to satisfy demands so as to use the most efficient production system and minimise cost. Consumers are satisfied to receive high quality goods at the lowest cost. Because economic growth depends

on acquisitive actions, self-serving behaviour is justified. To enhance economic growth, the state should intervene as little as possible restricting itself to the defence and judicial system leaving everything else to the spirit of free enterprise.

This doctrine of "laissez-faire" was

of the national governments. For a poor country, the number of these rejected people can go on increasing thus producing a growing army of the so-called "underclass" who exist in large numbers even in the developed countries.

Although India and the developing world along with the former socialist



propagated by the originators of modern western economists, David Ricardo and JB Say and further decorated, using mathematical tools, by Jevons, Marshall, Knight and Walras and very recently by Milton Friedman or Robert Lucas. The argument remains the same although the society has changed and "perfect competition" imagined by Adam Smith is not a reality in the days of monopolistic market of large multinational corporations. The idea is that capitalism, left to itself, can recover from any crisis and any public intervention can only make things worse. Thus any public actions are nothing but distortions of the system which must be minimised.

### Cultural basis

The task of the market is to satisfy demand which can only be created by people who can afford to create demand. Those who cannot are rejected by the market. As prices are determined by the monopolistic multinational companies, the number of people rejected by the system cannot be determined by the policies

countries since 1991 have adopted these ethics, whether the society and its cultural basis in those countries can accept them is questionable.

In India, for example, the idea of Bentham was known to Raja Ram Mohan Roy, father of the Indian renaissance in the 19th century, but was ignored. Whether the doctrine of selfishness as a virtue can be acceptable to Indian culture, which is based renunciation and selfless work, is debatable. The principal contradiction of human life is that between the individual and the society. The law for humanity is to pursue its upward evolution towards the expression of the "divine" in mankind.

In order to achieve this ideal state, one must, according to Vivekananda, understand the causes of the downfall of the colonised world. The causes are perversion of religion, tyranny towards the masses, absence of proper education, underestimating the role of the women and physical and spiritual weakness. Down the centuries, the rulers and the dominant castes neglected the interests

of the simple people and that was one of the greatest social evils. Without support of the lower class, there should be no question of serious reforms. Highly developed production and material well-being cannot by themselves make men happy if their "spiritual civilisation" is low.

### Contradictions

In the West, men are only capable of seeing the external aspects of things. In capitalism wealth is concentrated in the hands of the few. The dominion of the capitalist class today is justified in the name of economic growth and production efficiency. The resultant deprivations are visible even in the developed countries. In the United States, about 12 million people are homeless, one third of the people cannot afford primary health care, 20 per cent of the children live below the poverty line, about 23 per cent of the people are illiterate with no security of either job or of life.

Thus, capitalism has so far failed to maximise social welfare through the maximisation of individual profit. The resultant discontent will grow substantially due to the globalisation process. Changes occur in society because of contradictions in prevailing ideology, in its social, economic and political order. These contradictions arise from hostilities between the social classes. Globalisation can only intensify these contradictions.

Humanistic aspects of any national culture, i.e., renunciation, selfless work, sacrifice, work without any attachments to the results does not correspond to the acquisitive consumerism glorified by the globalisation process which in the developing countries is recreating some of the nightmares of the last century. Due to free trade, India's manufacturing industries during the 18th and 19th century were destroyed. New industries could not flourish. Agriculture in India during the 19th century was ruined due to pressure of imports and fiscal burdens imposed by the colonial government. Famine used to be the order of the day. The situation was the same in other parts of the colonised world.

There are already signs of decline in both agriculture and industry in the developing world due to the globalisation process. Oppressions during the 19th century gave rise to the freedom struggles during the 20th century. The oppressive forces of the globalisation process may create a similar revolt in emerging market economies.

(Concluded)

100 years ago

THE STATESMAN

# GLOBAL QUESTIONS-I

## Multinationals As Agents Of Home Countries

By DIPAK BASU

**G**lobalisation" stands for the ultimate right of multinational companies to allocate resources according to their own criteria of efficiency which may or may not correspond to the national culture of the countries in which they are operating. European multinational companies in the 18th century created European empires. Hudson Bay Company in north America, Dutch East India Company in Indonesia, British East India Company in China and India, Cecil Rhodes mining company in Africa, Anglo-American oil company in the Middle East are some of the examples how the multinational companies have helped their respective governments gain colonies which are now called the "developing countries".

### New economic order

That type of "globalisation" was halted only when after the Second World War, the Soviet Union became the victorious power in Europe and a large number of colonies became independent. An alternative and very successful strategy of economic development, "planned economy", has become the model for the newly independent countries. When the power of the Soviet Union was at its zenith during the 1970s, the developing countries asserted themselves to implement a "new international economic order" so that they could reverse the adverse terms of trade of their exports, which was maintained historically by the developed countries as the source of exploitation.

However, with the demise of the Soviet Union, the power of the so-called "Group of 88" developing countries had disappeared and it was possible for the developed countries to impose a very new international economic order through the all-powerful international organisations, the World Trade Organisation, the World Bank and the International Monetary Fund. The so-called "new order" or "globalisation" means re-establishment of the old order that used to prevail before 1945.

During the colonial period, before the Second World War, the relationship between the multinational companies and the host governments was that between agents of the oppressor and the oppressed. The multinational companies seek new markets to increase their profits and enlarge their scope of investments of surplus capital. The doctrine of free trade was used to justify that aim so that host countries will accept domination of their sovereign rights in exchange for economic growth, which may never occur. State power was used to provide security of interests of the multinational companies, which eventually resulted in imperial conquests. The interests of the multinational companies and their governments were identical in exploiting these colonised countries. The

effects of these investments on colonial economies were initially social and economic upheaval, destruction of domestic industries and in some cases great famines and catastrophes. At the same time, some parts of the host countries, particularly in the coastal areas, benefited from their subscription to the global economy controlled by the great colonial powers.

### Neo-colonial phenomenon

Given that history it was not surprising that after the Second World War, most developing countries considered multinational investments as instruments of neo-colonialism and have tried to develop series of regulations to restrict their power and intrusion in their domestic economy. However, economic interests of the growing middle class in the developing countries, particularly in East Asia and Latin America, collude with the international interests of the multinational companies. The result is that gradually developing countries have accepted multinational companies as a source of investments and started creating conditions hospitable for them.

This tendency has become most prominent since the mid-1980s owing to two major factors. The rapid development of East Asian countries, including China, are mainly due to foreign investments.

The negotiations of Gatt and instructions from the IMF and World Bank have created enormous pressures, both intellectual and economic, on the developing countries to accept capitalism and globalisation and to remove obstacles for foreign investments. Individual developed countries also have created economic



pressure to facilitate entry of their multinational companies. As a result, now developing countries are competing for foreign investment and offering more attractive terms, which they do not even offer to their own domestic companies.

In several developing countries, Europeans and North Americans intervened militarily over many decades to assert the property rights of their multinational companies. Encouragement given by the United States in Chile in 1973 to destroy the government of Allende when he nationalised the copper mines, the Anglo-French invasion of Egypt in 1956 when Nasser nationalised the Suez canal or the coup organised by Britain and the United States in Iran in 1953 to destroy the government of Mossadeg when he nationalised the oil fields are some examples. Currently developed countries withhold economic assistance and prohibit economic aid from multinational agencies if a country does not protect the property rights of the multinationals or creates entry barriers.

Multinational companies also work as agents of the home countries. The US government forbids American companies to do business with Cuba, Libya, North Korea and India-Pakistan (the restrictions were for military-industrial companies and the related research institutes

but not for all companies) and extends these rules to companies originating in foreign countries if they want to do business in the USA. Multinational companies, particularly in many developing countries, are considered to be the symbol of the modern world. Penetration of foreign and alien culture can have devastating effects. Examples from Thailand and Latin America show the social and moral destruction caused by the foreign culture spread by multinational business organisations. Multinational companies in the developing countries frequently manipulate not only government decisions but also the broader political process. Corruption and attempts to manipulate regulations on the environment and tax evasions normally include manipulation of the political system.

### Patent law

Recently with the emergence of a corporate sector in developing countries, rivalry between multinational companies and the domestic corporate sector has become an important issue. Host governments, in order to attract foreign investment, relax rules only for the multinationals which obtain sovereign guarantees on their rate of profits, labour management, taxation and international transactions, which are denied to domestic firms. Quite often host governments, under pressure from international financial organisations, World Bank in particular, denies government contracts to domestic firms. Recent modifications of the international patent laws, originating from the World Trade Organisation, particularly prohibit domestic firms from producing independently without any collaboration with the multinational companies.

The problem is now acute in the pharmaceutical industries in particular. In India in 1995 the government under pressure from the multinational companies closed down public sector pharmaceutical firms and forced other private sector pharmaceutical companies to collaborate with the multinational companies. In Brazil, Mexico and Argentina, multinational pharmaceutical companies were successful in collaborating with the host government of these countries in destroying sophisticated and profitable pharmaceutical industries and research organisations. These conflicts with domestic firms will be more acute when the laws of the World Trade Organisation are implemented and most domestic firms in the developing countries will have to forgo their independent existence.

(To be concluded)

The author belongs to the faculty of Economics at Nagasaki University, Japan.

THE STATESMAN

FD-12  
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## The phenomenon of Porto Alegre *W. Afzans*

By C. Rammanohar Reddy

**PORTO ALEGRE, FEB. 5.** The World Social Forum, the "alternative Davos," which ended here today, turned out to be a phenomenon exceeding the most optimistic expectations of the organisers and the delegates.

In only its second year, the WSF attracted 15,200 delegates from 4,900 NGOs, trade unions and social movements in 119 countries. "We knew we would have a better response than the 5,000 delegates who came to the first forum last year, but we did not expect such enthusiasm," said a member of the Brazilian organising committee who, like everyone else, was surprised by the response to the forum. The tens of thousands of students, political workers, artists, street performers and curious residents of Porto Alegre who visited the venue gave the forum a carnival atmosphere, which few international conferences would be able to match.

The substantive work of the forum took place at the 28 conferences, 100 seminars and 800 workshops that discussed an array of social, political and economic issues and displayed

successful experiments from around the world that gave teeth to the conference slogan, "Another World is Possible." The loosely organised structure of the WSF gave participating organisations the freedom to formulate the national and global topics they wanted to discuss in the workshops. A Parliamentarians' Forum and an international Youth Camp were two of many parallel events held around the city. The organisers said today that altogether 51,000 people participated in one form or the other in the WSF.

"Porto Alegre has shown that doubts expressed about the future of the global peoples movement after September 11 were misplaced. The movement is not just alive, it is growing," said a Brazilian delegate, Roberto Oliviera. In keeping with its carnival mood, the WSF ended in a music-filled ceremony which had about 4,000 people collecting in a cavernous hall and cheering speakers from around the world who said that the WSF was now both an institution and a movement. The third WSF will be held, also in Porto Alegre, in February 2003.

THE HINDU

6 FEB 2002

# Crack in terror war consensus

*To 9 9/12 W. Afghanistan*

**Munich, Feb. 3 (Reuters):** Russia laid bare its differences with the US over the war on terrorism today, challenging President George W. Bush's attack on the "axis of evil" and accusing the West of double standards.

The cracks emerged at a security conference in Munich over the weekend as Washington, ratcheting up its rhetoric against Iraq and Iran, signalled it could take pre-emptive action.

US deputy defence secretary Paul Wolfowitz told the meeting yesterday that countries tolerating terrorism would be held to account and referred to the State of the Union address last week in which Bush described Iraq, Iran and North Korea as an "axis of evil" seeking weapons of mass destruction.

But Russia, which has better relations with all three, insists the US-led campaign against terrorism in Afghanistan must not be expanded to other countries and has been increasingly irritated by the American sabre-rattling.

Russian defence minister Sergei Ivanov, in a blunt rebuff, told Wolfowitz and the other delegates today there was no evidence that Iran had connections with terrorist organisations.

And he said Russia had its own list of "rogue states", naming US ally Saudi Arabia, which Moscow says helps fund Chechen separatists fighting its own troops: "Not many people in the West like the fact that we have some commercial ties with the countries which you describe as rogue states,"

Ivanov said.

"Well, we don't like...some of your allies like Saudi Arabia or Gulf states who give finance to terrorist organisations."

A Russian deal to build Iran a nuclear power station has been a regular target of criticism from Washington.

Ivanov also accused the West of "double standards" for failing to condemn the Chechens as "terrorists" with the same vigour as they pursue Osama bin Laden and his al Qaida network.

He warned that disagreements over who was counted a terrorist could undermine the US-led coalition Russia has joined against the Islamists that the US blames for the September 11 attacks on New York and Washington.

"What is our greatest concern today is the existence till the present time of double political standards with regard to separatism, religious extremism and fanaticism," Ivanov said.

Analysts say some US policymakers, notably the hawkish Wolfowitz, may want to exploit the political momentum at home generated by outrage over the attacks to strike a decisive blow against Iraqi President Saddam Hussein.

But Wolfowitz told reporters yesterday that his comments did not mean the US was about to strike Iraq.

The security conference came ahead of a meeting in Rome on Monday between Nato allies and Russia to discuss terrorism.

THE TELEGRAPH

4 Feb 2002

# US move to go alone in terror war riles allies

AGENCIES

MUNICH/BEIJING, FEBRUARY 3

THE US presented its hardline in the war on terrorism at an international security conference in Germany this weekend but there were reservations from Russia, and even from some western allies.

US Deputy Secretary of Defence Paul Wolfowitz warned European allies yesterday the US was ready to act outside traditional alliances in its fight against terror — and hinted it would take a dim view of anyone who tried to sit on the fence.

“Our approach has to aim at prevention and not merely punishment,” he told the 43-nation conference in Munich, in a reference to US President George W. Bush’s description of Iran, Iraq and North Korea as an “axis of evil.”

Karl Lamers, a German Conservative Opposition official summed up European concern when he said: “It cannot be that you decide and we follow.” German Defence Minister Rudolf Scharping said that he favoured a political solution in the anti-terrorist fight against Iraq rather than the military option towards which the Ameri-

cans seem to be edging.

Meanwhile, China said Bush’s comments suggested the US was preparing the ground for widening its “war on terrorism”. A strongly-worded commentary, carried by the official Xinhua news agency less than three weeks before a planned Bush trip to Beijing to meet Chinese President Jiang Zemin, said no such axis existed between the three Asian nations.

“No small number of people

suspect that by labelling Iran, Iraq and North Korea as an “axis of evil” the US seeks to prepare people for possible strikes against those coun-

tries under the banner of anti-terrorism,” the article said.

In Munich, Russian Defence Minister Sergey Ivanov voiced his country’s support for the US war on terrorism and denied Moscow was selling missile technology to Iran. “Russia has openly and directly supported the international anti-terrorist campaign,” said Ivanov in a speech at the security conference.

Ivanov, however, said Russia disagreed with the US view on Iraq, Iran and North Korea as an “axis of evil” and said many states were a problem when it came to proliferation of weapons of mass destruction and support for terrorists.

## MUNICH MEET

NDIAN EXPRESS:

4 FEB 2002

# Budget-making with a difference

By C. Rammanohar Reddy

**PORTO ALEGRE, FEB. 3.** The host city of the World Social Forum can boast of putting into practice the conference slogan of "Another world is possible." A participatory budget process that has been in place since 1990 has given residents the opportunity to influence the local government's spending priorities and the result in the form of better roads, schooling, housing and sanitation are there to see.

This success story of Porto Alegre has attracted considerable attention at the forum where it has been a major theme for discussion.

At one seminar yesterday, local councillor B. D'Souza proudly said "the participatory system shows it is possible to have a social organisation in which people decide on the quality of their lives." The process, initiated soon after the left Workers Party of Brazil came to

power in this city of 1.3 million people, has citizens in each municipal ward electing delegates who draw up the area's priorities in civic life. There are also town-hall meetings in which residents express their preferences.

The local government does not have the power to over-rule the priorities drawn up by the residents, but it does add its own criteria like investments which have an impact on more than one area and the quality of existing infrastructure.

The participatory process is focussed on government expenditure in the social and cultural areas and the execution of the projects is the job of the local government.

Peoples' participation does not extend to decisions on taxation, but Francois Polet, a researcher who has been studying the participatory system, says that the local government has mobilised considerable funds

with progressive taxation of real estate. After a decade of the participatory budget system, according to local officials, there has been better utilisation of funds, a narrowing of differences between different parts of the city in the availability of facilities and an overall improvement in social infrastructure

4 FEB 2002

WORLD SOCIAL FORUM / MEET ON ALTERNATIVES

487 HD-10 W. Sharma  
**'Another world possible'**

By C. Rammanohar Reddy

**PORTO ALEGRE (BRAZIL), FEB. 2.** More than 5,000 km from the World Economic Forum meeting in New York, a very different global forum began its work in this southern Brazilian city on Friday with about 10,000 delegates meeting to outline that "another world is possible" — the theme of the World Social Forum which in just its second year, has already acquired the status of a global meeting point for serious discussion of economic, social and political alternatives.

The WSF II will see more than 100 seminars and 700 workshops until Feb. 5 in which delegates from close to 1,000 organisations from around the world will deliberate on wide-ranging issues like controls on financial capital, food security, social movements, and the free software movement.

In the era after the Afghanistan war, "Is a World without Wars Possible" is another conference topic that has attracted wide interest. The delegates to the WSF include grass-root workers, political activists and

academicians from all fields. Representatives of Governments are welcome as observers but the forum's charter forbids their active participation, which was why both Fidel Castro of Cuba and Guy Verhofstadt, the Prime Minister of Belgium, who wanted to attend, were asked to stay away.

The idea of the WSF emerged in the late Nineties, as a counter to the WEF meet, and as in 2001, the forum this year will run alongside its "rival" in New York. The WSF has been organised by a clutch of Brazilian civil society organisations with the support of the city and State Governments, both of which are run by the Workers' Party of Brazil. In 2001, participation at the WSF was largely from South America and west Europe. This year, the largest bloc is still from South America, but participation from North America and Asia is very visible though there is still only a sprinkling of delegates from Africa.

Delegates bristle at the WSF being called the "anti-globalisation" meet. They argue that they are not meeting here to register protests but to work out

concrete proposals that will be superior to what will be floated at the New York meeting of the WEF. The contrast with global government meets or even high-profile private affairs like the WEF could not be more striking. Security at Porto Alegre is minimal even as there is little room for complaints about the organisation.

And countering the stereotype of violence that has been cast on such marches, a colourful and noisy but entirely peaceful march of 40,000 wound its way through the heart of Porto Alegre on Jan. 31 to mark the inauguration of the forum.

The only policemen en route were managing the traffic, shops remained open without fear of being attacked and no part of the city reported any violence.

The speed with which the WSF has attracted growing participation from around the world has persuaded the loosely structured forum to make it an annual affair.

A tentative proposal is to hold the 2004 event in India, with the 2003 meet remaining in Porto Alegre.

THE HINDU

3 FEB 2002

## Optimism on globalisation 'grows'

New York, Feb. 1. The largest-ever public opinion poll on globalisation, covering countries with 67 per cent of the world's population, shows that people increasingly favour economic globalisation, despite high expectations in some areas that will be difficult to satisfy. Citizens also have concerns about perceived damaging impacts of globalisation. Conducted in late 2001 as part of the first comprehensive global survey of the post-11 September world, the research reveals that the majority of people in most countries surveyed expect that more economic globalisation will be positive for themselves and their families.

Across the world, over six in 10 citizens see globalisation as beneficial, while one in five sees it as negative. It also showed that positive views of globalisation have grown over the past year.

Especially in North America and Europe. Citizens, especially those in poorer countries, have high expectations that globalisation will deliver benefits in a number of economic and non-economic areas.

However, citizens also believe that globalisation will worsen environmental problems and poverty in the world, and reduce the number of jobs in their country. Especially in G-7 countries, most citizens do not believe that poor countries benefit as much as rich countries from free trade and globalisation. However, the opposite is true in low GDP countries.

The World Economic Forum poll involved 25,000 in-person or telephone interviews across mainly "Group of 20" countries, and was conducted between October and December 2001 by respected research institutes in each participating country un-

der the leadership of Environics International

ltd of Toronto, Canada. Most people in 19 of 25 countries surveyed expect that more economic globalisation will be positive for themselves and their families.

Though a majority sees globalisation as positive, only one in seven is convinced of this.

97-12-22



# Focus on terror at Munich meet

Jay Raina  
New Delhi, January 29

A MULTI-LATERAL conference on security policy at Munich will be watched closely for possible Indo-Pak interaction on its sidelines. The three-day meeting beginning on February 1 is being attended by Pakistan's Foreign Minister Abdul Sattar and India's National Security Advisor Brajesh Mishra.

Pakistan has been invited to the annual event for the first time along with Australia and Singapore. Earlier, the guest list from Asia was restricted to India, Japan and China.

Mishra is on a week-long visit to France and United Kingdom before he attends the Munich security conference.

His first port of call will be Paris where he will co-chair the Indo-French Strategic Dialogue with his French counterpart, the French President's Special envoy, Gerard Errerra.

He is also expected to call on

## POWELL WORRIED OVER INDO-PAK TENSION

US SECRETARY of State Colin Powell has said the US is "actively involved" with India and Pakistan to find a solution to the prevailing tension that continues to "bubble".

"It is continuing to bubble, if not quite boil at the moment. I will not be comfortable until we have found a solution and we can start going down the escalation ladder, rather than just staying where we are on the escalation ladder. And I certainly don't want to see us go up any higher on that ladder," Powell said. On the Agni test-fire, he said: "It is a big deal in the



sense that with this level of tension, it might have been better not to have such an event."

PTI, Washington

President Jacques Chirac during his three-day Paris engagement.

The National Security Advisor will be in London for a day before returning home on February 5. His high-level meetings in London include discussions with David Manning, Principal For-

eign Policy Advisor to Prime Minister Tony Blair. The two were nominated earlier this year by the respective Prime Ministers of the two countries to carry forward Indo-British bilateral dialogue during Blair recent India visit.

Significantly, the thrust areas

of this year's Munich conference are to be centred around international terrorism and its global impact apart from Central Asia and several other international security issues.

Sources said that even as the Munich conference organised by an autonomous German Foundation has been an annual fixture over the last several years, this year's conclave assumes considerable significance against the backdrop of global war against terrorism.

Almost all the big powers will be represented by their high-profile Defence or Foreign Ministers besides leading security experts.

Sources said, at present, no formal meeting was scheduled between Mishra and Sattar since the conference is generally perceived as meeting of minds on international security affairs. But a chance encounter cannot be ruled out during their three-day long presence at the conference venue.

THE HINDUSTAN TIMES

30 JAN 2002

# A spontaneous consensus

**C**olin Powell visited New Delhi briefly early last week. L.K. Advani and George Fernandes have been in Washington. Indo-American relations are going through a critical phase in the context of the present state of tensions between India and Pakistan. The United States of America's policies towards the sub-continent would be a major factor influencing the developments in our part of the world. It is, therefore, pertinent to go beyond the policy orientations of the US and understand the collective mindset of basic motivations affecting US policies.

When there is a convergence in broad objectives, and parallelism in attitudes and policy orientations to meet them between nation-states and within their respective civil societies, observation and analysis have to focus on the psyche and the mindset, the undercurrents of evolving thought processes and attitudes governing their policies. The world is generally aware of the trauma generated by the terrorist attacks on the US in September, 2001. The international community is equally aware of the anti-terrorist policies generated by the tragedy. The manner in which the policies are being implemented to ensure domestic security in the US and to eradicate international terrorism outside the US, is also a matter of public knowledge.

A matter of deeper interest should be the manner in which public opinion and collective attitudes have changed inside the US, and the impact that these changes would have on US foreign policy and domestic political trends. These phenomena were brought into focus for me as I travelled through the US for a month between mid-December 2001 and mid-January 2002. As most of my travels were in south-central and western US, away from the eastern states of the country, I presume to claim that my perceptions are based on the views and attitudes of the Americans living away from the direct impact of governmental thinking and the influence of the traditional establishment of that country.

**F**irst the impact on the domestic front within the US; the foremost element in this impact is the feeling of vulnerability in terms of domestic security. The collective self-confidence in the American people about "Fortress America" stands eroded. Continental US, surrounded by oceans on the east and west and by friendly neighbours to the north and south, coming under direct attack, was not just unexpected, but an unthinkable prospect. The September 11 terrorist attacks in New York and Washington

The author is former foreign secretary of India

were the first attacks to occur within the continental territory of the US after 1812, when British forces briefly captured Washington. Though the US participated in many wars and faced the surprise bombing of Pearl Harbour in Hawaii in 1941, this was the first direct attack on US territory after a gap of nearly 191 years. There is a collective anxiety about domestic security in the US. "Home and security" has emerged as a major political concept and a policy objective of high priority.

**P**resident George W. Bush has created a new department of "homeland security" with a director of cabinet rank. Executive orders and organizational arrangements are being evolved to reactivate the role of the US armed forces and paramilitary forces in safeguarding domestic security in all its dimensions. The second noticeable phenomenon is the appearance of emotional patriotism. There is no "us versus them" jingoism, which is a remarkably redeeming feature in this feeling. US flags were on display on the windscreens of cars, in shop windows; they were flying atop private houses in the smallest towns when one drove across the countryside.

Equally remarkable is a spontaneous consensus reflected in private conversations, in television commentaries, on chat shows, in the print media, that the threat to the US and the policy reactions to it have to be faced as a united national effort, not just transcending, but eschewing, party politics. The attitude finds expression in the fact that practically every decision taken, every policy suggested by President Bush, to counter the terrorist threat, has not encountered any opposition from the US congress, or at the level of the governments of the constituent states of the US.

This groundswell of patriotism has been nurtured and strengthened by political events and religious ceremonies in remembrance of the September attacks. Though there is an absence of excessive jingoism, one can discern a certain amount of paranoia about foreigners, particularly from Asia and the Arab countries, despite conscious and continuous efforts by the US government to control and negate such feelings. There is a discernable anxiety and fear about Islam, though President Bush and the US leadership have tried to educate the public opinion about the distinction between Islam as a religion and the terrorists who perverted its teachings.

While the US government stresses that its anti-terrorist campaign is not animated by motives of revenge, pub-

lic opinion here feels that the massive violence perpetrated against innocent US citizens should be avenged clearly and decisively. A corollary of this approach is the general view that the other countries and other people, who do not fully support the anti-terrorist campaign of the US and suggest reticence or moderation in this campaign,

(though government opinion does not show it manifestly) about expanding the anti-terrorist campaign to other countries. Public opinion here is that the campaign should come to an end with the capture or elimination of Mullah Omar, the president of the Taliban, and Osama bin Laden, the supreme leader of al Qaida. The rem-



are not friends of the US and should be treated accordingly.

These feelings of paranoia and of viewing the world at large in black and white, found expression in certain academics and professors of Arab and African origin at the universities of Florida and Harvard being ostracized. Noam Chomsky, despite his unquestioned intellectual eminence, is not a very popular figure in the US public perception at present.

**S**uch paranoia affects even individuals on the presidential staff when a security officer proceeding on duty on the personal security work for President Bush in Texas was offloaded from an American Airlines flight because he was of Arab origin and he carried a gun to which he was legally entitled.

The unity of purpose and approach mentioned earlier, however, does not extend beyond the current phase of the anti-terrorist campaign in Afghanistan. Public opinion is divided

**‘ The collective self-confidence in the US about “Fortress America” stands eroded ’**

nants of terrorist groups in other countries should primarily be eradicated by the governments of these countries with indirect support from the US without too much military involvement.

There is also the feeling that the other major powers of the world should take on a more active role in dealing with international terrorism without leaving the main burden on the US. That the US government is responsive to this broad undercurrent in domestic public opinion is indicated by the fact that the defence secretary, Donald Rumsfeld, has been comparatively ambiguous about expanding the US campaign beyond Afghanistan in

his public statements since the beginning of January. He has also indicated that in the short term, the US military campaign will be focussed on eastern and southern Afghanistan and in the border areas of Pakistan. He has taken note of the emerging frustration within his government and the public opinion here about Osama bin Laden and Mullah Omar not having been captured or eliminated as yet.

He has stressed that the operations against them remain the objective. The state department echoed his views when the US spokesman for the first time publicly stated that Pervez Musharraf's credibility and Pakistan's future will depend on how the government of Pakistan deals with al Qaida and other terrorists and his cooperation with the US government's ongoing campaign. There is also a shift in political commentaries, where the view is being expressed that Mullah Omar and bin Laden could escape the US net, but the more important objective is to eradicate the terrorist and extremist organizations which they created.

**A**n impact of long-term significance on US public opinion is that of increased interest and the emergence of incrementally knowledgeable sensitivity about the countries of west and south Asia, of the Gulf and Islamic Arab and African countries. It is noteworthy that public debate and media comments on the US over the last three and a half months have started discerning the unavoidable contradictions between the US's strategic and economic interests which necessitates the US supporting authoritarian regimes of one form or the other in these countries, and the US's basic ideological commitments to democracy and human rights. *Newsweek*, in its year-end issue, published a detailed article highlighting this contradiction and describing it as one of the most important challenges to the US foreign and security policies.

Finally, south Asia is in greater focus in the US foreign policy planning. The need to sustain and strengthen the democratic regimes of India, Sri Lanka and Bangladesh, and to encourage the genuine democratization of Nepal, Bhutan, Pakistan and Myanmar are described as important US policy objectives by commentators here. The stabilization of Afghanistan with a representative government there is the highest short-term priority here, but with the interesting rider that the US should not get involved in any long-term military involvement in that country. Public perceptions about India are that despite the recurring hiccups, mutual complaints and reticences, a strong Indo-US relationship would be an incrementally important factor for peace and stability in south Asia.

# Lessons from Argentina

*The international financial system must be reformed and, to begin with, the reformers must get to work on the IMF, says Joseph Stiglitz*

ARGENTINA'S collapse incited the largest default in history. Pundits agree this is merely the latest in a string of IMF-led bailouts that squandered billions of dollars and failed to save the economies they were meant to help. The nature of that failure, however, is disputed. Some claim that the IMF was too lenient; others that it was too tough. Those who blame the IMF see the problem as self-inflicted through profligate and corrupt spending by Argentina. Such attempts at blame-shifting are misguided: one can understand the default as the consequence of economic mistakes made over a decade. Understanding what went wrong provides important lessons for the future.

The problems began with the hyperinflation of the 1980s. To slash inflation, expectations needed to be changed; "anchoring" the currency to the dollar was supposed to do this. If inflation continued, the country's real exchange rate would appreciate, the demand for its exports would fall, unemployment would increase, and that would dampen wage and price pressures. Market participants would realise that inflation would not be sustained. So long as the commitment to the exchange rate system remained credible, so was the commitment to halt inflation. If inflationary expectations were changed, then disinflation could occur without the costly unemployment.

The IMF encouraged this exchange rate system. Now they are less enthusiastic, though Argentina, not the IMF, is paying the price. The peg did lower inflation; but it did not promote sustained growth. Argentina should have been encouraged to fix a more flexible exchange rate system, or at least an exchange rate more reflective of the country's trading patterns.

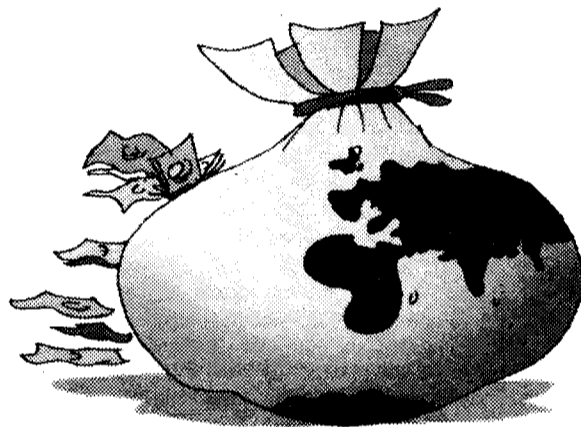
Other mistakes also occurred. Argentina was praised for allowing large foreign ownership of banks. For a while this created a seemingly more stable banking system, but that system failed to lend to small and medium sized firms. After the burst of growth that arrived with hyperinflation's end, growth slowed, partly because firms couldn't get adequate finance.

East Asia's crisis of 1997 provided the first hit. Partly because of IMF mismanagement, this became a global

financial crisis, raising interest rates for all emerging markets including Argentina. Argentina's exchange rate system survived, but at a heavy price – the onset of double-digit unemployment.

Soon, high interest rates strained the country's budget. Yet Argentina's debt to GDP ratio – even as it began to collapse – remained moderate, at around 45 per cent, lower than Japan's. But with 20 per cent interest rates, 9 per cent of the country's GDP would be spent annually on financing its debt. The government pursued fiscal austerity, but not enough to make up for the vagaries of the market.

The global financial crisis that followed East Asia's crisis set off a series of big exchange rate adjustments. The dollar, to which Argentina's peso was



increased sharply in value. Meanwhile, Argentina's neighbour and Mercosur trading partner, Brazil, saw its currency depreciate – some say that it became significantly undervalued. Wages and prices fell, but not enough to allow Argentina to compete effectively, especially since many of the agricultural goods which constitute Argentina's natural comparative advantages face high hurdles in entering the markets of rich countries. Hardly had the world recovered from the 1997-1998 financial crisis when it slid into the 2000/2001 global slowdown, worsening Argentina's situation. Here the IMF made its fatal mistake. It encouraged a contractionary fiscal policy, the same mistake it had made in East Asia, and with the same disastrous consequence. Fiscal austerity was supposed to restore confidence. But the numbers in the IMF program were fiction; any economist would have predicted that contractionary policies incite slowdown, and that budget targets would not be met. Needless to say, the IMF program did not fulfil its commitments. Confidence is sel-

dom restored as an economy goes into a deep recession and double-digit unemployment.

Perhaps a military dictator, like Chile's Pinochet, could suppress the social and political unrest that arises in such conditions. But in Argentina's democracy, this was impossible. Seven lessons must now be drawn:

1. In a world of volatile exchange rates, pegging a currency to one like the dollar is highly risky. Argentina should have been encouraged to move off its exchange rate system years ago. 2. Globalisation exposes a country to enormous shocks. Countries must cope with those shocks – adjustments in exchange rates are part of the coping mechanism. 3. You ignore social and political contexts at your peril. Any government that follows policies which

leave large fractions of the population unemployed or underemployed is failing in its primary mission.

4. A single-minded focus on inflation – without a concern for unemployment or growth – is risky. 5. Growth requires financial institutions that lend to domestic firms. Selling banks to foreign owners, without creating appropriate safeguards, may impede growth and stability. 6. One seldom restores economic

strength – or confidence – with policies that force an economy into a deep recession. For insisting on contractionary policies, the IMF bears its great culpability. 7. Better ways are needed to deal with situations akin to Argentina. I argued for this during East Asia's crisis; the IMF argued against me, preferring its big-bail-out strategy. Now the IMF belatedly recognises that it should explore alternatives.

The IMF will work hard to shift blame – there will be allegations of corruption, and it will be said that Argentina did not pursue needed measures. Of course, the country needed to undertake other reforms – but following the IMF's advice regarding contractionary fiscal policies made matters worse. Argentina's crisis should remind us of the pressing need to reform the global financial system – and thorough reform of the IMF is where we must begin.

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# Poverty could breed more Bin Ladens

A reader of a column of mine published at Christmas on the social consequences of abandoned street children wrote to point out that my prognosis that these little "Lords of the Flies" would grow up as the new Bin Ladens, primed to wreck vengeance on established societies, was mistaken.

"Osama bin Laden's anger did not develop out of poverty," she argued, "but out of a middle class malaise". Of course. And so did Che Guevara's and Stokely Carmichael's and that of Marx and Lenin.

But this does not exclude the undisputable, well-researched, fact that poverty, particularly when it exists in a society of gross inequalities, breeds violence, crime and the urge to deal out deadly punishment on conventional society. The leaders may be educated; the shock troops often come from the underclass. Besides, humanity has never confronted before 100 million youngsters growing up on the street, without parents. Their anger, one day, will surely find a political channel as well as the inevitable criminal one.

I think, indeed, the argument can be taken even further: there are 800 million people living in hunger without sufficient nourishment. Many exist in a state of political torpor, barely able to summon the energy to plant next year's crop.

But somewhere in the vast mass there are those who seethe with anger at their predicament. These days the mass media is ubiquitous, reaching even into the poorest

villages, telling all. I'll never forget sitting on an African country bus, filled with peasants holding their live chickens, watching French-made videos portraying the most ghastly violence.

Ideas travel. The only surprise is that it is has taken so long for a Bin Laden-type to hit us where it hurts. Enormous progress has been made since the crucial World Food Conference in 1974 when it was realised the world was entering a danger zone with food stocks the world over perilously low.

The then US Secretary of State Henry Kissinger vowed in his speech, "By the end of the century, no child should go to bed hungry". And indeed the number of malnourished has fallen - as a percentage of the total world's population. It is down from 37 per cent to 18 per cent.

But if it is no longer a billion people - it is 800 million with a good part of them concentrated in the very poorest 50 or so countries who, while everyone else prospered in the golden 1990s, fell further into economic retardation. Sartaj Aziz, a former finance minister in Pakistan and a key player at the World Food Conference, recalls the 1970s as a

"remarkably creative period...the UN system began to elaborate an alternative development strategy focussed on the basic needs of the population, poverty reduction, income redistribution and employment.

But before these new concepts could be translated into actual policies, a serious debt crisis struck several Latin American countries and the International Monetary Fund and the World Bank relegated these ideas to the back burner. "Privatisation and liberalisation were presented as the panacea for all economic ills." These days, concludes Mr Aziz "there is no fiscal space for actually implementing pro-agriculture and pro-poor policies".

Few development economists question the need for continued liberalisation and globalisation. But what has to go hand in hand with that is an awareness that the richer countries have many of the most important markets rigged in their favour and that particular effort needs to be concentrated on the poorest and hungriest with methods that often supplement or, if necessary, bypass the market.

The World Trade Organization's policy of liberalising trade concentrates on high-tech products largely of interest to the richer countries, a few middle-

income developing countries and the multinational companies.

The simple manufactured products such as textile and leather goods, which are of greater interest to the developing countries, remain subject to

many protectionist policies.

As for agriculture, in particular, which could open the widest gate to the poorest countries, the rich countries are spending \$350 billion a year in subsidies, which works to keep the potential agricultural exports of the developing countries at bay and often enough sabotages their internal markets with dumped products.

This is almost six times the total the rich countries spend on foreign aid, of which, anyway, only about 10 per cent gets spent on projects that directly help the hungriest. If one survives to grow up in this environment and by some means of good fortune learns at least the rudiments of why one's family and people were neglected, is it not likely that an anger will burn within that one day might find its true target?

When it does happen we might wonder, as with Bin Laden today, why it has taken so long for someone to rise and hit us in the solar plexus. There were people who forecast a Bin Laden 25 years ago and they were not taken seriously.

Both for them and for us, let us not make the same mistake with the "wretched of the earth".

## world view

JONATHAN POWER



THE STATESMAN

# Globalisation and decentralisation

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By Supriya RoyChowdhury

IN RECENT times, decentralised governance has gained enormously in political currency under the overarching framework of what is possibly the most compelling force of our times, globalisation. Conceptually, both marketisation and decentralisation involve a shift away from the centrality of the state, and together symbolise the post-socialist era's collective revulsion for the state. In the last two decades, the World Bank and other similar institutions have promoted both economic liberalisation and political decentralisation. While on paper the twin agenda looks really good, a complex relationship underlies the institutions that represent these two forces, at a functional level.

In India, democratic decentralisation was part of the overall commitment to democracy at Independence. However, in most States, with the exception of a few such as Kerala, West Bengal and Karnataka, panchayati raj institutions dissolved into non-functioning local bodies. The 73rd Amendment enacted in 1993 coincided not only with the liberalisation impetus of the Central Government, but also with the World Bank's marked emphasis on "good governance" and decentralisation. Along with this policy emphasis came an avalanche of foreign funding, as prestigious agencies such as the Ford and MacArthur Foundations began to spend millions of dollars to support research and promotion of decentralised governance in developing countries.

This euphoria may be short lived, or otherwise. But the central point here is that the issue of decentralisation goes to the heart of the broader problem of democracy in the present era. And if indeed globalisation is the defining paradigm of our times, then the important question to ask, surely, is, what is the relationship between that larger process, and the aspirations towards democracy and decentralisation? Are these compatible, or inherently conflicting tendencies?

As the fundamental impulse of the economy moves away from centralised state institutions towards markets, in principle, this should facilitate the creation of structures that devolve power to localised bodies. The underlying principle of panchayati raj is the use of local

knowledge, popular experience and participation in the making of decisions that affect local people. The local economy, however, particularly in a marketised context, is essentially a part and parcel of the larger economy and intimately connected to policies that define the macro economy. At that level, the process of policy-making is predominantly a technocratic, and therefore an elite-centred, rather than a participatory, exercise. These opposed tendencies in the logic of policy-making, at the local and national/

ously for a technocratic orientation to policy-making rather than to people's knowledge.

Second, while the process of economic policy-making reflects centralising and exclusivist tendencies, and is in conflict with the logic of broad-based participatory governance, the outcome of these processes, that is, specific policies themselves, go against the logic of empowerment of the poor. For example, trade liberalisation of agricultural products, or

in principle, represent an institutionalised shift in power towards lower, hitherto disempowered classes. The only flaw in this logic, of course, is that village level institutions continue to reflect unequal social and economic structures. Study after study of panchayati raj institutions repeats the same themes, that despite reservation for the lowest castes, higher caste and economically powerful groups within the village continue to be *de facto* leaders in panchayats. Despite reservation of seats for women, it is their men who participate in panchayat affairs and decisions, keeping the women as proxies.

Panchayati raj institutions are inserted within the existing political and economic system, rather than as a challenge to the latter. Typically village strongmen (frequently representing a higher caste and superior economic power) and/or local bureaucrats, have wielded power within the village. The logic of panchayati raj is based to some extent on the principle of cooperation and collaboration between these agents on the one hand and the poor and the marginalised on the other. Yet, the simple question, why should the local strongman and the bureaucrat collaborate with the lower classes in a programme which potentially spells the end of their power and vested interests, has not been addressed, or even acknowledged? The hope is that somehow using the strength of their numbers, the poor can use the institution for their own benefit. And yet, the history of democracy has long established that numbers per se do not mean power, that numerical strength translates into power only via organisation and movement, and never otherwise.

Today there is an ideological vacuum, as a state-led and redistributive developmental model no longer provides a legitimising discourse, and the market does not offer an alternative ideological platform. Democratic decentralisation offers a readymade legitimising formula, subtly replacing the commitment to economic redistribution with a misleading rhetoric of political empowerment. But where existing structures of inequality are left intact and become compounded with the disadvantages of marketisation, political empowerment is an useful slogan, not a realistic or genuine goal.

***Where existing structures of inequality are left intact and become compounded with the disadvantages of marketisation, political empowerment is a useful slogan, not a realistic or genuine goal.***

State levels need to be acknowledged.

The exercise of economic planning, which began as a part of independent India's developmental agenda, itself was a technically defined activity. However, the emotive and ideological flavour of concepts such as the public sector, socialistic pattern of society and so on imparted a popular and accessible tone to economic policy-making. In contrast, economic liberalisation has been by and large the product of the intellectual and ideological preferences of a technocracy put in place and supported by successive Governments. While the political class has broadly supported the economic reform programme, the programme itself has a technocratic character.

The domain of policy-making at the national and state levels therefore belongs to that of the technical expert, and the language of policy itself is frequently technical and therefore inaccessible to the ordinary person, particularly the unlettered. The theory of decentralisation does not tell us what could be the connecting bridges between the increasingly technocratic character of public policy-making, on the one hand, and the ostensible commitment to using people's knowledge and participation at local levels. When reduced to a question of choice between these two ends of the knowledge spectrum, the state's preference is obvi-

ously for a technocratic orientation to policy-making rather than to people's knowledge. The adverse impact of these policies on poor farmers, in terms of a fall in prices of their products, indebtedness to money-lenders leading to bankruptcy, distress and a spate of farmers' suicides in some States, have been widely documented.

Similarly, encroachment by MNCs, which turn small peasants' agricultural land into large-scale agribusiness ventures, threatens the livelihoods of thousands, without the promise of alternative employment. The given scope of panchayati raj institutions does not enable poor farmers to have any kind of impact on such policies, which shape their lives. The right to vote on local budgets, or having a few women represented in grama sabhas through reservation, may mean little in a situation where the economic backbone of rural livelihoods is eroding. These trends underline the contradictions between an elite-driven policy regime geared towards global markets, and the rhetoric of local empowerment.

If the macro framework detracts from the logic of local empowerment, the local institutional context is no more facilitating for the poor. Panchayati raj institutions supposedly reconstitute decision processes on the basis of local participation on a continuous basis, and therefore,