

17 DEC 2004

BPO jobs: no more than a stopgap option for youth

By Our Staff Reporter

BANGALORE, DEC. 16. The business process outsourcing (BPO) industry, dominated in India by the call centre segment, was no more than a stopgap option for the young people who join it, bemoaned heads of some BPO firms here today.

With the more challenging parts of BPO, such as financial services processing, comprising less than 5 per cent of the industry, call centres, the low end segment, were no more than a means of earning some money before moving on to serious things such as higher education or more conventional jobs.

Young people, who man most call centres, want to see the money now, said Manab Bose, Chief Human Resources Officer of Mphasis, a BPO firm, at a meet organised by the Bangalore Chamber of Commerce and Industry. A combination of youth, aspiration and support from parents (if one were to quit) had led to unviable attri-

tion rates in call centres: Staff shuffled jobs at such a rate that some call centres were forced to hire as many as 80 per cent of their workforce afresh each year, Mr. Bose said.

Raju Bhatnagar, President and Chief Executive Officer of ICICI OneSource, said another problem was poaching by rivals. Instead of stealing the cream of a rival's pack, eager to leave for more money and perks, find the average worker and invest in training and retaining him, Mr. Bhatnagar said.

There were more subtle issues too, as Bob Hoekstra, Chief Executive Officer of Philips Software, pointed out: call centre staff handle pressure from customers as well as at home. "There is enormous conflict in that age group. Youngsters serving mature customers... they are prone to make mistakes," Mr. Hoekstra said.

BPO firms have not helped either by not participating in a study that tried to encourage their staff to discuss problems

openly. The software industry's main lobby, the National Association of Software and Service Companies, Bangalore University's Canara Bank Institute of Management Studies and the National Institute of Mental Health and Neuro-Sciences, here, conducted the study. Only 10 per cent of the 3,000 BPO staff contacted from various firms responded in the last five months. "It is very disappointing," Mr. Bhatnagar said, who chaired the team doing the survey. "We are pretty anguished by the response from the industry. It is all well for us to sit and talk on human resources issues, but we are not allowing people to talk to the call centre staff on their jobs." There was also a mismatch, in that the researchers worked days and call centre staff worked nights.

The study, he said, would look at various issues related to call centre work, including the influence of money and working nights on the social lives of the staff, he said.



(From left): The Vice president of the Bangalore Chamber of Industry and Commerce (BCIC), Ananth Koppar, the Chief Executive Officer of Philips Software, and the Chairman, IT and ITES Committee (BCIC), Bob Hoekstra, and the President, BCIC, S. Chandrasekhar, at a seminar in Bangalore on Thursday. — Photo: G. R. N. Somashekar

The future lies in cities, not nations

Globalisation Will Erase Borders

By Chirdeep Bagga
TIMES INSIGHT GROUP

At the dawn of the 20th century, there were less than 50 nation states, today there are 194. But even as their numbers grow, the notion of nation states being sacrosanct entities is under challenge. According to some, globalisation is making the nation state obsolete, politics irrelevant and national sovereignty an empty shell.

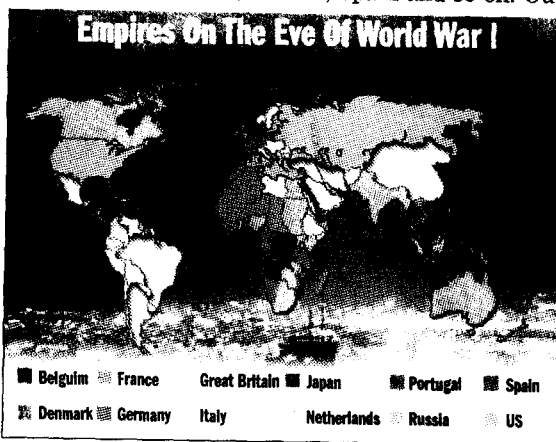
Kenichi Ohmae, author of 'The End Of The Nation State', goes one step further and argues that the advance of markets and economic interdependence will see nation states being largely replaced by city states.

Ohmae sees a future consisting of several hundred city states, which will have a loose attachment to what used to be the nation state of which they were a part, but which find their identity primarily from involvement in the global economy. The borderless

economy is, for him, a reality and with it follows the large-scale disappearance of the significance of borders associated with nation states.

It would be foolhardy to laugh off such a prognosis. The nation state is after all a relatively recent historical formation, effectively dating back to the latter part of the 18th century. They may like to make much of their "territorial integrity", but it has hardly been inviolate. In 1923, Europe, for instance, had 23 states and 18,000 km of borders. In 2004, the continent has 50 states, with 40,000 km of borders. State boundaries are arbitrary and have changed by various means—war, negotiation, arbitration and even by sale of territory.

On the one hand, the world has seen the collapse of many powerful nation states in the last 15 years to create new ones. On the other, the ever-closer integration of the expanding European Union signals a movement away from the notion of complete sovereignty of the nation state. Before the era of colonialism, most areas of Europe were governed by monarchies. Empires gradually gave way to regions which had a distinct identity of their own, such as France, the UK, Spain and so on. Out-



side Europe too, there was the Ch'in Dynasty in China, the monarchy in Japan and the Ottoman Empire in Turkey.

It is colonialism that led to nation states formally coming into being across the globe. The first phase of formation of nation states outside Europe happened in the Americas. The United States became an independent country in 1776. The early 19th century saw a number of nation states being formed in Latin America. These were former colonies of Spain and Portugal. Between 1810 and 1844, 17 countries became independent in this region.

Italy became a nation state in 1861 and Canada became a self-governing country in 1867.

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THE TIMES OF INDIA

Childhood under threat from war, poverty & AIDS

Associated Press

ISLAMABAD, Dec. 6. — War, AIDS and grinding poverty have prevented the world from reaching many of its goals in improving the lot of young people, the head of the United Nations' children's agency said here today ahead of a major report on the state of the world's children.

The three issues have thrown up major obstacles to progress, even in areas where the international community knows what is needed and has the resolve to do something, Unicef chief Ms Carol Bellamy said during her three-day visit to Pakistan.

"There have been gains for children over the last decade, but there could have been more. The implications of conflict and the implications of HIV and AIDS have an enormous impact on children being able to actually enjoy a childhood where they are able to grow up in relative



Unicef chief Ms Carol Bellamy at a press conference in Islamabad on Monday. — AFP

health, relative peace and relative security," she said.

Details of the report, titled "Childhood Under Threat", will be released on Thursday in London. Ms Bellamy said in a statement that the title alone makes clear that "however much we make progress on children's rights and welfare, there are always still more challenges to meet, better ways to do our business and millions of children to whom we

owe our best, and who cannot be asked to wait".

The Unicef chief said the Iraq war has had a wide sweeping impact on children there. Even before the war, only 25 per cent of Iraqi children were in school. Ms Bellamy said that enrolment has gone up this year in Iraq, but the country's schools have been severely damaged by the fighting. "The schools are a total mess," she said. "They aren't all made bad by this war... but clearly the most recent war has made more facilities worse. So as much as parents want their children to go to school, the environment of going to school is a bad one."

She cited Pakistan as an example of a country where more could be done to address children's issues, noting that 60 per cent of all child deaths here could be prevented by focussing on a small number of childhood diseases such as diarrhoea, pneumonia and neo-natal infections.

Globalisation: need for fairness

By Juan Somavia

World Affairs

HD-10 4/12
THE CHALLENGE of making globalisation work for people, families and local communities is a central test of our times. I believe we have much to learn from the Indian experience. Perhaps no country better demonstrates the interdependence of today's world and how globalisation can bring both jobs and profits for some but not yet for all.

Still the refrain "give me a fair chance at a decent job" remains in the voices of the majority of people around the world. Helping to satisfy that demand is a core preoccupation of most governments today as well as trade unions and many employers' organisations. And it is the International Labour Organisation's purpose in promoting a helpful global environment to improve the welfare and well-being of all workers.

Today it is clear that a central need is to achieve a fair globalisation that creates opportunities for all, and is underpinned by the creation of progressively better jobs. Globalisation must serve to reduce poverty while also encouraging prosperity through enterprise development, open markets, business, investment and trade.

Prime Minister Manmohan Singh's message to a landmark U.N. meeting on globalisation last September confirmed that reaping gains from globalisation requires strong democratic institutions and suitable national policies, supported by a helpful international environment if we are to reduce poverty world wide.

Secretary-General Kofi Annan added, "The best anti-poverty programme is employment and the best road to economic empowerment and social well-being lies in decent work."

The jury is still out on how to make globalisation beneficial for all developing countries, although there is broad agreement that it has immense potential for good.

India is a case study of how skills development can reap profits from globalisation in difficult conditions. It has relevant experience of what hinders and helps a country to make globalisation beneficial and has much to teach others. The Government's Common Minimum Programme helps to keep the focus on generating employment, prosperity, human security and rural development that is essential to the 70 per cent of Indians who rely on agriculture for a living.

Unprecedented opportunities are opening up for development with new uses of technology, including information and communications technology where India is a leading player. As a vibrant democracy with strong institutions and a dynamic business culture, India is a testing ground of a fair globalisation. The ILO has long been its partner on almost every aspect of work-related economic issues.

Many Indian companies are profiting from globalisation's opportunities. They are not only expanding their exports and overseas business but also making acquisitions that will turn some of them into true multina-

More fairness should be injected at all levels. That includes respecting core labour standards, promoting basic social protection, and reducing unbalanced patterns of investment and trade.

tionals with access to large world market shares.

National frontiers do not separate people as much as they did in the past because the world is quickly becoming an interconnected network of local communities. Many Indian people have direct experience of what it means to be global economy workers, be it in Silicon Valley, the Gulf, Africa, Europe or back home. New information technology jobs are helping to raise living standards in several Indian cities, but they are uncertain. Economic troubles near or far could affect those jobs with all the attendant consequences for the people involved.

Globalisation's challenges and adjustments can also be harsh for poorer Indians and workers in Least Developed Countries, who are excluded from the global economy's mainstream. The paradox is that the knowledge, skills and means are available to sharply reduce the age-old afflictions of hunger, precarious livelihoods and disease. But they are scattered around the world, concentrated in developed countries and must be put to work together to deliver better results for all. Yet, that is not happening and we are held back despite so many positive international commitments to reduce poverty and the work of socially conscious international institutions.

One result is that world unemployment is at the highest level ever, particularly among youth. More than one billion people are unemployed, underemployed or working poor. Youth unemployment reached an all time high of 88 million in 2003. Young people make up 25 per cent of the working population, but almost half of the openly unemployed. In addition, over 130 million young people are part of the world's working age poor.

What are we doing wrong? What more can be done? To answer these questions, we need new thinking to bridge the gap between what globalisation is capable of delivering and what it is actually delivering.

Helping to find those answers is central to ILO's work. We are the only multilateral organisation that includes not just governments, but also employers and workers. Together, they operate as equal partners reflecting the voice of the productive system of the economy. Their experience is key to promoting small-scale industry that generates most jobs and significantly upgrading the quality of work in the rural and informal economy where most income generating activities come from in many countries.

Two years ago, the ILO took the unprecedented step of bringing disparate and sometimes antagonistic viewpoints on globalisation into a single forum to see where that might lead. We established the World Com-

mission on the Social Dimension of Globalisation, which was the first official body to look systematically at the social impact of globalisation and develop a common agenda to make it work for all. It was co-chaired by the Presidents of Finland and Tanzania and its 26 members included a Nobel economics laureate, legislators, social and economic experts, and representatives of business, organised labour, academia and civil society. A distinguished Indian scholar, Deepak Nayar, Vice-Chancellor of the University of Delhi, was a member.

The commission's report published in 2004 titled "A Fair Globalisation: Creating opportunities for all" concludes that globalisation is a force for good because it can promote open societies, open economies and a freer exchange of goods, knowledge and ideas.

However, the commission finds that the current workings of globalisation are imbalanced and "ethically unacceptable and politically unsustainable." For example, the gap between people's incomes in the richest and poorest countries has risen to 120-1 today, from 50-to-1 in the 1960s. Something similar is happening within countries. World per capita income growth has dropped steadily from over 3 per cent in the 1960s to just 1 per cent in the 1990s. Open unemployment and the unorganised, informal economy have expanded and there is a long-term tendency for labour market conditions to deteriorate in several countries. The purchasing power of minimum wages has gone down in many countries.

To make matters worse, foreign aid has been decreasing over the last decade and is far below the long-standing target of 0.7 per cent of GDP — a shortfall of \$2.5 trillion over the past 30 years.

The commission presents a strong case for reform and details specific measures at international, national and local levels. Of course, reforms begin at home where the main responsibility lies, but they cannot go far without support from fair international rules in trade, finance, debt and migration as well as answerable institutions and sustainable global growth policies.

In addition to being a fundamental requirement for human dignity, decent work is a route to gender equality and other Millennium Development Goals (MDGs), such as maternal health and the combat against HIV/AIDS and key diseases where workplace action is essential. It is important for educational goals because when the labour market offers parents employment opportunities, children can go to school instead of having to go to work.

Decent work is not a standard. It is a goal — a truly global goal — shared by

all societies and implemented according to the possibilities and opportunities of each country. It is based on four pillars — employment and enterprise creation, rights at work, basic social protection, and a functioning system of dialogue among governments with employers and workers organisations. It is up to each country to define its own progressive route to decent work, establishing the relevant national priorities.

So, keys to success include dialogue and wide consensus among diverse actors. Divergent voices need not prevent convergence of views, given some perseverance and goodwill. That was demonstrated by the commission's members who overcome strong differences of opinion and interests to make joint recommendations.

There are no simple solutions but I would like to point out four elements. First, local communities and markets should be reinforced to take advantage of finance, trade and investment changes flowing from the national and global levels. Investing to improve productivity in agriculture is essential for sustainable poverty reduction. There is no successful globalisation without successful localisation.

Secondly, more fairness should be injected at all levels. That includes respecting core labour standards, promoting forms of basic social protection, and reducing unbalanced patterns of investment and trade. For example, most foreign direct investment is concentrated in only 12 developing countries.

Thirdly, we should reach a global agreement that employment is a key source of human dignity and is essential to addressing migration, mass youth unemployment, gender inequality and poverty.

Fourthly, the way global institutions work with one another should be greatly improved to achieve a sustainable reduction of poverty and insecurity through employment creation. Each organisation has its own mandate, which must be respected, but the whole should be more than the sum of the parts.

Better cooperation should produce better policies and better results for people. The multilateral system is clearly under-performing because key organisations with an economic and social mandate are not yet capable of making their policies converge around the global demand for more and better jobs.

As Mahatma Gandhi taught us all, "There is enough in the world for everybody's need, but there cannot be enough for everyone's greed."

The resources are there. With sensible global priorities and the political will, we can make globalisation work better for the people of India and the world. The ILO stands ready to play its full role in helping to fulfil peoples' aspirations everywhere for a fair global economy.

(Juan Somavia is Director-General of the International Labour Organisation.)

BPO is India's pride, but envy of neighbours

By Mini Joseph Tejaswi/TNN

Bangalore: Many potential business process outsourcing destinations, including China, Hong Kong, Taiwan, the Philippines and Eastern European countries are planning to locally replicate the BPO success of India. In fact, several promising BPO players belonging to these regions are currently studying the Indian BPO scenario to understand what keeps the BPO phenomenon happening here.

Michael F Corbett, the president and CEO of Michael F Corbett & Associates, a New York-based outsourcing consulting firm and author of 'Outsourcing Revolution: Why it makes sense and how to do it right', said that India has a strong brand recall as an established BPO player in these markets.

"India's mainstream BPO involvement keeps it in the international industry limelight," he said. The country already has a global branding thanks to factors like commendable BPO delivery track record, availability of quality talent pool, suitable time-zone and cost-effectiveness.

Corbett said these regions would not become major threats to India considering that each of these locations would be focusing on separate niches. However, he added that most of these countries were in a vantage position and they would be able to scale up and grow quickly. "Look at China, it already has a large multinational presence. In fact, it has a huge outsourcing opportunity waiting at home. Once you have a base, ramping up becomes easy and quick," observed Corbett. China also has a great access to the Japanese market.

Corbett said India has been a player in the low-value niches for some time now and it was time for the country to seriously get into value-driven domains like financial services, healthcare and transportation (airline). "The country has the potential to look at pharma R&D and financial analysis. In the next couple of years, what's going to underline the country's dominance in the industry will be its involvement in high value verticals," he said.

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After US, now UK's bitten by Indian BPO bug

By Nazia Vasi/TNN

Mumbai: Encouraged by the success of their Yankee counterparts, European banking and insurance companies are offshoring more business processes to India than ever before. Europe contributed an estimated \$800 million to India's BPO revenue in 2003, and that figure is expected to rise by 75% to \$1.4 billion this year.

With the political conditions also turning favourable, European firms have shed all reservations about outsourcing work to India, which has already established itself as a global BPO hub. In Europe, more outsourcing deals were signed this quarter than any other quarter since 2000, recent reports said. India now accounts for 91% of the total IT services



outsourced by European countries, according to IDC, an independent research organisation.

Analysts attribute this trend to the careful European mentality and the most quality conscious markets as far as IT services are concerned. "Traditionally, US companies establish the trend and, after seeing their success rate, European enterprises follow," said Sujoy Chohan, an IT analyst with Gartner, another independent research organisation.

IT services companies in Europe, such as Cap Gemini, Logica, Xansa, and Siemens, have large development centres in India. Anglo-Dutch oil major Shell recently signed one of the biggest outsourcing deals with Wipro.

Xansa, a UK-based IT software and services firm plans to double its head count in India to 5,000 in six to eight quarters. The British firm, with 25% of its revenues coming from BPO services, is reportedly looking at adding centres in Chennai, Pune and Noida. In Germany, Europe's biggest economy, banks are lending their entire business processes to third parties, with overall outsourcing revenues tripling in the first nine months of 2004. While Germany accounts for 13% of the global outsourcing market, up from just 3.4% last year, the US accounts for 42% and the UK for 17%.

Recent trends indicate that banking, financial, securities, insurance, telecom and public sector companies in Europe are increasingly offshoring to India, especially after some of the banking and financial services companies faced tough times.

Reverse flow

As the economies of China and India continue their dizzying growth, it seems that history is preparing to repeat itself. CLYDE PRESTOWITZ examines three discreet waves of globalisation and the developments that facilitated the rise and fall and rise, once again, of the East's global influence

THE balance of influence in this region is shifting rapidly to China – not yet the balance of power, but the balance of influence.” This statement, made recently by a senior leader in Singapore, is an early indication of how a new, third wave of globalisation is ending the era of the West's global dominance and restoring Asia to its traditionally powerful and influential role.

The history of the past 500 years has largely been the story of the dynamism and expansion of first European and then American power. The initial wave of globalisation was launched in the late 15th century by the early Portuguese and Spanish explorers. The high technology of that day was embodied in the Spanish galleon and the navigating skills that guided it. Using this technology, intrepid Iberian captains could go anywhere the wind blew, enabling the kings of tiny Portugal and Spain to lay claim to nearly half the world.

Soon thereafter, the Dutch and English developed the joint stock company and built the “capitalist road” by enabling the amassing of large amounts of capital on a relatively low-risk basis with the potential for very large gains. And the gains were sought largely in the East, where the legendary wealth of the Indies beckoned, for at this time, the standards of living in the West were well below those of the East. By the end of the 18th century, the countries of the European periphery had combined their technological leadership with low-cost labour – sailors from the lower rungs of society were routinely pressed into service – to acquire huge empires in Asia and elsewhere.

The second wave of globalisation began at about the time of the founding of the USA, with the onset of the Industrial Revolution. The steam engine and new manufacturing technology multiplied productivity and wealth a thousand-fold. Over the next 200 years, this further accelerated the rise of Western wealth and dominance. In 1776, the year of the American Declaration of Independence, China still had by far the world's biggest and most powerful economy, with the area we now call India and Pakistan following close behind. Indeed, at this time, Asia accounted for well over half of global gross domestic product. Industrialised mass production dramatically reversed the balance; by the end of the 20th century, the USA and Europe accounted for two-thirds of global GDP, while Asia was responsible for only 20 per cent.

In the 1990s, four developments laid the foundation for the third wave of globalisation,



An artist's impression showing the ivory-cutters of Berhampur, Bengal, during the mid-19th century, and (right) workers assemble a car at a factory in Pune.

which is now leading to the Great Reverse. In the wake of the Tiananmen Square incident, the leaders of China concluded that the only way to hold on to power was to bring China fully onto the “capitalist road.” India, seeing the rapid success of China, also decided to abandon its socialist protectionism in favour of getting on the capitalist freeway. At about the same time, the conclusion of the Uruguay Round of trade talks, along with China's inclusion in the World Trade Organisation and the opening of most countries to foreign investment, removed most of the classic barriers to the global flow of goods and capital. Finally, the development and deployment of the Internet after 1995 largely negated time and distance as significant cost factors for a vast number of products and services.

China is now, without question, the location of choice for most manufacturing. Its huge population provides a continuing supply of low-cost labour. By widely opening the doors to foreign investment, emphasising education of technologists, and providing major incentives for technology transfer, it has combined inexpensive labour with technology to create a huge competitive advantage similar to that enjoyed by the Portuguese and Spanish half a millennium ago.

This is not just a matter of low-tech, labour intensive manufacturing. On my recent trips to China, I have visited state-of-the-art plants for manufacturing semi-conductors and other

high-tech products equal in quality to those produced in the West – and at less than half the cost. Moreover, top Silicon Valley venture capital executives emphasised their plans to shift start-up companies' Research and Development activities to China or India as fast as possible. Indeed, some said they would not fund any start-up that lacked a China or India R&D strategy. The logic is simple: There are a lot of good technologists in those countries who can do much of the high-tech work at 10 to 15 per cent of the cost in the West.

India has not yet become the same magnet for manufacturing as China, but it is clearly the location of choice for software development and many other services. Again, one should be careful of the conventional wisdom that thinks only in terms of call centres and grunt programming. For example, the British National Health Service recently announced that it is shipping all blood samples to India, where they will be analysed and the results faxed or e-mailed to the appropriate medical facilities in the UK.

As a result of these kinds of development, both China and India have enjoyed annual GDP growth of about 10 per cent over the past several years. In fact, China has been racking up such growth for the past 20 years. Projected into the future, these growth rates show why the senior Singapore leader made his comments about the shift of the balance of influence. By the year 2025, China's current

GDP of about \$2 trillion would be \$16 trillion, and India's current GDP of \$700 billion would be about \$5 trillion. Over the same time, the current US GDP of \$11 trillion would reach \$21 trillion if it grows at the average rate of US growth of the past 40 years. Even if these estimates are well off the mark, they show a dramatic narrowing of the gap between Asia and the West. China is already the biggest trading partner for Japan, Korea and the other key economies of Asia. Its influence will only grow from here, as will that of India.

To this must be added the demographic story. Europe is literally dying. Its people are aging rapidly, and birthrates are far below those necessary to maintain current population levels. By 2050, the population of Germany, for example, will shrink from the present 83 million to about 75 million. This will put a severe limit on European growth prospects. The USA, by dint of immigration and high Hispanic birthrates will maintain small population growth, but it will age substantially over the next 40 years. Because of its one child policy China will also begin to age rapidly in about 20 years. But half of India's nearly one billion people are presently under the age of 25, and there is no one-child policy here. Thus, in the long run, the 21st century could well turn out to be the Indian century. In any case, it will surely be the century in which Asia resumes its historical position of economic power and influence.

BPO rankings set to head for a twist

MNCs like GE's entry into 3rd party outsourcing will change the game

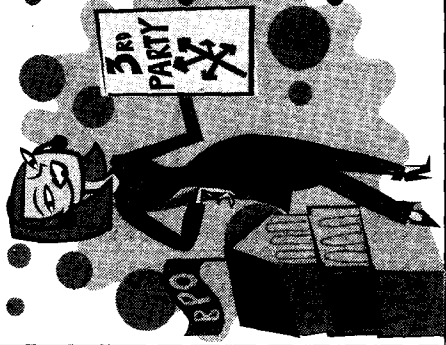
By N Vidyasagar & Mini Joseph Tejaswini

New Delhi/Bangalore: The country's business process outsourcing (BPO) chart may see a sea-change soon, with MNCs like GE looking at servicing third-party customers, along with servicing the GE group of companies. This trend is visible in Nasscom's recent BPO ranking. WNS, which started off with insourcing work to British Airways and then acquired external customers, has unseated Wipro Spectramind to become No 1 BPO company in India.

The day GE acquires its first third-party customer, it would emerge as the largest BPO company, just for the sheer size of its operations in India, unseating even WNS. GE currently has over 20,000 employees, twice that of Spectramind and WNS.

And, industry experts say if American Express, Bank of America, Scope (Standard Chartered), HSBC, P&O NedLloyd and others look at third-party customers the way Cognizant, i-flex and others successfully did in ITES (IT-enabled services), the current BPO ranking would look very different, a few years down the line.

A NEW EQUATION IN OFFING



● With MNCs looking at third party servicing, domestic BPO firms will have to face tougher competition.

● However, domestic firms say they can co-exist and grow as there is huge scope in BPO space

● India's share in global BPO pie will also go up

Nirmal

outperformed Tata Infotech, NIIT, Silverline, PentaFour.

By this business model, MNCs have made a neat stockpile. Citigroup started this trend way back, by incubating several companies such as COCL and CITIL which subsequently became i-flex and Obitech (acquired by Polaris). The valuation of these companies in which Citigroup still has a stake has multiplied rapidly. However, domestic BPO companies do not see this trend as competition. "For instance, GE has been providing BPO services to its internal clients. There is nothing new about it," says Prakash Gurbaxani, CEO of Transworks. "The market is too large and it has a lot of scope for multiple players to co-exist, irrespective of their sizes."

According to S Nagarajan, founder of 24/7 Customer, more than competition, this environment will only help expand the country's share in the global BPO pie. In the IT Services space, parents have allowed Indian arms to look for customers outside, primarily to keep employees motivated and to retain them, as career opportunities in insourcing companies are limited.

"This trend is becoming a winning business model," said a leading MNC BPO player. In ITES segment, companies like TCS, Infosys, Wipro, HCL Technologies and Satyam have been holding on to their top rankings, but the 6-15 rankings have changed drastically.

Cognizant was providing service for D&B, i-flex for Citigroup. By entering third party service in the last five years, these companies have

G-20 discussing crucial issues

Statesman News Service *W. K. Nath*

NEW DELHI, June 21. — Trade negotiations at the WTO (World Trade Organisation) have entered a crucial phase with technical teams of the G-20 countries currently meeting in Geneva as a run-up to a possible framework agreement on agriculture by July end, the commerce and industry minister, Mr Kamal Nath, today said.

The outcome of the meeting is expected by tomorrow, Mr Kamal Nath said on his return from Sao Paulo, Brazil, where he met G-20 leaders on the sidelines of the UN Conference on Trade and Development (Unctad XI).

"The G-20 communique, in which India had a major role, has provided a starting point for energising the stalled Cancun negotiations," the minister said. The

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G-20 ministerial meet agreed to work constructively forward and to make all efforts to reach consensus on various aspects of the current Doha Round, if possible, by July end, he noted.

"All the countries were interested that on 27 July, the Doha Round agreement is arrived at setting into motion the next Round," Mr Kamal Nath said, pointing out that agriculture remained the major stumbling block with developed countries, particularly the USA most keen on market access for its products.

The G-20 paper took up India's stand that the three pillars of agriculture — market access, domestic support and export subsidies — must be moved with the same intensity and specificity if the issue of food security and livelihood concerns of the developing nations were to be addressed.

22 JUN 2001

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BOOSTING SOUTH-SOUTH TRADE

IF CANCUN 2003 saw the emergence of a new kind of South-South alliance in the world of trade diplomacy, Sao Paulo 2004 will test the willingness of the developing countries to enlarge the areas of cooperation. It is fitting that Brazil will host the 11th quadrennial meet of the United Nations Conference on Trade and Development (UNCTAD) between June 13 and 18. It is the country that has taken the initiative to breathe new life into economic relations among the countries of the South. It was also responsible for forging and then nurturing the G-20 coalition that was so effective in protecting developing country interests in agriculture at the World Trade Organisation conference in Cancun. And it was Brazil that promoted the idea of increasing cooperation among the larger countries of the developing world. The formation of the India-Brazil-South Africa Forum in 2002 was the fruit of these efforts. The ambitions for UNCTAD XI are, however, much greater. This U.N. conference is seen as a stepping stone to evolving what Brazil calls 'a new trade geography' in the world, one that would witness a dramatic growth in trade within the South.

It is a fact that the share of the developing countries in world exports grew substantially during the 1990s and intra-developing country trade rose alongside this increase. A number of WTO and UNCTAD studies have recently drawn the contours of this new trade geography. The South's share of world trade now stands at 30 per cent, an increase of 50 per cent over the previous 20 years. Secondly, developing countries have become both major markets and suppliers to the advanced economies. The United States, for instance, now imports more merchandise from the South than from the developed nations. Thirdly, trade within the South has been growing twice as fast as world

exports and has come to account for 11 per cent of the global total. Yet despite these changes, the potential for such trade remains vastly under-utilised. Intra-developing country exports are dominated by the countries of Asia, and in the continent by the East Asian economies. Besides, a predominant proportion of intra-South exports goes to economies in the neighbourhood. To set these imbalances right and to give a new momentum to trade in the developing world, UNCTAD hopes to catalyse the regime of General System of Trade Preferences (GSTP) under which the poor countries exchange import tariff concessions with one another.

Sao Paulo is to see the launch of the third round of GSTP negotiations that should lead to a customs duty regime much more favourable to intra-South trade. For example, UNCTAD estimates that if India and the Mercosur trade grouping of South America reduce tariffs mutually by 50 per cent, they should expect a 16-fold increase in trade. The GSTP agreement was first negotiated in 1988, but unfortunately it has not made much of a contribution to inter-regional trade. One reason is that no more than 40 countries participated in the two previous rounds. A second is that the concessions provided have been too small to make a difference. A third factor was that some countries came forward with only minor reductions in customs duties but demanded large cuts from other signatories to the treaty. There is hope that given the new global trade environment the problems bedevilling the GSTP regime will be avoided in the third round of talks. The South has realised that a manifold expansion of trade among the poorer economies of the world can serve two purposes. Booming trade within the South lessens dependence on the markets of the North and enables the Governments to take much tougher positions in international negotiations.

Bush fails to cut Nato-Iraq deal with Chirac

Summit wraps up with pledge on democracy in West Asia

Agencies
Sea Island, June 10

US PRESIDENT George W. Bush discussed his proposal for a wider Nato role in Iraq with French President Jacques Chirac on Thursday but reported no agreement.

The two men met on the sidelines of a Group of Eight summit after the issue provoked a new US-French spat on Iraq. "We talked about a lot of issues, and one of the issues that we talked about was Nato and whether or not there is a continued role in Iraq for Nato," Bush, seated beside Chirac after their talks, said. "The point is that we understand that the Iraqi people need help to defend themselves, to rebuild their country and mostly help to hold elections," he said.

Bush reported no progress in overcoming Chirac's objections to his plan for an unspecified wider role for Nato. Nato's involvement in Iraq has so far been limited to providing logistical support to a 6,500-strong multinational force under Polish command that controls a sector south of Baghdad.

Meanwhile, Bush and the other Group of Eight leaders were wrapping up a summit dominated by West Asia with a session with African leaders on Thursday.

Bush and European leaders pledged a united effort to promote democracy and prosperity across the larger West Asia, but the rare show of unity masks lingering discord on both that plan and, more urgently, on ways to support Iraq.

French President Jacques Chirac objected on Wednesday to Bush's suggestion that Nato take a greater role in Iraq. But Bush



WALKING HEADS: G-8 leaders walk along the beach on Sea Island, Georgia, on Wednesday.

aides said they expected to find some common ground on the issue before a Nato summit this month.

On Africa, the powerful leaders of the US, Britain, Canada, France, Germany, Italy, Japan and Russia were expected to endorse proposals including support for research on an AIDS vaccine, an initiative to attack famine and a US proposal to train more than 50,000 new peacekeepers in the next five years.

After weeks of bad news out of

Iraq, Bush was able to claim a victory as the summit began, when the UN Security Council on Tuesday approved a resolution granting legitimacy to the new Iraqi interim government.

Bush invited Iraq's President, Ghazi al-Yawar, to the summit to showcase the victory. In their private discussions, Bush and al-Yawar talked about Iraqi reconstruction and the country's relations with Syria and Iran, said a

senior administration official present at the session.

Iraqis with close ties to Syria should try to persuade Syria "to be more responsible" in guarding its border to keep militants from entering Iraq, said the official, who spoke on the condition of anonymity to avoid upstaging the President.

Al-Yawar told Bush that his country was "moving in steady steps" toward democracy. Bush called the meeting "a special day" because

Rumours over Koizumi surprise visit to Iraq

DESPITE REPEATED denials by officials, Japanese media speculated on Thursday that Prime Minister Junichiro Koizumi might make a surprise visit to Japanese troops in southern Iraq on his way home from the annual summit of the world's leading industrialised nations. According to reports in the tabloid Press, Koizumi will make a quick stopover in Kuwait before heading to the southern Iraqi city of Samawah after he leaves here on Friday. The *Nikkan Gendai*, a popular daily noted on Thursday that Koizumi, unlike several other summit leaders, would not be attending the funeral for late President Ronald Reagan in Washington, and has, instead, designated former Prime Minister Yasuhiro Nakasone to attend.

AP, Savannah

"I really never thought I'd be sitting next to an Iraqi President of a free country a year and half ago."

The G-8 leaders on Wednesday adopted a compromise version of Bush's plan to push democracy across West Asia, but tied such an effort to resolving the Arab-Israeli conflict, at European insistence. The plan aims to spur democracy by providing support to grassroots groups and training 100,000 new teachers over the next decade.



KISS-FUL PROTEST: Two demonstrators kiss during an anti-G8 rally in Sea Island on Thursday.

Iran fumes at G-8

Agence France-Presse
Tehran, June 10

IRAN LABELLED as irrational and unreasonable on Thursday claims by leaders at the G8 summit that Tehran is failing to fully disclose its nuclear programme.

Foreign ministry spokesman Hamid Reza Assefi said: "So far, no deviation has been observed in Iran's peaceful nuclear activities, and what is being raised these days about Iran's activities (is aimed) at creating pressures and a climate for propaganda."

"Iran has practically demonstrated its full commitment to the Non-Proliferation Treaty and its safeguard clauses. Iran's broad

and transparent cooperation with the International Atomic Energy Agency confirms this".

He reiterated Tehran's insistence that "the peaceful use of nuclear energy is a legitimate right of Iran. The G8 nations must not expect Iran to give up this right; rather they should provide Iran with the necessary means to make use of this technology. "These stances are irrational and contradict the realities".

At their meeting in Sea Island, Georgia on Wednesday, G8 leaders cited "serious concerns" about North Korea and chastised Iran as they unveiled measures meant to halt the spread of weapons of mass destruction.

INDUSTRIAL PHOTOS

BUSH PLEADS FOR HELP ON IRAQ'S TRANSFORMATION ■ FRANCE, GERMANY SKEPTICAL ON GREATER NATO ROLE

Big Eight one on West Asia democracy

Associated Press

SR 3 11/6

SEA ISLAND (Georgia), June 10. — G-8 leaders were pledging a united effort to promote democracy and prosperity across West Asia, but the rare show of unity masked lingering discord on both the US-backed plan to achieve that and, more urgently on ways to support Iraq.

President Bush appealed to his big-power allies today to do more to guide Iraq's transformation into a stable democracy, saying the "Iraqis need help" to defend themselves, rebuild their country and hold elections.

Mr Bush's comments, made after a private meeting with a skeptical French President Mr Jacques Chirac, came as the annual Group of Eight summit was winding down — without the US President winning any additional commitments of help on Iraq.

Yet two of his toughest war opponents hinted they are willing to discuss Mr Bush's proposal for an expanded Nato role if the Iraqis request it. German Chancellor Mr Gerhard Schroeder reiterated that his country will not send troops to Iraq, but told reporters that Germany would not block other countries if they decided Nato has a larger role.

Mr Chirac has strong reservations about the idea, but is open to discussions before a Nato summit in Turkey at June end, a French official said.

On West Asia, the G-8 did adopt a compromise version of Mr Bush's plan to push reform across West Asia, but tied such an effort to resolving the Arab-Israeli conflict, at European insistence.

The plan aims to spur democracy by providing support to grass-roots



THE RICH AND POWERFUL: G-8 leaders take a break from the summit to take a stroll on the Sea Island beach. (From left) British PM Mr Tony Blair; President of the EU Mr Bertie Ahern; Canadian PM Mr Paul Martin; French President Mr Jacques Chirac; German Chancellor Mr Gerhard Schroeder; Japanese PM Mr Junichiro Koizumi; Russian President Mr Vladimir Putin; US President Mr George W Bush; and Italian PM Mr Silvio Berlusconi. — AFP

groups, training 100,000 new teachers over the next decade and providing loans to fledgling entrepreneurs.

But Mr Bush piggybacked his initiative to programmes already being carried out by European countries, including in the sectors of trade, economic reforms and other fields.

A EU spokesman said US officials recognized that Europe has been doing important work in West Asia.

Some countries, however, remained suspicious of the whole enter-

prise, seeing it as unwanted meddling by the Bush administration. "Change should not be imposed from the outside," said Turkish Prime Minister Mr Recep Tayyip Erdogan. "The character and traditions of each country must be taken into consideration."

Resolutions

● **HIV vaccines:** The G-8 endorsed a proposal to try to accelerate development of a vaccine for the virus that

causes AIDS, and President Bush spending \$15 million to launch it.

● **Peace-keeping:** The bloc committed to training and, where necessary, equipping 75,000 peacekeepers to deal more quickly and efficiently with crises in Africa and elsewhere.

● **Sudan:** The leaders appealed to the UN to help prevent a humanitarian catastrophe in Sudan, where ethnic violence in the western Darfur region has displaced more than a million people.

The first wives' club



(From left) Mrs Cherie Blair, Mrs Bernadette Chirac, Mrs Lyudmila Putina and Mrs Laura Bush walk to a press conference at the G-8 Summit on Sea Island. — PTI

SEA ISLAND (Georgia), June 10. — The world leaders meeting this week at the Group of Eight summit didn't leave their wives at home.

US first lady Mrs Laura Bush hosted a summit of her own with the wives of the G-8 leaders yesterday to discuss education, health and women's issues. "Our conversation focused on how we can help achieve the goals that our husbands are also working on for equality, for justice, for democracy," Mrs Bush said at a news conference following their meeting on Sea Island, the site of the G-8 summit.

The women — Mrs Bush, Mrs Cherie Blair of England, Mrs Bernadette Chirac of France and Mrs Lyudmila Putina of Russia — discussed foreign policy and human rights with women from

Afghanistan and Iraq. Sheila Martin of Canada also was on Sea Island but was unable to attend the meeting because she felt ill.

The wives are taking on growing leadership in promoting causes important to them, separate from their husband's initiatives, Mrs Bush said. "There's a true forum for the first lady... and I feel like I have a responsibility to talk about issues that are important to me," she said. "I'm glad I've had the opportunity to make it into a full-time job."

Mrs Bush's main cause is promoting literacy, and she said she hopes for greater student exchange programs in the future between America and West Asia. "We look forward to the day American students are studying in Iraq," she said. — AP

Summitry and the new South

By Jorge Heine

The Old South wanted aid, the new South wants trade.

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As Heine

THE G-8 meeting (June 8-10) in Sea Island, the XI UNCTAD Summit in Sao Paulo (June 13-18), the tragic failure of unilateralism in Iraq, (opening the way for an increased role for the United Nations) and the veritable frenzy of preparatory activities for the Doha Round meetings of the WTO in July (for which considerable ground was broken at the recent APEC Commerce Ministers meeting in Pucón, Chile) all reflect the renewed impetus with which multilateralism, i.e., a collective, consultative and more or less institutionalised mode of decision-making in international affairs, is back.

The fall of the Berlin Wall and the end of bipolarity, the rise of a single global superpower, and the upsurge of international terrorism brought major changes to the international system that prevailed for four decades — that of the Cold War. One result of the ensuing fluidity has been to wreak havoc with long-standing international institutions and the rule of international law. The type of treatment of prisoners of war in Abu Ghraib that has recently come to light is only the latest example of what happens when “go-it-alone” policies rule the day. If “no rules apply”, anything can happen, and that is what occurs.

There is, then, a problem. On the one hand, strong forces are pushing towards ever more globalised systems of production and distribution. Foreign trade amounts to almost 60 per cent of the world product. International telephone traffic increased six-fold from the mid-1980s to the turn of the century. We all know about the explosive growth of the Internet and how it has shrunk geographical distance and compressed time. Rather than simply becoming more international, today's national economies are becoming almost embedded in each other, as the recent debate on IT outsourcing and its effects on job creation in India illustrates. Where do you draw the line? Where does the legitimate protection of domestic jobs become an intrusion into the rules of free trade and private enterprise?

Much the same happens with a phenomenon as ubiquitous as terror-

ism. Nobody would dispute the right of any country to defend itself. The trouble starts when such measures start impinging upon the rights of other states or individuals themselves, as witnessed by the many law-abiding travellers who have ended up spending weeks and months in detention simply for coming from the “wrong” country or having the “wrong” surname.

Even among the developing countries, which have the most to lose from a “free-for-all” situation, in which “anything goes”, there is at least one school of thought that the best approach is simply to “go with the flow.” Under the circumstances, or so the reasoning goes, one might as well follow the dictates of the centres of economic and political power (i.e., the North). Material incentives should provide handsome rewards for those who behave accordingly, and no purpose is served in hanging on to outmoded ideologies, let alone such ostensibly anachronistic organisations as the NAM, or even UNCTAD, with its whiff of *déjà vu*, and aroma of the 1960s rather than of the new century. Let the big boys call the shots, they seem to say, and forget about any grandiose schemes of South-South cooperation.

Yet, this rather brazen notion betrays a fundamental misconception. It seems to say that the countries of the South do not need collective action or their own groupings to work out solutions in matters of global governance, that somehow these matters will take care of themselves — which of course they will not. Organisation and collective action have been traditionally the weapons of the weak (in this case, the developing nations) vis-à-vis the strong. To give up on them is to leave the field open to those who already control many of the strings that make the world go round.

What is taking place, rather, in this new era that overlaps with the new century, is a fundamental rearranging of the rules of world order, as the Bret-

ton Woods and other global institutions that emerged in the wake of World War II no longer reflect international realities. Countries like India and Chile, democratic states traditionally committed to multilateralism, the rule of international law and the peaceful resolution of controversies, have, of course, a special stake in this process and can play, from their obviously different vantage points, significant roles in this regard.

For the countries of the global South (of which, of course, India is such a prominent member), then, the choice is not between the *status quo* and a newly emerging international order, but rather, between contributing to the shape and form this new system will take, or simply leaving the job to others — who would do so according to their own views and interests.

Fascinatingly, there are already glimpses of what this concerted action can look like, if not necessarily what it can accomplish. The key change from the North-South divide of the 1970s and 1980s — of the Brandt Commission Report and the New International Economic Order — and today's North-South dynamic is the one from the diplomacy of the *cahier des doléances* and the requests for massive transfers of resources from the North to the post-colonial countries — that is, from a diplomacy of weakness demanding redress, to one of strength demanding market access.

A New South has come into its own. The old “Third World” category no longer applies to it — even semantically, since there is no longer a Second World to speak of. It demands “a place at the table” of global governance, not just some crumbs that may fall off it.

One of the most exciting products of this new conjuncture in world affairs is the IBSA (India, Brazil, South Africa) axis that has brought together three leading regional powers from three different continents. Its increased formalisation, the ensuing ministerial meetings and the upbeat

message about South-South coordination it conveys are all welcome developments in a global South where sheer geographical distance (now shrunk through globalisation) has too often been seen as an insurmountable obstacle to effective interregional cooperation.

Another, of course, is the G-20+, that is, the grouping emerging out of the WTO meeting in Cancún, Mexico in 2003. It has remained very active in the Doha Round, as it attempts to foster global trade liberalisation in agricultural goods — albeit not of any kind but of the sort that is best for the South, which also happens to be the fairest one for all.

There is, then, a change from the Old (“Third World”) South, based on large, somewhat unwieldy entities, whose central platform was the demand for greater international aid and cooperation, to the New South, anchored in smaller, but more focussed bodies. The former spoke from weakness, the latter from strength — something under-girded by the increasing economic weight of many members. The former wanted aid, the latter simply trade. The former thrived on confrontation, the latter on negotiation. And there's the rub.

However much one can criticise the WTO for its priorities and concerns, the truth is that any such outfit that sets the global trading rules and acts as an impartial referee, sanctioning those who break them, is badly needed by all, but especially by the developing nations. The G-20+, of which India is a leading member, and to which Chile also belongs, must keep up the flag of trade liberalisation and of the phase-out of the \$300 billion a year in agricultural subsidies the North showers on its ever fewer farmers, often not to produce any food at all, an economic irrationality if there has ever been one. At the same time, the ultimate objective must be to reach an agreement. If there is one lesson from the earlier North-South dialogue (and divide) it is that confrontation for its sheer sake is ultimately self-defeating. The last thing the South needs is another Seattle.

(Dr. Jorge Heine is the Ambassador of Chile to India.)

THE HINDU

10 JUN 2004

Bush wants Nato forces in Iraq

10/6
K. H. ...

Agencies

SEA ISLAND (Georgia), June 9. — Hoping to build on the momentum from a unanimous UN Security Council vote, President Bush today said he envisions a wider role for Nato in post-occupation Iraq.

Talking to reporters on the sidelines of the G8 summit here, Mr Bush said many Nato countries are already part of the coalition in Iraq and he hoped to "expand it a bit". Some 15 Nato countries have forces in Iraq. "I think Nato ought to stay involved and I think we have a good chance of getting it done," Mr Bush. He did not elaborate, but administration officials said the USA would like to see Nato get involved in training the new Iraqi army.

Meanwhile, the new-found unity between the war allies and France, Germany and Russia will face a major test when

invitation to participate.

The US cause in the Arab world has not been helped by Mr Bush's support for Israeli Prime Minister Ariel Sharon's handling of the Israeli-Palestinian conflict, nor by the worldwide uproar over the Iraqi prisoner abuse scandal.

New allies on WMD fight

Seven new countries will join an international scheme to halt the spread of WMD by destroying stockpiles of such arms and retraining scientists in non-military fields, a US official said yesterday, a report adds from Washington.

The G-8 leaders would adopt an accord today that expands the two-year-old programme as part of global non-proliferation efforts, he said. The seven new countries to join the global partnership are Australia, New Zealand, South Korea, Belgium, Denmark, Ireland and the Czech Republic.



LET'S BE FRIENDS: Mr Bush meets Chancellor Schroeder on the sidelines of the G-8 summit on Wednesday. — AFP

Boost to developing countries

THE White House, eager to fend off Mr John Kerry's charges that Mr Bush has badly harmed US relations with allies, worked to get agreements on initiatives expected to be approved in the next two days. One of them would be the endorsement of efforts to promote small businesses in developing countries to generate economic growth. Another initiative is a joint effort to lower the costs to immigrants who send money back to relatives in developing countries. The flow of these "remittances" totals an estimated \$100 billion annually — double the amount of foreign aid provided by wealthy nations — and is seen as a key to stimulating economic growth. — AP

জি-৮ সদস্য হতে পারে ভারত-চিন

১৮/৬
সি আইল্যান্ড, ৯ জুন— আটটি শিল্পোন্নত দেশের সংগঠন জি-৮ এর নতুন সদস্য হতে পারে ভারত ও চিন। আপাতত সেই রকমই ইঙ্গিত দিচ্ছেন জি-৮-এর কর্তারা। আজ এই মর্মে ইতালির প্রধানমন্ত্রী সিলভিও বার্লুস্কোনি যে বিবৃতি দিয়েছেন তার সার কথা হল, জি-৮-এ ভারত ও চিনের অন্তর্ভুক্তি প্রায় পাকা। মূলত, এশিয়ার এই দুই দেশের বিপুল জনসংখ্যা তথা ক্রমবর্ধমান বাজারের হাতছানিতেই শিল্পোন্নত দেশের সংগঠনের তালিকা থেকে এদের ব্রাত্য রাখতে রাজি নয় জি-৮-এর কোনও সদস্য দেশই। এ বিষয়ে তাদের মধ্যে চূড়ান্ত আলোচনা হয়েছে কি না জানাতে না চাইলেও বার্লুস্কোনি বলেছেন, “চিনকে অযথা ভয় পাওয়ার কোনও কারণ নেই। চিন ও ভারতকে আমরা জি-৮-এর সদস্য করে এই সংগঠনকে জি-৯ বা জি-১০-এ পরিণত করতে আগ্রহী।”

প্রসঙ্গত, জি-৮ সংগঠন তৈরি হয়েছিল ১৯৭৫ সালে। শিল্পোন্নত দেশগুলিকে নিয়ে সংগঠন গঠনে তখন উদ্যোগী হয়েছিলেন ফ্রান্সের তৎকালীন প্রেসিডেন্ট ভ্যালারি গিসকার্ড ডি এসটাইং। সেই সময় এর সদস্য ছিল ৬টি দেশ। বর্তমানে আমেরিকা, ফ্রান্স, জাপান, জার্মানি, ব্রিটেন, ইতালি, কানাডা ও রাশিয়া এর সদস্য। ১০ বছর আগে রাশিয়া এতে যোগ দেয়। রাশিয়ার সদস্য পদ নিয়ে এর পর অবশ্য বারে বারে প্রশ্ন উঠেছে। — রয়টার্স

World leaders pay tributes to D-Day martyrs

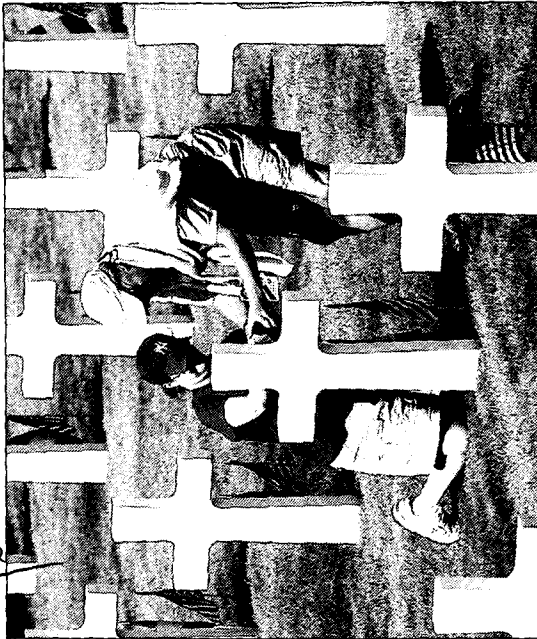
W. K. Aggarwal 13/6/06

Colleville-Sur-Mer (France): Leaders from more than a dozen countries put aside their differences Sunday to thank the Allied forces behind one of the most decisive military battles of all time—the D-Day invasion that broke Nazi Germany's grip on continental Europe. French President Jacques Chirac welcomed US President George W. Bush upon his arrival at the American cemetery in Colleville-Sur-Mer, where 9,387 fallen US fighters are buried. Both leaders sought to reinvigorate the US-European bond that were cemented during and after World War II.

Chirac, a leading critic of Bush's foreign policy, delivered a moving speech thanking America for the sacrifices made to defeat Adolf Hitler. "France will never forget," Chirac said. "It will never forget those men who made the supreme sacrifice to liberate our soil, our native land, our continent, from the yoke of Nazi barbarity and its murderous folly. Nor will it ever forget its debt to America, its everlasting friend."

Bush, recalling "the immensity of the moment" that triggered the ultimate defeat of the Third Reich, also tried to ease the strain in the trans-Atlantic alliance. "Our great alliance of freedom is strong, and it is still needed today," Bush said. "America would do it again for our friends."

French and American flags flew at half-mast in memory of President Ronald Reagan, who died Saturday at 93 following a 10-year battle with Alzheimer's disease. Hollywood star Tom Hanks and director Steven Spielberg, makers of the movie 'Saving Private Ryan', sat discreetly in the audience amid ag-



Laura and Michael Pickell of Baltimore remove dust from the cross, which marks the grave of the only recovered remains of a member in the same unit in which their uncle served



A British veteran breaks down during a memorial service in Normandy

leaders arriving in Normandy at a time of high terror threat, France deployed fighter jets, surface-to-air missiles and 15,000 grenades and soldiers for security.

Russian President Vladimir Putin was among 24 leaders expected for Sunday's main event: A pomp-filled ceremony in Arramanches, near the midpoint of the five code-named beaches where roughly 156,000 soldiers—mostly American, British and Canadian—stormed in from the English Channel on D-Day.

Later Sunday, Chirac was to decorate 16 veterans from nearly a dozen nations with the Legion of Honor, the country's most prestigious award. All told, about 300 veterans from 13 countries, mostly the United States, Britain and Canada, were to receive the Legion of Honor in ceremonies this weekend. Some 1,300 soldiers from 14 countries are to march in parades or play national anthems with military bands. American, Belgian, British, Dutch, Norwegian and French planes are to soar overhead. Seven nations were to participate in a naval flotilla near Arramanches. To convey the message that Europe has moved on, for the first time France has invited German leader Chancellor Gerhard Schroeder to Arramanches and German veterans for another ceremony at one of the German cemeteries in France. Thousands of people turned out Saturday for public events to honor the sacrifices of the war veterans and fallen soldiers. War buffs in the uniforms of US paratroopers craned their necks among nearly 50,000 people for a re-enactment of D-Day jumps by American GIs near Sainte-Mere-Eglise. Agencies

rows of white gravestones for the British-French memorial service at a British cemetery in Bayeux. "On behalf of my generation, the younger one, I thank you," British Prime Minister Tony Blair told Australian veteran Gordon Church, 96, who landed on Gold Beach. At dawn on Sunday veterans proudly supporting their medals came to Omaha Beach, the bloodiest of all the five landing beaches, to remember friends who died there exactly 60 years ago. With more than 20 world

ing veterans in military uniforms and wheelchairs. Queen Elizabeth II opened the ceremony at Juno Beach—the beach that Canadian soldiers were assigned to capture—to thank them for their sacrifices.

"Britain had been directly threatened by the enemy, but you came across the Atlantic from the relative security of your homeland to fight for the freedom of Europe," the queen said. Several thousand people, including hundreds of British veterans, crowded between

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Bush Doesn't Expect NATO to Provide Troops for Iraq

Published: June 11, 2004

(Page 2 of 2)

At the news conference, Mr. Bush veered from some short, brusque answers — especially to questions about the abuse of detainees — to playful bantering with reporters. At one point, he apologized that he had to answer questions from the White House press corps first. "See, I have to live with these people," he explained to the other reporters. "I don't have to live with you."



Associated Press

President Bush and President Jacques Chirac of France conferred Thursday on the final day of the Group of 8 summit meeting on Sea Island, Ga.

He was asked about one of the newest decorative touches at the White House: Saddam Hussein's pistol, which is now mounted in his private study and which was a gift from members of the Delta Force team that captured the former Iraqi leader in December. In reply to a question about whether he would give the pistol to Iraq's new interim president, Sheik Ghazi Ajil al-Yawar, he indicated he would hold onto it.

"Our people were thrilled to have captured him," Mr. Bush said. "And in his lap were several weapons, one of them was a pistol, and they brought it to me. It's now the property of the U.S. government."

Mr. Bush held his news

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conference after a day largely given over to discussions on how to help the world's poorest nations, especially those in Africa. He and his counterparts from Britain, France, Germany, Italy, Russia and Japan — the Canadian prime minister, Paul Martin, left early — had lunch with the leaders of six African countries.

(June 10, 2004)
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The Group of 8 leaders endorsed a plan to encourage international cooperation in research to develop a vaccine for AIDS. They pledged to do more to combat famines, and to support the establishment of larger peacekeeping forces for use in Africa. They also committed themselves to extending the life of the main international program for reducing the debts of the poorest countries. But they failed to agree on a plan promoted by Britain to cancel all the debt of those poor countries.

The leaders also remained deadlocked over how much of Iraq's debt to forgive. French officials said Mr. Chirac had made clear his position that given its oil reserves, Iraq should be able to pay off much of its debt, a stance opposed by the United States, which is pressing for all or most Iraqi debt to be forgiven.

Three of the Group of 8 leaders — Mr. Blair, Prime Minister Silvio Berlusconi of Italy and Chancellor Gerhard Schröder of Germany — were scheduled to attend the funeral services for former President Ronald Reagan on Friday.

At the end of a meeting that the administration had sought to portray as bringing a close to any bitterness over Iraq, Mr. Bush said he had told Mr. Chirac that their countries "will continue to consult closely" on the issue of NATO's involvement.

A senior administration official told reporters later that the two governments had agreed to continue talking before the annual NATO meeting at the end of the month in Turkey. The official said it was "fair to characterize the positions as moving carefully in the same direction," adding, "What we did not hear is a firm red line of no's."

But Mr. Chirac, before leaving Thursday night, suggested that there remained a clear divide between the United States and France. While Mr. Bush pushed for any role for NATO that

might be achievable, Mr. Chirac appeared intent on limiting that role as much as possible and ruling out the deployment of NATO troops.

"Any meddling by NATO in this region seems to us to carry great risks, including risks of clashes between the Christian West and the Muslim East," Mr. Chirac said. "We have indicated clearly that we cannot accept a mission of that type for NATO."

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TOP INTERNATIONAL ARTICLES

U.S. stifling world democracy

By George Monbiot

NO ONE could have called ours a raucous household. The passions of our first two years at university were spent, and we were now buried in our books. My work, as usual, was quixotic and contradictory (studying zoology by day, writing a terrible novel by night), Niall Ferguson's was focussed and unrelenting. He was charming, generous-spirited and easy to live with, but I think it is fair to say that everyone was frightened of him.

It is not just that my housemate knew his subject better than his contemporaries, and knew where he wanted to take it. He also knew how to do it. Niall is now professor of history at New York University, and rapidly becoming one of the most celebrated intellectuals in the United States.

After university we retained an occasional friendship, during which we never quite engaged with each other's politics. I haven't seen him for a few years, and I'm not sure what we'd talk about today. Our views, which were never close, have now polarised completely. We find ourselves on opposite sides of what will be the big fight of the early 21st century: global democracy *versus* American empire.

His new book and television series, *Colossus*, is an attempt to persuade the U.S. that it must take its imperial role seriously, becoming in the 21st century what Britain was in the 19th. "Many parts of the world," he claims, "would benefit from a period of American rule." The U.S. should stop messing about with "informal empire," and assert "direct rule" over countries which "require the imposition of some kind of external authority." But

it is held back by "the absence of a will to power."

Colossus, like all Niall's books, is erudite and intelligent. The quality of his research forces those of us who take a different view to raise our game. He has remembered what so many have chosen to forget: that the U.S. is and has always been an empire — an "empire in denial."

He shows that there was little difference between the westward expansion of the founding states and the growth of "the great land empires of the past." He argues that its control of

and culture" bequeathed to the colonies, but forgets that Britain, as Basil Davidson showed, deliberately destroyed the institutions, knowledge and culture of the colonised. He forgets too that there was a difference between the interests of the British and those of the subject peoples.

Strangely, for one who knows empire so well, Niall also either forgets or fails to understand the current realities of America's informal rule. He dismisses the idea that the U.S. wishes to control Middle Eastern oil reserves on the grounds that the U.S. is already

themselves is that independent peoples have no one but themselves to blame for their misfortunes. The problem faced by many African states, Niall insists, "is simply misgovernment: corrupt and lawless dictators whose conduct makes economic development impossible." "Simply" misgovernment?

This is a continent, let us remember, whose economies are largely controlled by the International Monetary Fund. This is partly why some of the poorest African nations have the world's most liberal trade regimes. The world's problem, Niall contends, is that the unaccountable government of the poor by the rich, which already has had such disastrous consequences, has not gone far enough.

The timing of all this is, of course, appalling. As the U.S. has sought to impose direct imperial rule in Iraq, it has earned the hatred of much of the developing world. But we should never underestimate the willingness of the powerful to flatter themselves. Unaccountable power requires a justifying myth, and the U.S. Government might just be dumb enough to believe the one that Niall has sought to revive. My old friend could get us all into a great deal of trouble.

But even he doesn't really seem to believe it. His book, above all, is a lament for the opportunities the U.S. has lost. It is, he admits, so far from finding the will to recreate the British empire that the world could soon be left "without even one dominant imperial power." What better opportunity could there then be to press for global democracy? — ©Guardian

Newspapers Limited 2004

The U.S. is choosing to ignore the fact that it is to blame for the stifling of global democracy.

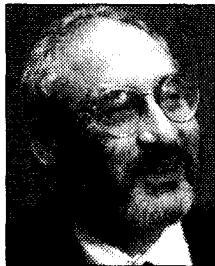
"oil rich." It's not just that oil production peaked in the U.S. in 1970. The U.S. Government knows that if you control the diminishing resource on which every other nation depends, you will, as that resource dries up, come to exercise precisely the kind of indirect rule that Ferguson documents elsewhere. While brilliantly exposing America's imperial denial, he takes at face value almost every other story it tells about its role in the world.

He accepts, for example, that the U.S. went to war with Iraq because "its patience ran out" when Mr. Hussein failed to comply with the weapons inspectors. There is not a word about the way in which the U.S. itself undermined and then destroyed the inspection missions.

When you forget, you must fill the memory gap with a story. And the story that all enthusiasts for empire tell

Outsourced and out of work

The problem with globalisation today is precisely that a few may benefit and a majority may be worse off, unless government takes an active role in managing and shaping it, says Joseph E Stiglitz



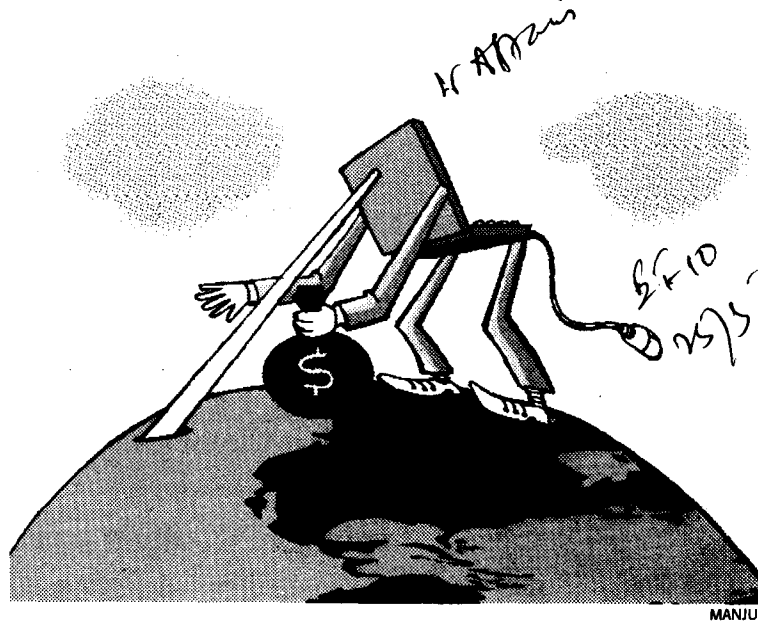
THE LATEST buzzword in the globalisation debate is outsourcing. Suddenly Americans — long champions of globalisation — seem concerned about its adverse effects

on their economy. Its ardent defenders are, of course, untroubled by the loss of jobs. They stress that outsourcing cuts costs — just like a technological change that improves productivity, thus increasing profits — and what is good for profits *must* be good for the American economy.

The laws of economics, they assert, ensure that in the long run there will be jobs for everyone who wants them, so long as government does not interfere in market processes by setting minimum wages or ensuring job security, or so long as unions don't drive up wages excessively. In competitive markets, the law of demand and supply ensures that *eventually*, in the long run, the demand for labour will equal the supply — there will be no unemployment. But as Keynes put it so poignantly, *in the long run, we are all dead*.

Those who summarily dismiss the loss of jobs miss a key point: America's economy has not been performing well. In addition to the trade and budget deficits, there is a jobs deficit. Over the past three and a half years, the economy should have created some 4 to 6 million jobs to provide employment for new entrants into the labour force. In fact, more than 2 million jobs have been destroyed — the first time since Herbert Hoover's presidency at the beginning of the Great Depression that there has been a net job loss in the US economy over the term of an entire presidential administration.

At the very least, this shows that markets by themselves do not quickly work to ensure that there is a job for everyone who wishes to work. There is an important role for government in ensuring full



employment — a role that the Bush administration has badly mismanaged. Were unemployment lower, the worries about outsourcing would be less.

But there is, I think, an even deeper reason for concerns about outsourcing of, say, hi-tech jobs to India: it destroys the myth — which has been a central tenet of the globalisation debate in the US and other advanced industrial countries — that workers should not be afraid of globalisation.

Yes, apologists of outsourcing say, rich countries will lose low-skilled jobs in areas like textiles to low wage labour in China and elsewhere. But this is supposedly a good thing, not a bad thing, because America should be specialising in its areas of comparative advantage, involving skilled labour and advanced technology. What is required is "upskilling," improving the quality of education, especially in science and technology.

But this argument no longer seems convincing. America is producing fewer engineers than China and India, and, even if engineers from those developing

countries are at some disadvantage, either because of training or location, that disadvantage is more than offset by wage differentials. American and rich country engineers and computer specialists will either have to accept a wage cut and/or they will be forced into unemployment and/or to seek other employment — almost surely at lower wages.

IF AMERICA'S highly trained engineers and computer specialists are unable to withstand the onslaught of outsourcing, what about those who are even less trained? Yes, America may be able to maintain a competitive advantage at the *very top*, the breakthrough research, the invention of the next laser. But a majority of even highly training engineers and scientists are involved in what is called "ordinary science," the important, day-to-day improvements in technology that are the basis of long-term increases in productivity — and it is not clear that America has a long-term competitive advantage here.

Two lessons emerge from the outsour-

ing debate. First, as America grapples with the challenges of adjusting to globalisation, it should be more sensitive to the plight of developing countries, which have far fewer resources to cope. After all, if America, with its relatively low level of unemployment and social safety net, finds it must take action to protect its workers and firms against competition from abroad — whether in software or steel — such action by developing countries is all the more justified.

Second, the time for America to worry is now. Many of globalisation's advocates continue to claim that the number of jobs outsourced is relatively small. There is controversy, of course, about the eventual size, with some claiming that as many as one job in two might eventually be outsourced, others contending that the potential is much more limited. Haircuts, like a host of other activities requiring detailed local knowledge, cannot be outsourced.

But even if the eventual numbers are limited, there can be dramatic effects on workers and the distribution of income. Growth will be enhanced, but workers may be worse off — and not just those who lose their jobs. This has, indeed, already happened in some developed countries: in the ten years that have passed since the signing of the North American Free Trade Agreement, *average* real wages in the US have actually declined.

Putting one's head in the sand and pretending that everyone will benefit from globalisation is foolish. The problem with globalisation today is precisely that a few may benefit and a majority may be worse off, *unless government takes an active role in managing and shaping it*. This is the most important lesson of the ongoing debate over outsourcing.

(The author is Professor of Economics at Columbia University and a member of the Commission on the Social Dimensions of Globalisation. He received the Nobel prize in Economics in 2001)

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The Economic Times

5 MAY 2004

Soldiers on hire - II

Concluding part of HUCK GUTMAN's essay on the changing nature of modern warfare

PMFs allow placing many of the costs of the Iraq occupation "off budget." In the USA, as in all democracies, funding for government activities is ultimately in the hands of the people, through their elected representatives in legislative bodies.

But the 20,000 international PMF employees in Iraq (equal to over 15 per cent of the official US military presence of 130,000 soldiers) are off budget. They are not listed as military defence. Instead, they are paid out of the money budgeted for Iraqi reconstruction. Recent government estimates are that as much as one quarter of the \$18 billion budgeted for reconstruction will be paid to those who perform military operations of one sort or another. That means money dedicated to rebuilding schools and hospitals will, instead, fill the coffers of private firms that supply guards, analysts, security, convoy protection.

In merchandising, this technique is called "bait and switch" and is widely used by unscrupulous salesman: offer something at an announced price, and substitute another item of either inferior quality, or higher price. Offer reconstruction, substitute military and paramilitary activity. In the marketplace, bait and switch tactics are illegal. That does not seem to hold for White House policies in Iraqi military affairs.

Second, hiring private military firms bails out the questionable defence policies of secretary of defense Donald Rumsfeld. Contrary to the advice of his generals, the secretary insisted on downsizing the military. His vision is of a corporate military, and so he imitates the efficiencies put in place by modern multinational corporations. On one level, he is merely continuing what his predecessors in the defense department did, and indeed what every imperial power has done for many centuries: he has moved toward further mechanising warfare. For Rumsfeld, it is not just that killing efficiency – horrible term, horrible concept – is enhanced by mechanisation: the automated battlefield can work like an automated factory, so that less workers are needed. Secretary Rumsfeld has been insistent that the US military can be downsized, and not just by, for example, using fully automated drones instead of bombers with crews, or substituting laser-sighted weapons in the hands of two or three soldiers in a Humvee instead of sending forth a platoon of ten.

Rumsfeld has tried his utmost to privatise the US military. For him, following corporate strategy, downsizing means moving to "just in time" hiring, using private firms to provide what the military formerly did for itself. He has insisted that it makes no fiscal sense to keep and pay for a well-trained standing army, when the USA can purchase every sort of service on an "open market" whenever there is a need for military action. Why should soldiers, in Rumsfeld's view, cook for themselves, move their trash, provide supplies, run and maintain their technology – why not privatise these activities? Even in the case of actually military duty – guarding public officials from hostile attack, fighting guerrilla assaults – much of what soldiers traditionally do can be performed by the mercenaries hired by private firms. All of these services can be hired only when needed, and the army can be kept small, and hence inexpensive in terms of manpower. Weapons systems, produced at high profit by huge corporations, are another matter: cost efficiency here seems to be of little or no concern.

(Rumsfeld's strategy may well be flawed, which is why the use of PMFs is so suspect, since in the US vernacular PMFs allow him to cover his behind. In Iraq today, US forces are stretched thin. That situation was highlighted recently when tens of thousands of soldiers slated to come home after a year's term in Iraq found those returns cancelled, some as they were on their way to the airport for a flight home. US troops have discovered,

contrary to both planning and promises, that their presence in an increasingly hostile war zone has been extended. Additionally, the defections of Spain, the Dominican Republic and Honduras from the US "alliance" has stretched the US forces so thin that Rumsfeld's downsized army is further unprepared to fight the rising Iraqi insurgency.)

Thus, the privatised military forces cover up the flaws in Rumsfeld's downsizing strategy. Secretary Rumsfeld, today, staves off criticism that his lean military is not able to do

President's former company.

There is one undeniably corrupt purpose behind the use of PMFs, one so patent that it is beyond any taint of paranoia or cynicism. Four decades ago, when the USA was mired in a war in Vietnam and casualties were mounting, that war became a greater and greater political liability for successive administrations, first Democratic, then Republican, in the White House. Both resorted to a strategy – I hope readers will excuse the use of a heinous phrase, one that is not the writer's



US marines attend a mass at a temporary base in Fallujah. — AFP

what it has to do in Iraq, by paying privatised firms and their subcontractors to do it instead of army or air force personnel. That privatised firms charge more for the activities is of no concern, even though the point behind downsizing was supposedly cost-efficiency.

PMFs, have an additional "benefit" never mentioned by any US government official. If there is brutal military repression to be done, an ex-KGB agent or a man with a lifetime in the anti-apartheid forces in South Africa can work more brutally than an enlisted US soldier. Paul Bremer, the American who "rules" Iraq as the chief of the Coalition Provisional Authority, does not trust his defence to US soldiers. Cadres of mercenaries guard him.

If the US use of privatised military services in Iraq seems to transgress the boundaries of corruption to a rational mind, a mildly para-

but that of those in charge of managing the war – to "change the colour of the corpses." In other words, if US soldiers died, the public would be outraged. If the Vietnamese could be pressured into taking the casualties, there would be little outcry in the USA.

With this in mind, there is another, nefarious reason for the use of PMFs in Iraq. As casualties mount, and there have been over 100 American deaths in this month alone, using private military operatives may (and the emphasis must at this moment, with the situation still in flux, be on the very conditional nature of that verb) allow the USA to reduce US casualties by the substitution of foreign troops.

When those four American operatives from Blackwater Security were killed, there was great outcry and anger because they were

Cheney was the single most influential force driving Bush, and the American nation, into war against Iraq... One might see the entire episode as a business decision which provided huge contracts to the Vice-President's former company, Halliburton

noid mind can have a field day with some established facts. The major subcontractor in Iraq is Halliburton; Halliburton provides extensive security and military support through its subsidiary, Brown & Root. Halliburton's former chief executive, of course, is the sitting Vice-President, Dick Cheney. Recent testimony before Congress and in a startling new book by the journalist Bob Woodward indicates that Cheney was the single most influential force driving Bush, and the American nation, into war against Iraq. From the most cynical angle – and some resort to cynicism to explain a war whose purported cause, eliminating stockpiles of weapons of mass destruction, has proved fraudulent since no WMDs ever turned up in post-war Iraq – one might see the entire war and occupation as a business decision which provided huge contracts to the Vice-

Americans who were killed and mutilated – even though it quickly became apparent that they were private operatives paid for working quasi-military operations in a war zone.

Yet a similar event – not the abuse of the corpses, but the murder of four PMF agents, occurred four months earlier, in January, to no outcry at all. The reason? The four casualties, were employees of a British firm, Erinys, and all were former members of apartheid-era security forces in South Africa. This is the principle, without the racial overtones, of changing the colour of the corpses.

Although even that principle is, tragically, alive and well: Erinys alone employs about 14,000 Iraqis. It is not hard to find information about Erinys, since the company seems to have no shame about promoting its military services to all and sundry: advertising and self-promotion seem to be necessary

aspects of the business of privatised warfare. "Erinys is an international Security Services and Risk consultancy. We provide clients with a range of services and capabilities to reduce the impact of operating in volatile, uncertain or complex environments such as sub-Saharan Africa and West Asia. ... Erinys Iraq is a prime contractor to the Gulf Regional Division of the United States Army Corp of Engineers, tasked with providing nationwide personal security details and protective services," the company proudly states.

Their post-imperial world sounds suspiciously like the colonial world that has supposedly been long displaced: those 14,000 Iraqis are "directed by former senior members of the UK armed forces." It even has its own military command structure, independent of the US and allied forces, as it provides support and protection for the US military and – no surprise – the multinational petrochemical companies in Iraq. "Erinys Iraq operates throughout the country under a North, Centre, South regional structure, each with its own independent headquarters, and a further 14 subsidiary sectors each with their own headquarters."

The nature of modern warfare is changing. But further aspects of that are subject for another column.

In conclusion, today, let us examine the new pressure on the US army that will almost certainly result from the use of PMFs in Iraq, the creation of a split-level military, part privatised and highly-paid, part nationalised and greatly underpaid. Nor are those pay differentials concurrent with risk: quite the opposite.

Today, there are tens of thousands of men and women who were called away from their jobs and families – they had entered the National Guard, which requires under most circumstances a six month training period and then just two weeks of active service each year – because

their nation required them to serve in the deserts of Iraq and in the treacherous streets of cities deeply angry with the US occupation.

According to figures current during the active war a year ago, the salary of a soldier in the lowest rank who has one year's service was \$15,480 a year – only a thousand dollars more than the average pay for an usher in a movie theatre in the USA. The pay for an experienced corporal of three years of service was \$19,980 a year.

For this, US soldiers are on the frontlines in Iraq, risking their lives; with over 700 dead, and many more returning home amputees and permanently impaired, they have much at risk, yet their nation recompenses them with minimal pay.

Meanwhile, the government pays private firms between \$500 and \$1,500 a day for the experienced military personnel they supply in Iraq. That works out to mercenaries who often earn between \$1,50,00 and \$2,50,000 a year.

In stark terms, a mercenary works in a less risky position, providing support to fighting men or guarding oil wells instead of going on patrols in hostile territory under enemy fire and assault – and makes 10 or 20 times as much money as a soldier who serves his country instead of a corporation.

There are mercenaries making more than General Tommy Franks, who commanded the US armed forces in last year's war in Iraq. With more than 36 years of service, Franks' annual base pay was \$1,53,948.

Is it possible to sustain an army when mercenaries for private contractors take less risks and earn 10 times as much as soldiers? Is it possible to delude Iraqis and Americans alike that a reconstruction budget is for reconstruction, when a quarter of it pays for private military forces? Is it possible to successfully change the colour of the corpses in Iraq? Is this sort of warfare sustainable, and more tellingly, is it by any measure ethical? Time will tell.

Concluded.

W. Abraham

USA finds India ideal for outsourcing

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Statesman News Service

NEW DELHI, April 21. —The Democratic Party's candidate for the coming US presidential elections, Mr John Kerry, may be against Benedict Arnold corporations, but a top US official today told senior government officials that the USA was finding India an ideal destination for outsourcing.

Mr Thomas Donohue, president and chief executive of the US Chamber of Commerce, said India has sufficient skilled manpower and a good legal framework and was therefore, ideal for US firms that sought to open up back-rooms in India.

In fact, during his meeting with Mr KC Pant, the deputy chairman of the Planning Commission, he said India should 'catalogue' its skilled manpower available so that the US could plan its requirements. American investors, he said, were interested in investing in a number of areas including pharmaceuticals, health, gas, power and defence. Outsourcing is a major issue in the presidential elections as many jobs in the US have been 'lost.'

Recently, India has allowed some FDI in the defence sector. So far, foreign investment in the defence sector has been low. With Indo-Pak relations improving, FDI to India

by the USA could increase. He added that relations between the two countries were on the right track and efforts to better ties.

Mr Pant, today told the high level US delegation headed by M Donohue, that India would welcome FDI in various infrastructure sectors including ports, airport power and steel.

FDI in such areas is necessary especially because other sectors have improved tremendously in recent years. Mr Pant told the US delegation the telecom sector was booming and very soon, there could be more cell-phone connections than land-line links. He said the quality of highways and link roads were also improving.

The entire process, he added would be complete in five to six years and over 24,000 km of road would be widened. He said about 20 km were being widened and improved every day and this would go up to 35 to 40 km per day in the future.

Meanwhile, the government plans to increase India's share of international software exports to six per cent of the global market. A strategic paper is being readied. This was decided after meetings between senior officials of the Planning Commission and the ministry of information technology.

Bid to break G-20

By Sushma Ramachandran

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NEW DELHI, APRIL 17. By having regular consultations, the Group of 20 developing countries is trying hard to resist efforts to break the coalition. The European Union is expected to take the first step to divide the group by offering market access concessions on agricultural exports from Latin American countries in the Mercosur customs union. The E.U. is clearly planning to wean Brazil, one of the leading lights in the G-20, away from the rest of the group.

Official sources here, however, insist that the leading G-20 countries such as India, South Africa, Brazil and China are acutely conscious of the efforts by the E.U. and the U.S. to break the coalition. The group is therefore trying to have regular interactions to ensure a uniformity of approach at next week's agriculture negotiations at the World Trade Organisation (WTO) in Geneva when the E.U. is expected to make its offer.

The G-20 has been a thorn in the flesh of the E.U. and the U.S. ever since it was formed last year in the run-up to the Cancun ministerial conference of the WTO. The group was constituted by developing countries as a reaction to the proposals submitted by the E.U. and the U.S. on reduction of their enormous agricultural subsidies.

The E.U.-U.S. proposals did not go very far in terms of a time frame for cutting these subsidies and instead there was a focus on market access to be provided by developing countries. Several developing countries therefore decided to adopt a united approach to this contentious issue, with India, South Africa, and Brazil taking the lead in creating what is now known as the G-20.

Though the E.U. has publicly been saying that the concerns of developing countries will have to be taken more seriously after the Cancun meeting, their actual offers as part of the agriculture talks are not expected to go very far.

Sources close to trade negotiators say the views of France continue to dominate in the E.U. even though countries such as the United Kingdom are opposed to the continuation of large agricultural subsidies. Even the President of the European Commission, Romano Prodi, said during a visit here that the E.U. had been forced to rethink its approach to trade negotiations with developing countries after the events at Cancun.

Despite this public stance, the European Commission seems to be trying to break the coalition of developing countries instead of offering a firm time table for cutting its huge subsidies. Reports reaching the Commerce Ministry here are that the E.U. may offer easier access for agricultural exports from countries such as Brazil, Argentina, Uruguay and Paraguay. Though Brazil has apparently said that it will stand firm against any quick inducements from the E.U., there is some concern over the expected move by the E.U. It may be the forerunner of other offers for easier access by agricultural exporters to the large European market. In the case of Brazil, the stakes are high for the E.U. as it is considered the leader of the G-20 coalition. A softening of Brazil's stance could thus be a major blow for developing countries.

GLOBAL SECURITY

Great Powers Should Act As One

By ALEXEI ARBATOV

The main obstacle to global security in the long run is the proliferation of weapons of mass destruction, above all nuclear ones. If international terrorist organisations gain access to them, civilisation may be doomed. One cannot even try to guess what effect, apart from destruction, the detonation of a nuclear device may have in a big city. I mean in terms of relations between the individual and the state and relations between states, and in terms of morals, ethics and psychology of the people, who may decide that this is it.

Nuclear club

It was believed during the Cold War that the possibility of a global nuclear war between the superpowers (between the East and the West) posed the main threat to global peace. Hence, efforts were made to reduce the nuclear arsenals of the USA and the Soviet Union. But it quickly became clear that this was not enough, because Britain, France and China soon joined the club of nuclear states and its further expansion was predicted. To prevent a nuclear war, the global community decided to stop the proliferation of nuclear weapons. It signed and enforced the Non-Proliferation Treaty, which was viewed as a requisite of progress towards nuclear disarmament, especially by the two superpowers. In other words, their nuclear disarmament became the key element of international security.

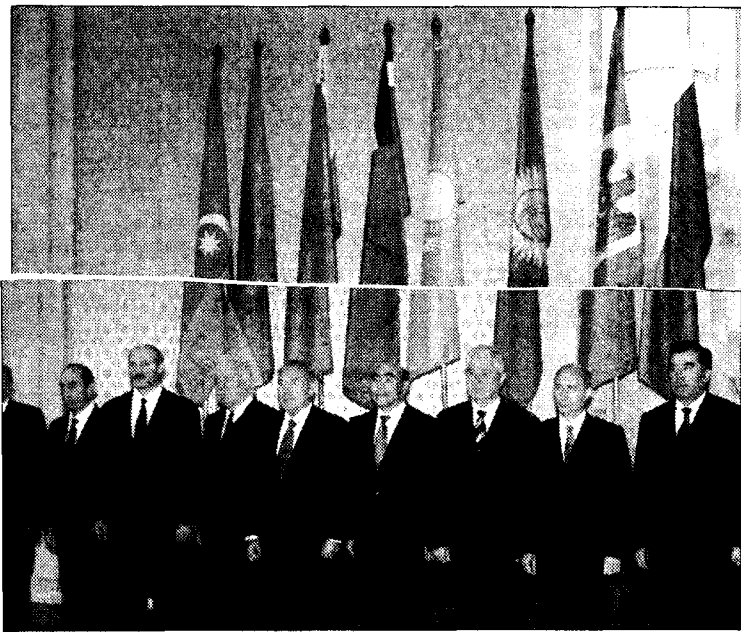
Views on security changed when the Cold War ended. The fear of a possible nuclear war between Russia and the USA soon faded and, regrettably, less attention was paid to Russo-American talks on further control over and cuts in nuclear

The author is the presidium member of the Council for Foreign and Defence Policy of Russia

armaments. Nuclear proliferation or rather its possible result — a regional nuclear war in which great powers may be unwillingly involved — became the main concern of the USA that soon spread to many other countries. It was also feared that in a certain situation “threshold” or “rogue” states might use nu-

trust of the great powers. That is, the great powers should act as one, sending their troops to jointly fight the common enemy.

Can one imagine such joint actions when the great powers still target thousands of nuclear missiles at each other? The USA is the leader, while Russia is following in the wake of the US



clear weapons against great powers. Following the 11 September 2001 terrorist actions in the USA, international terrorist organisations, which have grown into a formidable threat to global security, became the greatest source of anxiety.

Rogue states

This has redirected the spotlight to non-proliferation. Effectiveness in this sphere and especially in the new sphere called counter-proliferation, which presupposes active, including military, measures against threshold states and terrorist organisations, would be impossible without the closest interaction between, and the mutual understanding and complete mutual

policy, though with mild protests.

When the USA lowered the ceiling to fewer than 2,200 warheads and said it would store the slashed charges, it did not do this because of an imaginary threat coming from the rogue countries. On the other hand, the Russian President stated recently that Russia has a new weapon system designed to evade ballistic missile defence. Who has such a BMD system? Certainly not the rogue states.

Hence, we need not just nuclear non-proliferation but also nuclear arms control and reductions. Alas, owing to a lack of attention or political mistakes, nuclear disarmament has long detoured from the highway. The

ABM and START-2 treaties have been sacrificed and the START-3 treaty has not been signed.

Instead of the latter, Russia has been driven into a dead-end, though a test ban would be a nearly insurmountable barrier to nuclear proliferation and a way to involve the de facto nuclear countries (India, Pakistan and Israel) in the non-proliferation regime.

Non-Proliferation Treaty

The great powers can pursue the policy of nuclear non-proliferation only on two conditions. First, they must consistently abide by the idea of nuclear arms control and reduction. And, second, they must trust each other and never, not even deep inside, regard each other as adversaries. In this case, the package of measures suggested by President Bush, which looks absolutely incongruous in modern political conditions, could have been put on the agenda for serious discussion. The signing of the 1997 Non-Proliferation Treaty is a must, while strengthening its protocol should be considered. By strengthening I mean an obligation to sign it. A country that does not sign the protocol should not grumble when other countries stop dealing with it, for example, in nuclear power engineering. It would be also advisable to stop supplying closed-cycle nuclear material. Another step may also be to inspect vehicles in order to preclude the illegal delivery of nuclear materials and dual technologies.

I am pinning great hopes on progress in solving the proliferation problem with the public commission of Hans Blix, ex-chief UN weapons inspector. Its members are leading disarmament specialists from all over the world. They are using public opinion to preclude the proliferation of weapons of mass destruction.

BUY, BUY CALL CENTRES

Quality jump in BPO sector

WITH IBM buying Daksh, India's third largest business process outsourcing firm, and Infosys setting up a wholly owned subsidiary in the United States, some earlier joy has returned to the Indian BPO. Two corporate decisions signify two positive trends. IBM's \$160 million purchase of Daksh shows not only are American companies not paying too much attention to election rhetoric on outsourcing but also that the sector is reaching a second, more mature stage in India. In fact, the Daksh purchase was preceded by two other corporate biggies helping themselves to BPO firms — the Aditya Birla Group buying TransWorks and Wipro taking over Spectramind. These deals are almost certainly the first in a series that will change the nature of BPO business in India — from individualised to corporate — and put it on a solid ground. Infosys setting up an American IT consultancy subsidiary also has political and economic implications. Politically, it shows American critics of outsourcing that Indian companies not only "take away" jobs but also create them. Economically, it points to a new imperative in the IT/BPO sector — for margins to improve and industry growth to be maintained Indian firms must move up the value chain, from executing basic services to consulting.

However, setting up foreign subsidiaries will remain a rare business option and the sector will have to mature at home. There are signs that Indian BPO firms will soon graduate from mostly low-end jobs like call handling and bread and butter data processing to analyses and strategic business inputs. How quickly this happens will depend on Indian firms' personnel quality. The fresh graduate willing to work odds hours employee profile that describes the first batch of BPO firms will have to change. The advantage India has is the number of graduates in a wide variety of disciplines it churns out. Given the current trends in educated manpower supply, employee shortage will not be a problem. But Indian BPO firms should set their sights even higher. Currently, most outsourcing work comes from U.S. companies: a combination of America's economic might and India's English language skills. There's no reason though, why other markets cannot be explored. There are some French companies who have contracted work here, taking advantage of Alliance Francaise graduates. BPO firms need to look ahead and expand linguistic capacities. Dutch, anyone?

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877**DYNAMISM RETURNS TO TRADE**

AFTER A COUPLE of years of lethargy world trade is on the rebound, fuelled by an acceleration in global economic output and a healthy import appetite in China and the United States. The volume of merchandise trade, according to preliminary estimates made by the World Trade Organisation, increased in 2003 by 4.5 per cent, which is considerably higher than the 3 per cent growth forecast a year ago. The WTO expects the recovery to gather steam this year, with merchandise trade expanding by as much as 7.5 per cent. An export growth at such a rate will bring back the heady days of the mid-1990s when international trade was increasing by 8 to 10 per cent a year. Another positive development is that trade between nations is once again growing more rapidly than global output. While total exports rose by 6.5 per cent a year during the 1990s, compared with an annual growth of just 2.5 per cent in world economic production, trade expanded slower than output in the first couple of years of the current century. If the WTO forecasts for 2004 turn out to be correct, then the old pattern will have been re-established for two consecutive years. Merchandise trade rose by 4.5 per cent last year, compared with output growth of only 2.5 per cent; and in 2004 the exports are expected to grow at more than twice the 3.7 per cent increase forecast for economic output.

There are, however, three major uncertainties, according to the WTO, about the path of world trade in 2004. Consumers in the U.S. may begin to save more, which will result in a weakening of import demand. Secondly, the Euro may continue to strengthen, which will force a slowdown in investment. Thirdly, and perhaps most importantly, petroleum prices may not weaken as expected. Since the global oil market rarely performs according to expectation, this is perhaps the weakest assumption underlying the pre-

diction for the year. An unusual feature of global trade growth last year was that the dynamism in exports came mainly from Asia and the economies in transition. North American merchandise exports increased, in nominal value terms, by just 5 per cent while Asia and the economies in transition registered growth of 18 and 28 per cent respectively. The traditional under-performer, Africa, too did well, helped no doubt by the 10 per cent increase in unit export prices of agricultural and manufactured products, on average. Overall, the value of international merchandise trade, in nominal dollar values, rose by 16 per cent in 2003 and the value of services by 12 per cent. This is considerably better than the pace of growth in 2002, but it is a comparison that is vitiated by major changes in exchange rates and unit prices. In fact, volume growth played the leading role in the recovery of trade in 2003 only in the Asian economies; elsewhere changes in prices were more responsible for the growth in the value of exports.

The year 2003 was a good one for India with a double-digit growth in merchandise exports, which the WTO estimates at \$54.7 billion. This buoyancy has continued into 2004, with a rise of as much as 35 per cent, in dollar terms, in February. However, the exchange rate movements and the changes in prices (especially of oil) have pushed India out of the WTO's league of the 30 biggest exporters. The country retains its minuscule share of 0.80 per cent of global merchandise exports, even if its share of services exports is slightly higher, at 1.4 per cent. But if such statistics do matter, then there is really no cause for despair. If the European Union is taken as one entity and intra-E.U. trade is excluded, then India becomes the 21st largest exporting nation with a one per cent share in 2003 global merchandise exports of \$5,687 billion.

Is the heat off on outsourcing?

The latest US jobs report showed a strong increase in US employment. This is likely to change several equations and more importantly for India help take some pressure off companies facing the heat on outsourcing, says Ruchir Sharma

IT'S a scene that harks back to medieval times when the ringing of tower bells was a signal for everyone to congregate in the village square for a major announcement. These days on the first Friday of every month, at 0830 New York time, the bells toll in the global financial village. For that moment, all activity ceases as every participant gathers in front of the nearest news screen for the release of the monthly US labour market report. The reverberations of the report are then felt for days to come as the numbers significantly influence the US political discourse, trends in global interest rates, currencies, equity markets and, most importantly for India, the noise surrounding outsourcing.

The word 'jobless' has so far been used the most to characterise the current US economic expansion as employment growth has run well below levels normally expected in a recovery. Lingering concerns regarding structural problems besetting the US economy, the continued dependence of the world on the US growth engine and the timing of the economic cycle have all played a part in raising the interest on the jobs report to frenzied levels.

The economy is always the most politically sensitive topic in the US and with the previous economic downturn beginning just before George Bush was elected — casting him as the first President in recent US history under whom jobs have been lost — employment growth is the most important issue in this year's presidential election. The Democrats are using this as the main line of attack on the Bush presidency.

Therefore, the uncorking of champagne bottles could be heard from the White House to the night trading desks in Tokyo when last Friday's US labour market report came in way above expectations. In March, 308,000 jobs were added, the highest monthly number in nearly four years, while upward revisions were reported for some of the previous data. Even the odd negative prints in the report contained good news. For example, the overall unemployment rate edged higher to 5.7% from 5.6%. This mainly reflects more people, who were earlier discouraged from looking for employment opportunities as the market was perceived to be weak, joining the labour force, which in turn pushes up the denominator when calculating the employment rate.

Given the demographic trends in the US, jobs growth of at least 100,000 a month is required to keep the employment rate stable. In a more normal recovery, jobs

THE US JOBS STORY

President & Year	Full Term (4 Yr) Job Creation (Million)	Unemployment Rate (%)*	Payroll Growth (% Chg)#
WINNERS			
1952 Harry Truman	5.47	3.1	2.8
1956 Dwight Eisenhower	2.74	3.9	2.6
1964 Lyndon Johnson	5.90	5.1	3.2
1972 Richard Nixon	6.18	5.5	3.7
1984 Ronald Reagan	5.32	7.3	4.5
1996 Bill Clinton	11.52	5.2	2.1
LOSERS			
1976 Gerald Ford	5.07	7.6	3.4
1980 Jimmy Carter	10.34	7.5	-0.1
1992 George HW Bush	2.53	7.6	0.6
CURRENT (Through March)			
2004 George W Bush	-1.93	5.7	0.5

*Unemployment rates as reported in Oct of the election yr, except that for George W Bush which is as of Mar '04 #Changes are from previous Sept to Sept of the election yr, except for George W Bush this yr

Source: US Department of Labor, Morgan Stanley Investment Management Research

growth has averaged 200,000 a month. In stark contrast, before the release of the latest labour market report, the US economy actually shed 700,000 jobs during the past two years even though real GDP growth has averaged over 3% during that period. This made the current economic expansion the weakest for employment growth in recorded history.

ECONOMISTS have grappled with rationalising the disconnect between GDP and employment growth. The optimists cited the strong productivity growth that has made jobs redundant. Bears, meanwhile, have thought of this as an abnormal cycle as high levels of debt in the US system are making businesses less reluctant to take on long-term commitments. As always, there is an element of truth in the analyses of both camps.

There has been a capital-for-labour substitution as companies are more concerned about profitability than ever. Companies are still reeling from the shock of the previous downturn, where business spending collapsed in certain over-leveraged sectors creating a big hole in many balance sheets. Several companies have, therefore,

used any cash profits to pay down debt and hold back on new investment and hiring.

A lot of the recent attention, though, has been centred on the role of outsourcing. From the trade-tariffs-raising Smoot-Hawley Act passed during the Great Depression to the outcry against losing competitiveness to Japan in the 1990-91 recession, many Americans have a tendency to turn protectionist in times of trouble. Most societies take time to accept and adapt to change. Similarly, Americans are finding the adjustment to a new trend such as outsourcing particularly painful during a recovery short on natural job creation.

In that regard, all companies feeling the heat from the ire directed at outsourcing are likely to find some relief in the latest jobs statistics. It makes the economic recovery feel more normal and an estimated loss of 20,000-30,000 jobs a month due to outsourcing less painful for the American people. One of the problems in the fuss over outsourcing is that few heads of US companies are willing to defend it openly given the public anger directed at them following the corporate scandals of the past few years. It has fallen on the arcane world of academia to make the case for outsourcing through economic theories. With the passage of time and an improvement in the economic environment in the form of increased job availability, corporate heads should feel more confident about publicly stating the benefits of outsourcing in a more straightforward manner.

There's always the risk that just as the latest labour market report conveyed a diametrically opposite message to the previous month's report, which showed terribly anaemic jobs growth, there could be another reversal in sentiment next month. The US economy still carries a fair amount of structural baggage with it in the form of large external imbalances and high levels of consumer debt.

However, those concerns are likely to be set aside for a while and the theme for the next few weeks at least is going to be more about how the current cycle is reminiscent of past strong expansion periods. The weak state of the jobs market was the main counter to the bull case but the strong employment report on Friday will go a long way in at least temporarily silencing that argument and also in reducing the fuss over outsourcing.

(The author is with Morgan Stanley. Views are personal)

Post-Cold War tasks

By P. V. Narasimha Rao

THE WORLDWIDE advent of terrorism has raised new doubts and dangers. Large modern armies cannot control terrorists. Pinpoint bombing capabilities of modern bombers are helpless before them. Huge navies are irrelevant. The terrorist can choose any time, any place, any form and any strategy to carry out his mission in total anonymity and bring about massive devastation. It is a great irony that all the material for destruction manufactured and stockpiled over several decades has become ineffective overnight in fighting one man with a gun — howsoever crude or rusted. In fact, the terrorists' arms often happen to be sophisticated.

After the tragedy of September 11, 2001, a deep shock was spontaneously felt throughout the world. It may be that before this there was complacency about the menace and even some tendency to make it a pawn on the political chessboard to settle scores. But after 9/11, there has come about a definite realisation that no part of the world is free from fear any longer. The whole world should unite to end this menace. The action needs to be total, and therefore varied and well-coordinated.

What is this pervading and increasing terrorism due to? There appears to be no single or simple answer to this question. Terrorism emanates from different causes or bunches of causes in different countries. Starting from high-flaunting ideology through religious bigotry to the crude criminal motivation of shoot and loot, the spectrum is varied and multi-layered. There are many cases where the sheer callousness of authorities or sheer negligence owing to non-realisation of the gravity of the problem has led to terrorism. Economic and social causes have triggered it for long stretches of time. The challenge needs a minute, discriminating and, above all, patient sifting before it can be met successfully.

Some of these activities may be carried on with the knowledge and, in some cases, connivance of some states. In the new terminology, they are referred to as 'rogue states.' The term also includes states engaged in clandestine manufacture of nuclear weapons.

One variant of the new philosophy is to name these so-called rogue states and attack them, perhaps to punish them ostensibly for harbouring terrorists. It is not generally easy to establish this link. Where the harbouring, if at all done, is by the people instead of the state, the attack brings no positive result. Even without the state sheltering him, the terrorist can resort to his gun to find food and shelter from helpless people.

We have seen any number of such instances in India where innocent people were punished by the administration for giving shelter to terrorists while the people had no way of resisting the terrorists because the latter could come and go as they pleased, just by showing their guns. This clearly shows that the rogue states thesis in several cases is flawed and can become counterproductive.

However, the worldwide nature of terrorism does not appear to have been fully realised. American authors seem to confine their attention to the American context alone; all theories and their contradictions are contained within that area of enquiry. As a matter of fact, it is in the third world that the intensity and variety of terrorism are found in all their starkness. So any global remedy or antidote to terrorism can be found only after a full probe into the havoc it has wrought for decades in this part of the world.

In the new context, it is necessary to pay concentrated attention to the manufacture and propagation of small arms and light weapons. There are too many complications

If we are to sustain democracy and development round the globe, there is no alternative to a genuinely multilateral, non-discriminatory, and development-oriented trading system.

in this — even more than in the case of large weapons. So the next several years need to be devoted in meeting this menace effectively.

Coming to other measures, it is generally seen that democratic states do not foment or export terrorism. This seems to have given rise to an opinion in some quarters that one way of combating terrorism is to plant or export democracy into undemocratic countries. This is obviously a simplistic solution.

Democracy is not a commodity that can be exported. It has to come and grow from within. There are areas that have remained strife-ridden for centuries. It has not been found possible to bring peace, as we understand it, to such areas. All that can be done is to insulate other peace-loving states from them and work and wait for change to come from within under the overall impact of world events.

All this shows the complex nature of the post-Cold War world. Even tentative or short-term prescriptions are not in sight. What one hears is protest all over. To those who are content with continuing protest, there is an unending agenda. Protest, however, cannot be a viable substitute for well thought-out action. What is necessary, and infinitely more difficult, is to suggest a plan of action — both for states and peoples.

A parallel process is going on alongside the projected clash of civilisations. We are witnessing the break-up of nation-states along ethnic and religious lines. There has been a tremendous upsurge in ethnic particularity and religious extremism that threatens to rip apart the national fabric of several states. Less than 10 per cent of the 170 states in the world today are ethnically homogeneous. Only about 50 per cent have one ethnic group that accounts for more than 70 per cent of the population.

Once the present nation-state is called into question on the basis of ethnic or religious particularity, it is

The same principle applies to a world order consisting of many societies and groups. The relations among states should thus be reorganised on non-exploitative and non-violent lines. This is not to propose any lofty ideal. It is a practical possibility. Of course, it will take time, a long time perhaps. Even the acceptance of this pattern is not going to be easy. Nevertheless, one is not aware of any alternative pattern that would be viable.

As a democracy, India has welcomed the popular upsurge that swept across the globe, bringing freedom and opportunity to peoples of countries long suppressed by unrepresentative governments. It must not be assumed that this resurgence of democracy in several parts of the world is a permanent and irreversible condition. There is nothing automatic about democracy. It is a political form that has evolved over many centuries. Democracy needs to be consciously evolved and practised.

Similar considerations are relevant in devising an appropriate development strategy. The experience of many countries indicates that a market-oriented economy is suited to bringing about an efficient allocation of resources — and consequently more rapid economic development. We in India have given a market orientation to our economic policy, reducing the degree of government control over productive activity and providing an environment that encourages the spirit of enterprise in our people. However, the role of the state in economic life will continue to be crucial.

There is no mechanistic equation between a free market and economic development, just as a free market is not necessarily equal to democracy. This is particularly true in developing countries where neither the affluence of the few nor their philanthropy can be assumed to extend all the way down to the base of the pyramid.

Large numbers of our population are outside the operation of market

reorientation is going to be easy or that it can be accomplished within a short time. It will pass through many bumps before it arrives. Besides, such economic reorientation needs time to have its full effect, and in this process all these economies can be greatly helped by appropriate international support.

They need a greater injection of financial resources to support their reform efforts. Even where such support is available, its adequate and appropriate application so as to promote reforms in reality, needs to engage our attention on a continuing basis. The countries also need assured access to markets in industrialised countries. Their opening up to the world will be effective only if the world also opens up to them.

All this calls for renewed commitment to multilateral international cooperation. Without this, we run the risk of discrediting economic reform as well as democracy in many countries. We are aware of the trends that are threatening to develop in some of these countries where the advent of democracy, the advent of liberalisation, and the advent of opening up have not produced results in the short run.

When there is a sudden change in the system and the change has not been properly assimilated and internalised, the need is for results in the short run, however slight, however halting. If these results are not there and people are worse off than they were, say, ten years ago, there will be the danger of a backlash.

Similarly, economic development must be put at the very centre of the international agenda. The international economic environment must be conducive to growth. The trend toward a truly global marketplace must be promoted and not retarded by protectionism, unilateralism, and discriminatory trade practices.

Over the past several years, the principle of multilateralism in trade has been seriously eroded. Development, which was recognised as a central concern in the multilateral trading system, has now been pushed to the sidelines. If we are to sustain democracy and development round the globe, there is no alternative to a genuinely multilateral, non-discriminatory, and development-oriented trading system.

To conclude:

1) Any concept based on the idea of a world reorganised under one entity is unrealistic and unacceptable.

2) Any arrangement whereby economic disparities are accentuated will not be conducive to the world's prosperity in the long run.

3) On the economic side, any process of liberalisation or globalisation should be accompanied by a detailed scrutiny of its long- and medium-term negative effects. Any major change in the economic system is bound to have positive as well as some negative consequences. Sound management consists in maximising the positive and combating the negative effects. The pattern of plurality should not, under any circumstances, be tampered with. This is the only viable pattern for peace and prosperity.

4) The emergence of one Superpower has the potential of doing immense good, under suitable conditions. Patiently steering through knee-jerk short-term posturing and mishandling, all (including the Superpower, of course) should make vigorous and concerted efforts to bring out that good.

5) The unfinished task of total disarmament should continue until the world is freed from the wasteful and unaffordable luxury of nuclear weapons.

(This concludes a two-part article by the former Prime Minister.)

The world has to live, and learn to live happily, with plurality. The trend of ethnic fragmentation should stop — in the interest of mankind.

difficult to see where the process will stop. Fragmentation has already set in motion forces that will cause more fragmentation. This is happening in several parts of the world and resulting in chaos, violence, and bloodshed.

The quest for homogeneity will, in most cases, prove a mirage. The world has to live, and learn to live happily, with plurality. The trend of ethnic fragmentation should stop — in the interest of mankind. But why does fragmentation become such a powerful urge? Most often it is a strong sense of grievance regarding exploitation of one group by another through force for a long time. When the element of force weakens or disappears, the urge to separate, asserts itself. The exploitation is often economic or political, perhaps both. But it is often forgotten that the same exploitation can and does continue in a uni-ethnic society.

The solution lies in moving toward a non-exploitative society wherein the availability of opportunity is reasonably well distributed. But since exploitation is often done through violence, a non-exploitative society is possible only under conditions of non-violence. Mahatma Gandhi conceived of and advocated a society of this nature.

forces. State intervention is necessary if we are to alleviate poverty and distress for these sections and to raise their living standards, at least in the foreseeable future. Besides, in developing countries the state often has to play an active role to create the conditions in which markets can work — for example, by providing the necessary infrastructure and often institutional support, not to mention conditions of law and order, conditions of equal opportunity, and conditions of fairness in society as a whole. These need to be ensured even for a free market economy to function in a state.

If this is the case, the international structure we seek cannot be found in the direction in which we are presently headed. The fragile institutions of democracy in the developing world as well as in countries that have just emerged from the collapse of the socialist system are threatened most by economic deprivation and lack of development. All these countries are reorienting their economic policies to utilise the advantages of market orientation. But we must not assume that this reorientation alone will solve all problems, independent of the international environment.

We must also not assume that this

The post-Cold War world

By P.V. Narasimha Rao

The conflict had now to be, logically, between Western and non-Western cultures since the cultural dimension had played an important part in empire-building.

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THE SITUATION in the post-Cold War world has proved much more complex than expected. The world seems to have been left to fend for itself in a bewildering situation where practically no precedent is available for guidance.

In 1991, one of the Superpowers collapsed. The other remained — alone, unchallenged. 'So, fall in line now, folks!' cried many. Yet the world is not at all clear on many issues — suggesting that there could be alternatives other than merely 'falling in line.' Theories are propounded almost daily, but fall like ninepins almost the next moment.

In point of fact, not much that can be called meaningful has happened after the Cold War to demonstrate that a new era has dawned. One feels a little alarmed about why the expected golden period has not arrived and why the possibility of its appearance is becoming dimmer by the day. Let us go to the root of this disappointment. After the Cold War, the nuclear weapon States have had no one to fear. They have enough nuclear weapons and are armed to the teeth as before. The calculated scaling down in numbers has been more than offset by the upgradation in sophistication. The most naturally expected outcome of the end of the Cold War was meaningful disarmament, so that the limited and diminishing resources of this planet could be deployed to augment human welfare and well-being in the twenty-first century.

But nothing of the kind has happened. Why?

Some thinkers in the advanced countries have come up with formulations. They do think there will now be no war based on ideologies. One line of thinking goes thus: now that the Cold War has ended, international politics is moving out of its Western phase. From now on the core of global politics will be the interaction, in other words conflict, between civilisations inter se. Just consider for a moment why the possibility of conflict in the cultural field scares them and why they have drawn pointed attention to it post-Cold War.

In the first place, why are they thinking of conflict and not peace and cooperation, which the world was looking forward to when the Cold War ended? The whole of the 20th century could be briefly described as consisting of two hot wars followed by a long cold war. After this continuous war orientation, it was to some extent natural that the psyche continued to look for the next adversary, rather than to the next era without adversarial relations.

Next, if you suddenly switch to peace, what will happen to the enormous destruction capacity you have built over the greater part of the twentieth century? And to those individuals, industries and organisations that came into existence to maintain that gigantic machine? Most of the acts of empire-building and colonisation of the last two centuries and more were accomplished by bloodshed. What came to be called the white man's burden was, after all, discharged through killing and pillage.

The first and second World Wars

were fought mainly between white nations. The clash of civilisations thesis has now changed the configuration. There is now no rationale for conflict between white nations, except perhaps on economic issues in the long run. After the end of the Cold War, the question inevitably arose: will the history of recent centuries be forgotten or wished away? Since this looked doubtful, the identification of the next adversary became inevitable. The conflict had now to be, logically, between Western and non-Western cultures since the cultural dimension had played an important part in empire-building.

This automatically brought on the questions of colour and race, taken simply as a means of easy identification. The result is that mankind is riddled with multiple prejudices that become concomitants of the erstwhile white man's burden. Not many of the problems of the Cold War seem to have been solved except the disappearance of one of the contenders. They have drawn new battlelines; we were hoping all battlelines would go out of reckoning, yielding place to a different dream. That dream has been punctured by saying that there is going to be a confrontation, of a new kind, between the West and the rest.

Therefore according to this logic how could the Western powers take the risk of divesting themselves of weapons, including nuclear weapons? They believe that since other people want the benefits of modernity plus the identity provided by their own cultures and values, this insistence on identity is bound to develop into confrontation — in the garb of cultural confrontation. The necessary corollary is to keep your powder dry. The actual wording: "World politics is being configured, re-configured along cultural lines with new patterns of conflict and cooperation replacing those of the cold war." So the world is back to square one.

The person who made this prognosis was the Coordinator of Security and Planning for the National Security Council in a recent United States Government. After the euphoria of half of the 1990s, this theory at first appeared unrealistic and improbable. But one is no longer sure. We have seen examples of religious or other frenzies getting hold of ordinary people. When this happens, day-to-day problems, however important, get relegated to the background. Blunders on a mass scale, such as electoral decisions, could be manipulated by manipulating that frenzy. Irrational confrontations must be expected hereafter on an increasing scale while ideological questions will constantly be lost sight of.

The other nagging question that recurs and often overpowers decisions is the thirst for immediate revenge — rather a revenge series — that assumes top priority over all other considerations at a given time. It is an obsession that never relaxes its

grip over decision-makers. A sense of pride over one's importance, both at national and party levels, hijacks sober considerations and brings the matter to a level that recalls the vendetta-based atmosphere of the Middle Ages. The result is there is no consideration of anything on its own merit. Since this game can be played by everyone, it is the only game that goes on in human affairs as problems pile up and their intensity and urgency increase.

If you are too 'realistic' and wish to stick to the present position, you simply mark time, hoping for some fortuitous opening. Consequently, you do not have the slightest control or originality in your approach. You make no progress. On the other hand, if you lean on the grandiose or utopian side, you are completely out of the mainframe of feasible contemporary thought. It is therefore necessary to find a middle path.

Samuel Huntington, while offering his theory of a clash of civilisations, also predicted that problems of stark and sub-human poverty of the twentieth and earlier centuries might not persist in their previous form. This prediction may not be far wrong. Hereafter poverty will increasingly take on a highly disguised appearance, much more difficult to detect and address; it may even look as if it has actually gone down both in developed and developing countries.

This change has come and is coming from Western lifestyles; it is so attractive that it is sure to engulf almost all societies. It is a system of usurious loaning in which a person is able to line up important consumer items all at once and set up his home establishment just as a person who has spent his own money and bought each single item separately. There is nothing to indicate that one of them has to pay for his purchases almost for the rest of his life. Life-style obstacles are thus removed at once and a veneer of equality is created. This appearance tends to divert the attention of the middle class from real economic issues to a considerable extent. Yet the scourge of increasing disparity in the world does not go away. On the other hand, it tends to become more and more insoluble, eventually leading to a dilution of sovereignty and a strengthening of hegemonistic tendencies.

How does one precisely define 'the only Superpower'? It obviously means a power that has no equal in military, political and economic — all fields. Its influence and power to enforce compliance on its own dotted lines are greater than those of any other power. And lastly, there is an influential line of thinking according to which a Superpower has no boundaries. Wherever it finds its interests extending, it is supposed to have full justification for taking action. And it is itself the sole judge who identifies those interests, with no one able to dispute its perception.

This logic of a Superpower could,

from one standpoint, appear more absolute than what the world has witnessed during its long history — such as monarchy, huge empires, oligarchy, and dictatorship. The concept is still evolving and new annotations and embellishments are being enunciated. The belief is that such a scheme can be sustained and maintained for all time to come. All that has been said about the nation-state and its sovereignty for centuries stands abrogated, in effect replaced by one 'Super-sovereignty' to which other sovereignties and sovereign nations have to submit.

However, voices are being heard — and are getting louder — to the effect that this scenario is unworkable and will be a disaster for the whole world. Instead, it is being asserted that only through consensus and cooperation will the world prosper. Some thinkers vehemently oppose unilateralism and the concept of what has come to be called exceptionalism. They also question the wisdom of one country — whatever its might — going it alone in the belief that it will be acceptable to all others.

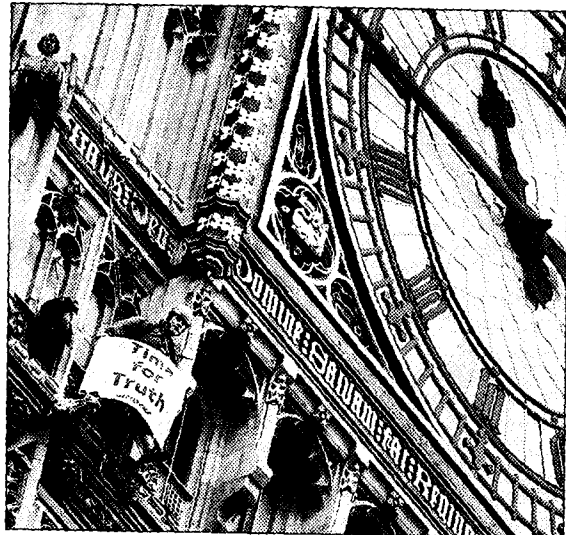
The word 'interdependence' is now being read and heard in the political literature authored by Western scholars. It was very much part of the terminology of the Non-Aligned Movement. NAM and the G-77 elaborated on the concept. One does not remember the concept finding any endorsement in the developed world in those days. This point is particularly important because interdependence does not quite jell with the situation of a single Superpower to which all other national interests have to make themselves secondary.

A manufacturing country can prosper only if there is someone outside its territories able to buy its goods. If the consumer middle class in developing countries is out of pocket, consumption will be the first victim along with the manufacturer. Since there are no longer the old Empires to compel or cajole subjugated peoples to buy goods made in the factories of the Empires, the coming down of international economic barriers is indeed a positive event. This was repeatedly pointed out but somehow the bloc set-up came in the way.

Meanwhile, exploitative and iniquitous devices seem to be permeating global institutions, if the loud protests being heard everywhere are any indication. It will not take too long for this situation to go out of control and make the new system counter-productive. The dialogue between lone exceptionalism and consensus on a live-and-let-live basis is therefore of the essence today. It is bound to be a ding-dong affair.

Given a single superpower, the well-known concept of social contract gets completely out of focus. There is always the possibility of one country's interests getting universal primacy in some garb or another. This applies to the idea of preventive war because if this right is conceded to one country, others will also take advantage of the same right, to trample upon the rights of countries weaker than them in a hundred ways. No amount of policing can stop it.

(This is the first of a two-part article by the former Prime Minister.)



WORLDWATCH: A Greenpeace protester sits near the face of Big Ben in London(left), while an anti-war activist stands outside the US Consulate in Hong Kong on Saturday

Thousands of demonstrators around the globe clock in their protest

London: Two anti-war demonstrators climbed to the top of landmark Big Ben clock tower as part of the huge demonstrations held the world over on the anniversary of the Iraq war. The British news channel Sky showed pictures of two men, perched at the level of the clock more than 45 metres from the ground. They were roped together and ap-

War coalition said. The day began with protests in Sydney, Australia where thousands marched while up to 30,000 rallied in Japan. Demonstrations were also held in New Zealand, Thailand and Hong Kong, where some claimed the Iraq war had incited more terrorism.

In Sydney, protesters held aloft a 1.5 metre-high puppet of Prime Minister John Howard in a cage to represent Australian terror suspects detained at the US military prison

IRAQ WAR ANNIVERSARY

peared to have climbing equipment. The spectacular protest is an embarrassment for British security services who have been on near high alert following the Madrid train bombings on March 11 which killed more than 200 people.

A spokesperson for Scotland Yard said that officers were at the scene trying to bring the protest to a peaceful solution.

Tens of thousands of people were expected to join a demonstration later to demand an end to the occupation of Iraq, the Stop the

camp in Guantanamo Bay. The puppet also had a Pinocchio-like long nose, a reference to accusations the government lied about the reasons for going to war.

"By the end of this 24-hour cycle, millions of people will have marched throughout the world asking their governments not to take them to war and to give them peace," Pamela Curr, an organiser of the Sydney protest, told reporters.

Howard and his government have been unstinting supporters of US President

George W Bush and his government in the war on terror, fighting in both Iraq and Afghanistan.

Australia sent 2,000 troops to fight in Iraq despite overwhelming public opposition to the war and still has 850 military personnel in the country.

"Many Australians are disappointed that the government ignored their voices," said Anna Sampson, one of the demonstrators.

"It's an election year and I think it's time the Howard government was held to account." Australia expects to go to the polls later this year.

In the northeastern Australian city of Brisbane protesters unfurled a 100 metre-long banner with the words, "We still say no to war," and marched through the city's streets.

"We went to war in this country on the basis of false premises. That has been proven now," said anti-war campaigner Annette Brownlie said. "The world is less safe now than it was a year ago."

Organisers in Tokyo said as many as 30,000 people turned out in the Japanese capital to protest their

country's involvement in the war. Japan has sent 1,000 personnel to Iraq, its largest foreign deployment since the second World War. Waving placards reading "Drop Bush, not bombs!" protesters marched three km in the rain.

Hisako Takahashi, also criticised Japanese Prime Minister Junichiro Koizumi for his decision to deploy some 550 Japanese ground troops to the southern Iraqi city of Samawa as part of post-war humanitarian mission.

In Hong Kong, protest organiser and pro-democracy activist Lau San-Ching said "Bush's invasion of Iraq has incited more terrorism. It caused terrible suffering not only to the Iraqi people, but everyone in the world."

In Thailand, dozens of people protested in front of the American and British embassies in the capital Bangkok, carrying signs that read "End the war before war ends humanity," and "Thai troops come home." Thailand has sent a humanitarian mission of some 450 troops as part of the multinational force of 9,500 soldiers in south central Iraq.

Social dimensions of globalisation

Key players like the IMF and World Bank must become more transparent and their voting structures must be changed to reflect the current distribution of economic power, says **Joseph E Stiglitz**

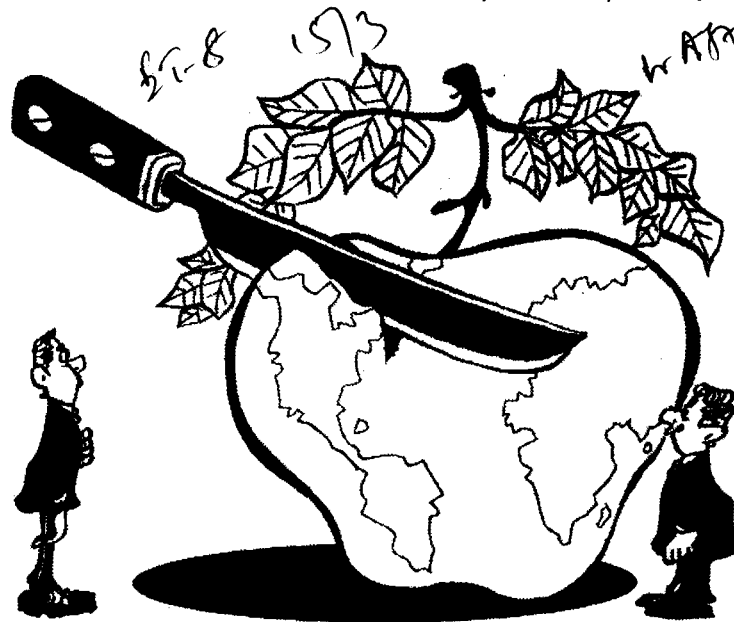
THE war on terrorism and in Iraq has distracted much of the world's attention from the pressing issue of how globalisation should be managed so that it benefits everyone. A new report, issued by the International Labour Organisation's Commission on the Social Dimensions of Globalisation, reminds us how far the Bush administration is out of line with the global consensus.

The ILO is a tripartite organisation with representatives of labour, government, and business. The Commission, chaired by the Presidents of Finland and Tanzania, has 24 members (of whom I was one) drawn from different nationalities, interests groups, and intellectual persuasions, including members as diverse as the head of Toshiba and the leader of the AFL-CIO. Yet this very heterogeneous group was able to crystallise the emerging global consensus that globalisation, despite its positive potential, has not only failed to live up to that potential, but has actually contributed to social distress.

The fault lies with how globalisation has been managed — partly by countries, but most importantly, by the international community, including institutions like the World Bank, World Trade Organisation, and the IMF, which are responsible for establishing the "rules of the game." The Commission even reached a consensus on a number of concrete measures to help put a "human face" on globalisation — or at least mitigate some of its worst effects.

The gap between the emerging consensus on globalisation, which this report reflects, and the Bush administration's international economic policies help explain today's widespread hostility towards America's government.

Consider two issues that have been part of recent bilateral trade agreements pushed aggressively by the Bush administration. The crises in East Asia and the recent recessions in Latin America show that premature capital market liberalisation can result in enormous economic



BONNY THOMAS

volatility, increasing poverty, and destruction of the middle class.

Even the IMF now recognises that capital market liberalisation has delivered neither growth nor stability to many developing countries. Yet, whether driven by narrow ideology or responding to the demands of special interests, the Bush administration is still demanding an extreme form of such liberalisation in its bilateral trade agreements.

The second issue concerns the unbalanced intellectual property provisions (TRIPs) of the Uruguay Round of trade talks, dictated by America's pharmaceutical and entertainment industries. These provisions restricted countries from making generic imitations of drugs, making many critically important medicines unaffordable in developing countries.

Spearheaded by worries about AIDS, activists around the world demanded that something be done. Just before last year's trade talks in Cancun, the US made some concessions, so that it was no longer the only holdout. In its bilateral trade agree-

ments, however, the US is demanding what is becoming known as "TRIPs plus," which would strengthen intellectual property rights further, to ensure that countries only have the right to produce inexpensive generic drugs during epidemics and other emergencies.

THE global consensus, reflected in the Commission report, calls for more exceptions, so that, say, drugs can be made available in any case where to do so could save a life. To those confronting the prospect of death, what matters is access to life-saving drugs, not whether what is killing the person is part of an epidemic.

Bilateral agreements form the basis of enhanced ties of friendship between countries. But America's intransigence in this area is sparking protests in countries facing the "threat" of such an agreement, such as Morocco, and is forming the basis of long-lasting resentment.

The Commission highlights other issues that have received insufficient global attention — such as tax competition

among developing countries, which shifts more of the tax burden from business to workers. In still other areas, the Commission's report argues for more "balanced" perspectives. On exchange rates, for example, it is more sympathetic towards mixed systems — in contrast to the traditional belief that countries must choose between the extremes of a completely flexible system and a hard peg (of the kind that contributed so importantly to Argentina's woes).

As this example shows, bringing different voices to the table in discussions of globalisation brings new perspectives. Until now, the main worry for most experts on globalisation has been excessive government intervention in the economy. The Commission fears just the opposite. It argues that the state has a role to play in cushioning individuals and society from the impact of rapid economic change.

The way that globalisation has been managed, however, has eroded the ability of the state to play its proper role. At the root of this problem is the global political system — if such it can be called. Key players like the IMF and World Bank must become more transparent and their voting structures must be changed to reflect the current distribution of economic power — as opposed to that prevailing in 1945 — let alone to reflect basic democratic principles.

Whatever one thinks of the many concrete suggestions made by the Commission, this much is clear: we need a more inclusive debate about globalisation, one in which more voices are heard, and in which there is more focus on the social dimensions of globalisation. This is a message the world would do well to heed, lest discontent with globalisation continue to grow.

(The author is professor of economics at Columbia University and a member of the Commission on the Social Dimensions of Globalisation. He received the Nobel Prize in Economics in 2001.)

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WEDNESDAY, MARCH 10, 2004

TRADE AND JOBS

10-10
10/7

THE JOBLESS ECONOMIC recovery that the United States is now experiencing has become one of the central issues of the 2004 presidential elections. Senator John Kerry, the all-but-nominated candidate of the Democratic party, does not lose an opportunity to harp on the estimated 2.7 million people thrown out of work since March 2001. The most recent labour statistics provide no succour to President George W. Bush. While a minimum of 100,000 new jobs have to be created every month to make a dent in the unemployment rate, the achievement in February was a measly 21,000. An unfortunate consequence for India's information technology sector is that the spotlight will stay on outsourcing and the so-called overseas migration of jobs. The American search for foreign scapegoats for the unemployment problem is not new. In the 1980s, Japan's trade surplus and acquisition of major entertainment companies such as CBS Records and Columbia Pictures fanned irrational fears of an economic and cultural occupation. The anti-Japan hysteria waned once the U.S. economy revived. In a similar vein, subsequent waves of panic about job losses, first to Mexico and then to China, have ebbed and flowed without making a material difference to employment levels.

By no stretch of imagination can the estimated 245,000 employees now working in business process outsourcing in India pose a threat to the 100 million workers in the U.S. services sector. The fear, of course, is of the future. Private research agencies predict that as many as 3.3 million U.S. service industry jobs will move abroad by 2015. But these predictions of doom ignore a couple of basic facts. First, what have been and will be outsourced to India and other low-cost locations are low-end services where the wage level is the determining factor. The U.S. is expected to retain its monopoly in the more numerous high-value and skill-intensive services.

Secondly, an attrition accompanied by accretion in employment is a regular feature of the U.S. labour scene. In good times, some 3 million jobs are shed and as many, if not more, created every month. Viewed in this perspective, the expected job losses from global outsourcing over the next decade constitute a trifling number, which will be more than made up by employment creation in the dynamic sectors. While in the long term there is no Indian threat to American jobs, the BPO backlash does throw up larger issues. In mainstream economics, the theory of comparative advantage — which decrees that all production must move to the most efficient locations — frowns on national barriers to free trade. However, the textbooks tend to ignore the human dimension: trade between countries showers benefits on some sectors but causes adversity elsewhere.

The social costs of trade can at best be mitigated by safety nets. Retraining and redeployment never completely rebuild the livelihoods regularly eroded across the world by trade. The jobs freshly created in a growing economy are occupied by a new group of workers; those whose livelihoods are affected by imports are often forced out of the workforce altogether. It matters little to the losers if trade eventually leads to a net gain in employment. Thus labour in India has already been affected by import competition and many more workers will be pushed out of their jobs when the Government reduces import tariffs, as it plans to do over the next few years. Workers in traditional industries such as handloom and powerloom and in the small-scale sector such as light engineering and toy production have seen imports forcing closure of their factories. The global noise now is about hi-tech workers in the U.S. feeling threatened by low-cost competition, but they are neither the only ones nor the largest number to feel the destructive force of trade.

10 MAR 2004

THE HINDU

10 MAR 2004

WORLD
13
10/3

No confidence motion

(-13.40)
(-11.70)
(-5.8)
8.70
2.80

Joseph Stiglitz is a discontented man. But why should the rest of the world bother? Stiglitz is a mainstream economist who won the Nobel prize. He was also the chief economist and a senior vice-president of the World Bank. Earlier, he was chief economic advisor to the Clinton administration. So when he criticizes the management of globalization by the International Monetary Fund, World Bank and the World Trade Organization, people must take it seriously. It cannot be dismissed as the views of an extremist utopian.

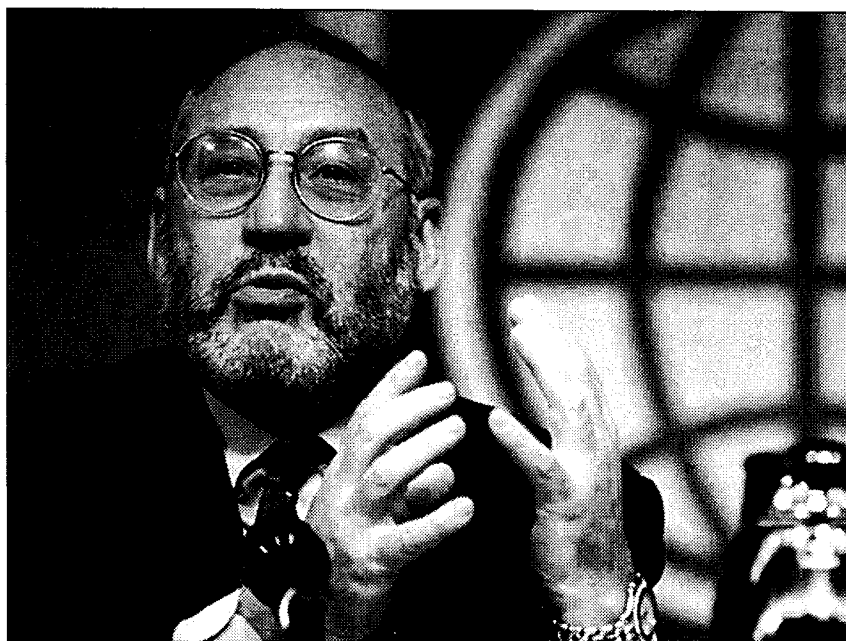
Since Stiglitz is the star spokesman at anti-globalization rallies, his views are often oversimplified in the media. One book where he cogently presents his case, in addition to numerous articles, is *Globalization and its Discontents*.

Stiglitz believes that globalization can potentially bring enormous benefits to people everywhere, including the world's poor. Export-led growth has enriched much of Asia and a lot of people are enjoying a better standard of living. New foreign firms have introduced new technologies, provided access to new markets and introduced new products including life-saving drugs. Global connectedness has spread new ideas, forced improvement in working conditions throughout the world and has even helped foster the anti-globalization movement on a global scale. Stiglitz is a strong believer in the importance of markets and incentives. But he also emphasizes the importance of institutions and governance. Without these, markets cannot function efficiently. This is a stand generally taken by all serious development economists. What is novel is that this criticism of the working of international institutions comes from within the establishment.

According to Stiglitz, the IMF, World Bank and WTO are forcing their brand of globalization on developing and transitional economies, irrespective of the specific needs of those countries. He believes that the agenda of these institutions is dictated by the government of the United States of America in the interests of Wall Street financiers. He is against this "one size fits all" approach. Besides, there is a huge imbalance of power between these institutions and "client" states. So, while negotiating, representatives of client governments often keep silent out of fear that they may incur the wrath of the IMF, which would then not only cut off international assistance but also, indirectly, their access to global capital markets. In Stiglitz's opinion, globalization — as pushed by these institutions — has not brought the promised benefits to a lot of countries, especially to the poor.

His sharpest criticism is reserved for the IMF. Some of Stiglitz's critics detect bias here. They feel that he largely ares the World Bank because he was a

Joseph Stiglitz's criticism of globalization carries a lot of weight, but it will be a while before it inspires a revision of IMF-World Bank policy, writes Alok Ray



Voice of dissent

senior policy advisor there — though both the fund and the bank are involved in furthering the agenda of the so-called "Washington Consensus".

In simple terms, the "Washington Consensus" suggests that when a country is having serious economic difficulties, it should cut fiscal deficit, reduce subsidies, privatize state-owned enterprises, remove restrictions on international trade and capital movements. The term was first used by the economist, John Williamson, in 1989 to describe a minimal policy package for Latin America that would be acceptable to Washington. He did not explicitly incorporate a better income distribution objective as it might not be palatable to either Washington or to vested interests in Latin America. Thus the cuts fell on food subsidies rather than on subsidies for the rich.

This package became part of the orthodoxy, recommended for almost any country applying for IMF assistance, irrespective of the basic cause of its economic crisis. Income-distribution considerations may have found mention in IMF documents but it was never given any importance.

Latin America's problem was, in the main, excessive and wasteful government expenditure and the consequent inflationary pressures. Even if the Washington

Consensus policy package was somewhat appropriate for Latin America, the same medicine was prescribed to tackle the east Asian financial crisis in 1997. According to Stiglitz and other analysts, the problem in east Asia was not one of high fiscal deficits, subsidies or excess demand. These were all high-saving economies, often with fiscal surplus and no balance-of-payment worries. Their principle problem was premature capital account-convertibility, coupled with exchange-rate rigidity and absence of prudential regulation in the financial sector. Cheap short-term dollar funds were borrowed massively to finance investment in real estates and secondary stock markets, fuelling a bubble. When it became evident that the bubble would burst, investors (both domestic and foreign) resorted to capital flight before the domestic currency depreciated. Financial companies went bust one after another. Massive capital outflow led to large exchange-rate depreciation, causing the effect to spread to many other sectors and countries.

The IMF responded by raising interest rates and fiscal discipline, which led to even higher cost and lower availability of funds for beleaguered banks and business firms facing a liquidity crisis. It did not allow exchange con-

IMF policy-makers were too confident. They tried out "shock therapy" on millions of human guinea pigs with disastrous results

trol to stop the capital flight, foreign exchange reserves and currency depreciation. In the process, it made things worse. Malaysia was one country which imposed temporary exchange control, without paying heed to IMF advice. It stemmed the crisis better than others.

The IMF's defence is that no one could predict that a crisis was coming in east Asia. It was a totally new situation and in the absence of a precedent, it followed its standard recipe. It may have been a mistake but it was not a Western conspiracy.

Stiglitz's point would be that even if there was no full-scale conspiracy, possibly the IMF found it convenient to follow the standard prescription as it coincided with the interests of international bankers and shareholders. They would like to get their funds out of a country in crisis as fast as possible. They would also like the IMF to ensure that governments do not go for default or impose exchange control. The IMF and US treasury also took this opportunity to bend policies in client states in difficulty (like South Korea) to suit the interests of US business and finance.

Stiglitz also strongly criticizes the IMF policy on reforming transitional economies like Russia. The IMF went for privatization and markets almost overnight ("big bang") without realizing the importance of putting in place appropriate institutions for the markets to work. In their absence, privatization degenerated into selling off shares at throw-away prices to vested interests and control of the economy by mafia-like organizations. Again, the trouble was that IMF policy-makers were too confident. They tried out "shock therapy" on millions of human guinea pigs with disastrous results.

As for solutions, Stiglitz advocates democratization and transparency in policy-making at the IMF and World Bank. Instead of voting rights being proportional to economic power and contributions as at present, he recommends moving towards a more equitable one-nation-one-vote system. It does not seem achievable in the near future. Perhaps, a greater degree of transparency and a wider debate are more likely to happen, as Stiglitz's voice has been joined by other influential academicians.

Stiglitz also proposes a plan whereby any new global money creation by the IMF would be used to create global public goods and for projects specifically aimed at the poor. Some others have suggested that in future the policies and projects supported by the IMF and World Bank in a country should be judged by how these have benefited the poorest (say the poorest 20 per cent) of the population. It remains to be seen how long it takes for such ideas to move from the pages of academic research papers into the revised "Washington Consensus".

OUTSOURCING A LEGITIMATE PART OF GLOBALISATION: UNCTAD

Job loss fear 'misplaced'

Press Trust of India

NEW DELHI, Feb. 20. —Terming as "misplaced" the fear of job loss due to banning outsourcing from developing countries, UNCTAD today said outsourcing was a legitimate part of global trade liberalisation.

"Outsourcing was a legitimate part of global trade liberalisation and this enabled developing countries to leverage their competitive advantage - abundant, competitive labour and lower cost environment," the UNCTAD secretary-general, Mr Rubens Ricupero, said.

In a statement at the eighth session of the Commission on Trade in Goods, Services and Commodities, he said "despite some attempts at provoking government measures in some countries, I do not think this (outsourcing) is amenable to government control and will be driven by market forces".

Exhorting developing countries to unitedly thwart the move to ban business process outsourcing, the United Nations Conference on Trade and De-

Chinese orders

NEW DELHI, Feb. 20. — An Indian telephone manufacturing company has managed to get manufacturing orders of two GE handsets which are at present being manufactured in China. Atlinks, a subsidiary of Thomson, has outsourced two wireline handset models of GE Brand to Bharti Teletech to manufacture the handsets from its Ludhiana manufacturing unit. To begin with Atlinks will export 10 lakh handsets from Bharti's Ludhiana unit. Atlinks has also entered into a strategic alliance with Bharti, to manufacture fixed line phones for Atlinks for global export and to give Bharti the sole marketing and distribution rights for its entire range of handsets. — SNS

velopment (UNCTAD) said third world nations should seek binding multilateral commitments to preempt any protectionist measure.

Meanwhile, the US President, Mr

George W Bush is concerned about flight of jobs from his country, but believes that the US workers must train for better jobs to counter the effects of outsourcing, a White House spokesman said. The spokesman also linked US commitment to free trade to "a level playing field".

"Jobs have been going overseas to some extent, and that is a concern. And the President has talked about that," the spokesman, Mr Scott McClellan, said here yesterday.

IANS adds: The Netherlands is looking for greater outsourcing partnerships with India unlike other Western countries, the Dutch envoy Mr E F Ch Niehe said here.

"Indian IT is a great success story and an enviable one too. It is perhaps the best example of how industry can succeed without government interference," he said during a visit to Chennai.

At an informal gathering organised by the Confederation of Indian Industry, he said the Netherlands was the fifth largest investor in India.

THE STATESMAN

29 FEB 2004

UNCTAD / INDIA'S SHARE MARGINAL

HD-15
21/2

Growing global outsourcing spend

NEW DELHI, FEB. 20. The global outsourcing spend is expected to grow to \$827 billion by 2008 though India's share in it will continue to be small, according to the United Nations Conference on Trade and Development (UNCTAD).

"The global outsourcing spend was \$320 billion last year and in 2005 it is expected to be \$585 billion and \$827 billion in 2008. India's share in total IT spend will be 3 per cent," the Secretary General of UNCTAD, Rubens Ricupero, said in Geneva.

"Offshoring is a rapidly growing segment of outsourcing and despite much excitement about its significance to North-South trade, the share even of frontline countries such as India in this business is small and fears of a big wave of offshoring to poor countries swallowing up rich country high skill jobs appear misplaced," he said.

Offshoring, however, did constitute a dynamic new area and a big window of opportunity to assure instant and durable development gains to developing countries through international trade, win converts to globalisation, create tangible and additional stakes for poor countries in the trading system, Mr. Ricupero said.

Moreover, it was encouraging to note that outsourcing export opportunities for developing countries were much broader than generally presented, with a wide range of developing countries

significantly increasing their presence in global outsourcing markets, he said.

Mr. Ricupero said outsourcing could not be controlled by government action but would be driven by market forces.

"Despite some attempts at provoking government measures in some instances, I do not think that this process is amenable to government control and will be driven by market forces. In any case, these services are already covered in General Agreement on Trade in Services (GATS) under Mode 1 and are also related to Mode 3 and 4 as it is to investment," he said.

Describing offshoring as one of the frontier issues of international trade, Mr. Ricupero referred to the current debate on outsourcing of services (ITES, BPOs and e-commerce services) by developed country enterprises to developing countries.

"There is a heated debate on how this fits into free trade theory and accepted trade liberalisation paradigm, whether it is or not leading to a job exodus from developed to developing countries, what is the cost benefit to both, should there be protectionist government intervention and will it work and finally how can this be dealt with in the WTO and other trade negotiations. We in UNCTAD have been monitoring this phenomenon and have noted its evolution from a largely intra OECD one, to include a new North to South dimension," Mr. Ricupero said. — UNI

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29

COPING WITH BPO BACKLASH

W. A. R. P. S.

IT IS INEVITABLE that as India becomes the preferred destination for the award of business process outsourcing (BPO) contracts by firms in the United States and the United Kingdom, it has to cope with a backlash in those countries. The clause in a spending bill passed by the U.S. Congress and now awaiting President George Bush's approval prohibits the outsourcing of Federal Government contracts to India. This protectionist move is not the first of its kind. In a little over a year since the New Jersey legislature first discussed such a ban, a number of State legislative bodies in the U.S. have considered imposing controls on outsourcing to India and at least one State has rescinded a contract awarded to an Indian company. To point to the insignificance of U.S. Government business in India's information technology exports (less than two per cent of annual earnings) or to suggest that all these legislative moves are merely "election-year" events is to miss the force of the rising tide of opposition in the U.S. and in the U.K. as well.

The BPO backlash is similar to what took place in the U.S. and west Europe during the 1980s and 1990s in protectionist revolt against the relocation of manufacturing jobs to South-East Asia and China. Workers fearing a loss of employment lobbied hard with their governments to place domestic and international restrictions on job relocation. The shift in manufacturing could not be halted, but domestic groups did succeed in slowing the process by embarrassing multinationals and Asian governments with public campaigns on the working conditions of labour. The opposition to BPO will take different forms. It is also likely to be more forceful than what was witnessed before. The campaigns have already begun to argue that there has been a deterioration in the quality of services that have been

outsourced; they have, among other things, targeted the "fake personalities" in some activities like call centres where Indian staff develop foreign *persona*. The resistance to outsourcing will be deeper because the jobs under threat this time are those being performed by skilled and well-paid men and women who can expect a greater hearing in the legislature. Besides, with "jobless growth" continuing to characterise the ongoing economic recovery in the U.S., the loss of jobs that outsourcing could entail cannot be accepted easily. Controls on government contracts are being discussed today. It will not be long before there are pressures to legislate for some form of restriction against private BPO contracts as well.

It is in the logic of globalisation that the gains for some will translate into losses for others. If India wants to establish itself as the BPO destination of choice, then it must learn to cope with the backlash by playing hardball. Indian companies can weaken the resistance by establishing their credentials on quality. At present while Indian subsidiaries of foreign companies have demonstrated a measure of quality of service, this is not yet true of all Indian firms whose sole selling point is low cost. The Government could also consider negotiating international agreements that would prevent the U.S. and the U.K. from legislating against outsourcing. That would, of course, involve a cost in the form of conceding greater market access to foreign firms in a number of areas. Finally, while the predictions are of large-scale job losses in the U.S. with an unfettered growth of outsourcing, there are no accurate estimates available of the dislocation that has already taken place. The Indian BPO companies could expect a better hearing if they can demonstrate that the true loss of employment is nothing like what has been made out.

অন্য বিশ্ব নয়, এই বিশ্বায়ন

১৯৮০

উনবিংশ শতকের শেষপাদে ভারতীয় জাতীয় কংগ্রেসের যে বৈঠকগুলি বসিত, এক শ্রেণীর ঐতিহাসিকরা ব্যঙ্গ করিয়া তাহার নাম দেন 'তিন দিনের তামাশা'। বিদেশি ঔপনিবেশিক শাসনের বিরুদ্ধে দেশীয় এলিটের সেই প্রতিবাদী উদ্যোগ যতই প্রাথমিক ও আলঙ্কারিক হউক, তাহার অন্তর্নিহিত ব্যঞ্জনাটি ছিল গভীর, নিহিত ঈঙ্গিত আকাঙ্ক্ষাটি ছিল মহৎ, 'তামাশা' বলিয়া তাহাকে উড়াইয়া দেওয়া বাড়াবাড়ি রকমের অসঙ্গত। প্রায় এক সপ্তাহ ধরিয়া মুম্বই শহরে 'ওয়ার্ল্ড সোশাল ফোরাম' নামক সংঘটির যে (চতুর্থ) বৈঠক সংঘটিত হইল, তাহাকে 'ছয় দিনের তামাশা' বলিলে বিশেষ অত্যুক্তি হইবে কি? বিশ্ব সামাজিক মঞ্চের ছয় দিন ব্যাপী অধিবেশনের বিভিন্ন বিচিত্র রঙ্গের মধ্যে একটি মূল ধ্বনি যদি খুঁজিয়া বাহির করিতে হয়, তাহা নিশ্চয়ই 'বিশ্বায়নের' বিরুদ্ধে প্রতিবাদ। একবিংশ শতকে উপনীত হইয়াও তাঁহারা বিশ্ব ও বিশ্বায়নের উল্টো দিকে যাইতে চাহেন, এবং সে উল্টো দিক কী ও কোথায় তাহা না জানিয়া বৃথা মাথা খুঁড়িয়া মরেন। ইহাতে কেবল এইটুকুই প্রমাণিত হয়, তাঁহাদের হাতে খরচ করিবার মতো সময়, অর্থ ও উদ্যোগ সুপ্রচুর। এই প্রতিবাদীরাও কি বিশ্বায়নের সন্তান নহেন? এই মঞ্চের মূলগত দিগন্তবৈচিত্র্যকে কি আদৌ উড়াইয়া দেওয়া যায়? তিব্বত হইতে পেরু, নরওয়ে হইতে কোরিয়া, বিহারের দলিত হইতে আফ্রিকার জনজাতি, সকলেই যে আজ মহামানবের সাগরতীরে মিলিতে পারিতেছেন, নিজেদের দুঃখ-দুর্দশার কথা বিশ্বমঞ্চে তুলিয়া ধরিতে পারিতেছেন, কেবল সেই বাবদেই তো তাঁহারা বিশ্বায়নের উত্তরাধিকার-বাহক। সেটুকু কৃতজ্ঞতাও এক বারের জন্য ভুল করিয়া প্রকাশিত না হওয়া শুধু দুর্ভাগ্যজনক নয়, অসঙ্গত, গর্হিত।

আয়োজকরা বিজ্ঞভাবে মাথা নাড়িয়া বলিবেন, বিশ্বায়ন তো কেবলই বিশ্বায়ন নয়, 'অস্থখামা হত ইতি গজে'র ন্যায় তাঁহাদের বিক্ষোভের লক্ষ্য তো 'ধনতন্ত্রের' (তাঁহাদের সংগ্রামী ভাষায় বলিলে, পুঁজিবাদের) বিশ্বায়ন'। যে কোনও তন্ত্রের বিরুদ্ধে প্রতিবাদ বা বিক্ষোভ করিবার অধিকার নিশ্চয়ই যে কোনও ব্যক্তি বা গোষ্ঠীর রহিয়াছে। কিন্তু সে ক্ষেত্রে বিক্ষোভের উদ্দিষ্টকে বিশ্বায়ন না বলিয়া ধনতন্ত্র

বলাই উচিত ও সঙ্গত। কার্ল মার্কসের ব্যাখ্যা ও অপব্যখ্যাপূর্বক ধনতন্ত্রের মুগ্ধপাত আজ অবধি অনেক হইয়াছে, আরও হইবে, ইহাতে নূতন কিছু নাই। নূতন কেবল, আর সব ছাড়িয়া বিশ্বায়নের উপর অন্যায় হামলা। মাধ্যাকর্ষণের সূত্র কিংবা আপেক্ষিকতার তত্ত্বের মতো বিশ্বায়নের বাস্তবও একটি অবশ্যসম্ভাবী প্রক্রিয়া, ইহাকে বাদ দিয়া মানবসভ্যতার পক্ষে আপাতত 'অন্য কিছু' ভাবা আর সম্ভব নয়। আয়োজক, প্রস্তাবকরা যতই স্বপ্ন দেখান, অন্য কোথা অন্য কোনওখানে অন্য কোনও বিশ্ব মানুষের জন্য অপেক্ষা করিয়া নাই। বরং এই বিশ্ব ও এই বিশ্বায়নের মধ্য হইতেই বাহির করিয়া আনিতে হইবে যেটুকু নির্যাস সম্ভব, ইহাকেই যথাসাধ্য মানবকল্যাণের নিমিত্ত প্রয়োগ ও প্রক্ষেপ করিতে হইবে। ইহা ভিন্ন অন্য পথ নাই, বৃথা কালহরণ ও সুবচনবর্ষণে মগ্ন হিতৈষীরা সাবধান।

যে সকল প্রশ্ন এই বৈঠকে উত্থিত হইয়াছে, তাহাদের অনেকগুলিই নিঃসন্দেহে জরুরি, গুরুতর। সে পরিবেশ রক্ষা বা দরিদ্রের বক্ষনাই হউক, কিংবা জলের সামাজিক অধিকারই হউক, প্রশ্নগুলির আলোচনা ও সমাধান অবশ্যই প্রয়োজনীয়। কিন্তু তাহার জন্য 'বিশ্বায়নের' বাহিরে গিয়া 'অন্য বিশ্ব' গড়িবার দরকার কী? এই বিশ্বায়নের দিগন্তের মধ্যে বাস করিয়া, এই বিশ্বায়নের প্রক্রিয়াটিকে পরিপূর্ণ ভাবে কাজে লাগাইয়াই তো এ সকল প্রশ্নের আলোচনা বা উত্তর সম্ভব, বহু বিশেষজ্ঞ সে চেষ্টায় অহর্নিশ নিমজ্জিতও আছেন। তাঁহারা ই মানবসামান্যের প্রকৃত শুভাকাঙ্ক্ষী এবং বাস্তববোধসম্পন্ন, অলীক স্বর্গের মিথ্যা খোয়াব না দেখিয়া, পশ্চাৎমুখীনতার রোম্যান্টিকতায় সময় নষ্ট না করিয়া তাঁহারা এই প্রগতিমুখী বিশ্বায়নকেই কল্যাণকামী করিতে চাহিতেছেন। 'সামাজিক ন্যায়ের' ভাবনা যে কেবল 'অন্য বিশ্বমঞ্চে'র একচেটিয়া নয়, বরং 'বিশ্বায়নের' মধ্যেই তাহার জন্ম, প্রকাশ ও বিকাশ, এই কথাটি সমক্ষে আনা প্রয়োজন। স্পষ্ট করিয়া বলা প্রয়োজন যে, বিশ্বায়নই দ্রুত হইতে দ্রুততর উন্নয়নের পথ, এবং সেই পথে না হাঁটিলে জনকল্যাণও অসম্ভব। জনকল্যাণের নামে বিশ্বায়নের বিরোধিতা করিবার অর্থ, শেষ বিচারে, জনকল্যাণের পথ রোধ করিয়া দাঁড়ানো।

Globalisation's last frontier

By Jeff Madrick

THE UNITED States President, George W. Bush's recent proposal to grant temporary legal status to illegal immigrants is not yet fleshed out enough to judge how effective it will be. Six million to eight million illegal workers would qualify, as would future immigrants hired by companies that could show that Americans were not willing to take the jobs.

One serious concern is that immigrant workers would be tied indefinitely to the company that sponsors them. Teresa Ghilarducci, an economist at Notre Dame, warns that this would give the company undue power over wages and other worker rights, and a result could be a permanent class of low-wage employees.

But if the Bush plan raises more questions than it answers, it is still an encouraging first step that focusses needed attention on an issue that will become more urgent in coming years. For one thing, there will probably be no stopping the steady march of unskilled and skilled labour across borders. The U.S. has been unable to stanch flows of illegal immigrants from Mexico, for example.

But economists of varying political views also say that the limited migration of skilled and unskilled workers, if properly harnessed, can be a vital source of economic growth in developed and developing nations.

"This is the last unexplored frontier of globalisation," says Dani Rodrik, an economist at Harvard's

Kennedy School. "We have to start taking labour mobility seriously." In fact, theoretically, the bigger the differences in wages for similar work across the world, the greater the potential rise in incomes to the receiving and sending nations. It is analogous to the benefits from international trade when goods are cheaper in one country than another.

A temporary limited migration programme similar in principle but different in important details to what the Bush administration seems to have in mind can minimise such

research in the field, suggests that one possibility is to have the U.S. retain part of the wages paid to new legal migrant workers in an investment account that is given back to the workers only when they return to their home countries.

As for the power of businesses over their recruits in the Bush plan, Mr. Kapur says employees should have to work for their sponsoring company for only a limited time, and then be allowed to look for other jobs.

For all its benefits, however, greater labour mobility is no panacea in itself. In the U.S., for example, a Bush-style immigration programme could work best in tandem with a reasonable increase in the minimum wage. As for sending nations, Mr. Rodrik points out that returning money in the form of remittances is most productive when the economy can channel them to useful investment and social programmes.

Moreover, some older policies work at cross-purposes. Mr. Kapur notes that one reason so many Mexicans flee to the U.S. is that the North American Free Trade Agreement subjected them to low-price American agricultural competition that is subsidised by the government.

More labour mobility is an exciting potential source of growth for all, but it will work only in conjunction with proper safeguards and fair and productive social policies. — *New York Times News Service.*

More labour mobility is an exciting potential source of growth for all, but it will work only in conjunction with proper safeguards.

A team of British economists led by L. Alan Winters of the University of Sussex has developed a traditional model to estimate such gains. In general, the model assumes that developed nations generate higher profits and more investment as labour costs are saved. As for developing nations, their migrant workers now make far more money and send a large part of it home.

Mr. Winters and his colleagues have found that if the Organisation for Economic Cooperation and Development (OECD) nations increase by 3 per cent their quotas of migrant labour, both skilled and unskilled, world income would rise by a considerable \$156 billion a year, or 0.6 per cent of total world income today.

But if the theory is convincing, the practical issues are considerable. Absorbing lower-wage workers in host

problems. By providing migrant workers legal status, including eligibility for domestic social programmes, businesses could not easily pay wages below the going rate or ignore their payroll taxes and other benefits, as they now can for illegal immigrants. For these reasons, some labour unions are beginning to support such legalisation.

What is critical to the equitable distribution of benefits, however, is that workers return home after a few years. Cycling workers would allow more poor workers from a wider range of nations to migrate.

But simply requiring workers to return home is not enough. Attractive incentives must be provided as well, and those in the Bush plan are inadequate. Devesh Kapur, a professor of government at Harvard, who with his colleagues has done comprehensive

OVER THE RAINBOW

Globalization has had many prophets, from Karl Marx to John Lennon, before the Chicago school and the Bretton Woods institutions became the targets of radical wrath. The anti-globalizers who gathered in Mumbai to attend the World Social Forum tend to forget that the effectiveness of the forum is dependent on globalization, the globalization of protest. The dream of one world — be it the world of protest, the world of revolution or the world of capital — is practically concomitant with the rise of powerful nation states. Capital, like revolution, cannot become hegemonic in a confined space. This insight comes, of course, from Karl Marx. He wanted the world to be united under the banner of the proletarian revolution for the working class. The current doctrine of globalization sees the unification under the sway of capital. The radical critique of this approach is that social issues get swept under the carpet of free trade and a globalized market. Globalization, the argument runs, is biased in favour of the rich — the rich individuals and the rich countries. Globalization increases discrimination and enhances inequalities. Critics of globalization completely pooh-poo the notion of the trickle-down effect which will eliminate inequalities. In an ideal world, globalization would, indeed, be concerned with poverty eradication and related social issues. In the absence of that utopia, more and more proponents of globalization are arguing for a balance between the creation of wealth and a more equitable distribution of global resources. Those who attack globalizers reject it altogether and deny that it has beneficial aspects. The fallout is a shadow over reason which sees conspiracy at every corner in the same manner as a previous generation saw reds under beds.

In the meeting in Mumbai, the point has been made by Ms Aruna Roy, the Magsaysay award winner, that in the contemporary world political parties no longer concern themselves with social issues. Political parties are concerned with state power. Social issues are addressed by non-governmental organizations. The point is important because it indicates a certain fundamental convergence between the critics of globalization and its advocates. Globalization, in so far that it has a political agenda, visualizes a world where there is no state, or a state with a minimalist role. NGOs through their activities are also reducing the space that the state seeks to dominate. Moreover, neither globalizers nor NGOs are upholders of nation states and their boundaries.

If the real threat to globalization comes from those who have no social conscience, the threat to its critics come from those who think it chic to be protestors. Humankind has dreamt of an ideal and egalitarian world since its fall from innocence in the Garden of Eden. There exists no blueprint for this but what is clear is that the world will not be changed through forms of extremism and self-indulgence. Neither will untrammelled greed make for a better world.0

Anti-globalisation activists in Mumbai



Let Iraqis control Iraq: Social Forum

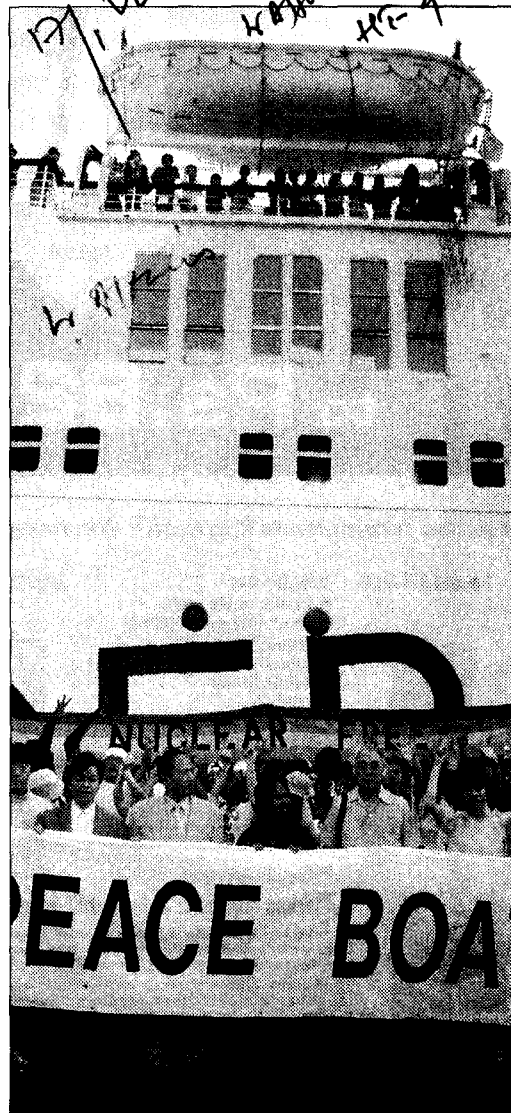
Askari H Zaidi
Mumbai, January 16

THE FOURTH World Social Forum opened here on Friday with a call to end the "American occupation of Iraq" and restore that country's control to its people.

Arundhati Roy set the tone for the evening, stressing that it was not enough to express solidarity with Iraqi people. Calling for direct action against the US, which had entered Iraq for its imperialist interests, she said: "Let's us decide here in Mumbai to identify at least two American corporations which have benefited from Iraq's destruction, and force them to shut down operations."

Other speakers, including Iranian Nobel peace prize winner Shirin Ebadi, Ahmed Ben Bella (Algeria), Abdul Amir Al Rekaby (Iraq), Chico Whitaker (Brazil), Jeremy Corbyn (UK), Mustafa Barghouti (Palestine), and Captain Lakshmi Sehgal — who chaired the session — threw their weight behind Arundhati's appeal, and called upon the over 1 lakh gathering to work for the establishment of a new world order based of democratic values, justice and equality.

Over the next five days, over 1500 seminars and workshops are scheduled to be held here, besides scores of street plays, movie shows, and exhibitions of photos and posters.



REUTERS & AP

Tibetan youths hold flags at the inauguration of the Intercontinental Youth Camp 2004 in Mumbai on Friday (top) and delegates arriving at the Mumbai port earlier in the day (above).

17 JAN 2004

JAN 2004

Seekers of another path, gladiators of an anti-global world

Santosh Bane



Nobel peace laureate Shirin Ebadi of Iran (second from right) joins delegates at the inaugural meeting of the World Social Forum at Goregaon in Mumbai on Friday. Others are (from left) actress-activist Shabana Azmi, Captain Laxmi Sehgal of the Indian National Army and writer Arundhati Roy.

Mela of the marginalised opens with song and dance

TIMES NEWS NETWORK

Mumbai: If goodwill, exuberance and sheer energy were enough to change the world, a new world might indeed have risen on Friday night at the opening of the World Social Forum in Mumbai.

Almost a lakh of people from all corners of the world—adivasis from Jharkand, Bush-bashing Vietnamese and Caribbean nuns—converged at the NESCO grounds here in Goregaon, melting social movements, artistes, political activists and NGOs into one mega-mela.

In this carnival of the marginalised, Dalits demanding equality danced alongside Australians, Rajasthani villagers sang about their land and forest rights, while a bunch of college girls from Godhra marched alongside, sloganeering for peace and unity.

Writer-activist Arundhati Roy kicked off the speeches by urging people to shut down the offices and projects of those companies which had benefited from the Iraq war. "It is no good just saying 'jeetenge, bhai jeetenge'. It is time we did something," she declaimed amidst cheers. She added that in the great European cities, they were openly talking about neo-liberalism and how the unruly needed to be policed. "That's you and me," she said.

Nobel Peace prize-winner Shirin Ebadi, who spoke in Farsi, said that the forum was a symbol of hope. "I hope that one day there will be a world where globalisation will not be synonymous with inequality, a globalisation where the human being is the centre," she said.

The World Social Forum was born in 2001, as a counter to the World Economic Forum

and to oppose policies of trade liberalisation and privatisation. Built around the slogan 'Another World is Possible', it seeks to throw up alternatives and responses not just to globalisation, but also issues like Third World debt, sectarian violence, communalism and war.

This year, US militarism and the war in Iraq have become a major focus.

British MP Jeremy Corbyn, who said he was honored to be the only European on stage, claimed Iraq was now "on sale to global interests". "We have anti-terror laws in the US, the UK, India and everywhere in the world. How can the US unleash terror against countries like Afghanistan and Iraq?" A rainbow cultural offering matched the multi-cultural masses, with performances from Sufi band Junoon and African dancers.

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WORLD SOCIAL FORUM MEET BEGINS

'Go beyond resisting Iraq war'

By Kalpana Sharma

MUMBAI, JAN. 16. War and its impact on the lives of thousands of people in the world was the dominant theme at the anti-globalisation meet, the World Social Forum, that opened in Mumbai this evening.

Against the backdrop of a massive stage depicting a map of the world, an impressive line-up of speakers from around the world repeatedly spoke about the war on Iraq in particular and the many conflicts around the world that remain unresolved.

"War is a political weapon", said Abdul Amir Al-Rekaby from the Iraqi National Democratic Currents. "The war against Iraq is not an accident, it is not an exception. If the U.S. wins in Iraq, it will affect the whole world," he said.

Echoing his sentiments, the writer, Arundhati Roy, asked the estimated 70,000 people from over 100 countries and all parts of India who filled the large maidan to go beyond words. "It is not enough any longer to talk about resistance," she said. "All of us and those at Mumbai Resistance (MR) 2004 (the parallel forum) must turn our gaze on Iraq be-



A dance troupe performs against the policies of the United States outside the venue of the meeting of the World Social Forum that began in Mumbai on Friday. — AFP

cause it is the culmination of neo-liberalism and imperialism." She said: "We must not just support resistance in Iraq

but we must become the resistance." To do this, she suggested that the WSF and MR 2004 jointly select two American

companies, prepare a list of their offices around the world, and "shut them down".

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THE HINDU

17 JAN 2004

Ebadi star speaker at World Social Forum

Statesman News Service

MUMBAI, Jan. 16. — A mass of humanity from all over the country and the world has descended on the Nesco Complex in Goregaon East for the World Social Forum which opened here today. The massive maidan where the opening ceremony, which has just begun with cultural performances, is literally a swirling sea of people. Thousands of activists from development organisations, orderly and peaceful, have gathered on the maidan with flags, banners, placards and slogans, all proclaiming their commitment to the fight against globalisation and for human rights.

The sprawling Nesco complex represents a multinational carnival atmosphere. The activist organisations have spread out their wares and are distributing their pamphlets and literature to one and all. The organisation have taken stalls in the exhibition centre too. The stalls in a particular row are selling literature on anti-imperialist struggles and also on Dalit, tribal and Gandhian issues.

The star attraction today was undoubtedly the Iranian lawyer and Nobel Peace Prize winner, Shirin Ebadi. She'll be the star speaker at the opening plenary session later tonight. The session will be chaired by veteran freedom fighter Lakshmi Sehgal and Mr VP Singh.

Speaking through an interpreter at the press conference, Ms Ebadi made an impassioned plea for eradication of poverty and protection of human rights. "We're



Pakistani band *Junoon* performs during the World Social Forum meet in Mumbai on Friday. — AFP

here to announce that human rights are universal, and we've to renew our commitment to human rights and making the world a much better place than before."

Iraq, Palestine to dominate WSF fora

The US invasion and occupation of Iraq and the Israeli repression of Palestinians will be explosive issues at the WSF meeting. "This movement is very helpful for my people and we need your support. There's a grave conflict in Iraq and we must now rally support against the American war and its policies in the world," Iraqi delegate Amir Al Rekaby pleaded here today.

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Globalisation & its discontents in 2004

In 2004 the world could well learn again the risks of relying excessively on the ideology or leadership of a single country, warns Joseph E Stiglitz



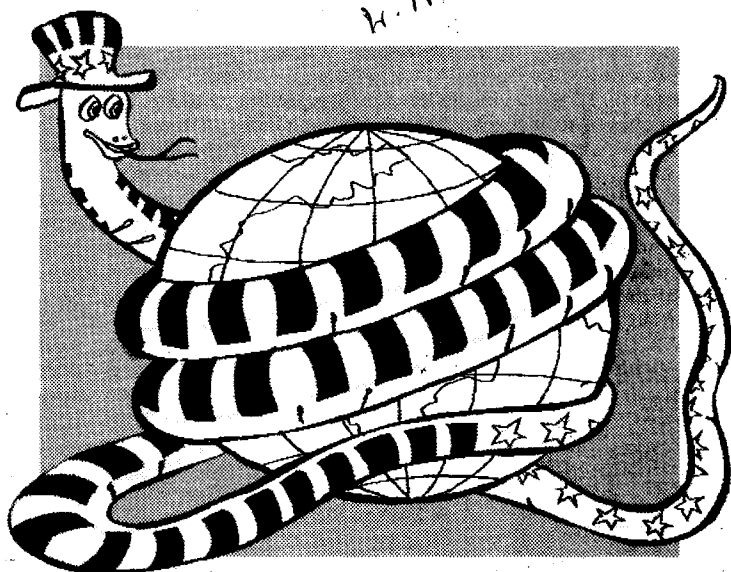
THE YEAR 2003 was in many ways a disaster for globalisation. America and its "coalition" of the willing went to war in Iraq without the support of the UN, and the World Trade Organisation

meeting at Cancun — which was supposed to provide the impetus for a successful conclusion of the Development Round of trade negotiations — ended in failure. 2004 will almost surely be better, for political globalisation as well as for the global economy. But don't look for a banner year.

The events in Iraq demonstrate the failure of democratic processes at the international level — and the need to strengthen them. The Bush administration's approach to the war in Iraq and its aftermath has been marked by the same unilateralism shown by its rejection of the Kyoto protocol and the International Criminal Court.

In each instance, when the world's collective decision differed from what America wanted, President Bush insisted that America get its way. Whether the US government deliberately lied to the world about the existence of Iraqi weapons of mass destruction or got carried away by its own rhetoric is less important than the lesson to be learned: it is dangerous to put excessive power in the hands of a few.

But the US is finally realising that even a superpower cannot ensure security in a country occupied by force. It might have been able to win over the Iraqi people in the early months of the occupation, but by now its cumulative mistakes may have doomed the campaign for hearts and minds to failure. America has also come to recognise the need to forgive Iraq's debts, which will require rapprochement and co-operation with traditional US allies that opposed the war.



BONNY THOMAS

These developments hold out the hope that the US will adopt a more multilateral approach to foreign policy in 2004. But the Bush administration's exclusion of creditor countries like France, Germany, and Russia from Iraqi reconstruction contracts undermines this hope.

At the same time, if America's "shock therapy" approach to reconstruction — quick economic liberalisation and privatisation — is carried out, higher unemployment and greater resentment are likely to follow. "Shock therapy" is a strategy that has repeatedly failed. In 2004 the world could well learn again the risks of relying excessively on the ideology or leadership of a single country. Iraq will suffer the most, but the consequences will almost certainly be felt widely.

The WTO talks in Cancun represented the other major failure of globalisation in 2003. The US and Europe reneged on their promise that this would be a round of trade negotiations designed to improve the plight of developing countries. Indeed, they failed to redress the imbalances

of earlier rounds of trade talks that had made the poorest regions of the world worse off.

THE US and Europe not only tried to impose their trade agenda on developing countries, they also continued to insist on their right to subsidise agriculture and raised new demands that would have made lives in developing countries even worse. For the first time, developing countries united, and the talks broke down.

After blaming each other for the breakdown, America and Europe will continue to insist in 2004 that they want to restart the development round. But unless meaningful concessions are made in agriculture, non-tariff barriers, and intellectual property rights, what do developing countries have to gain? Tariffs on industrial goods in the advanced countries are already low enough that developing countries are unlikely to receive many benefits — and they have much to lose from another unfair trade agreement.

Developing countries are, however, learning some of the west's tricks. In Miami last November, they agreed to a Free Trade Area of the Americas that did not, in fact, provide for free trade, and barely went beyond what had already been agreed within the WTO. In short, it is beginning to look as though any success in the current round of trade talks will be based on agreements without substance.

The pick-up in economic activity in Japan and the US bodes well for the global economy in 2004, as does China's continued strength. Every economic downturn comes to an end, and it is high time for America's economy, which began slumping almost four years ago, to recover. This could have happened sooner if the Bush administration had supported tax cuts for the poor and middle class, rather than for the rich. The size of the tax cuts that it did promote was so large, however, that it provided some stimulus anyway. But the cost is enormous: a colossal fiscal deficit that jeopardises future growth.

The counterpart of America's immense fiscal deficit is its yawning trade gap. This twin deficit has taken a severe toll on foreigners' confidence in the fundamental health of the US economy — and hence on the external value of the dollar. As the euro remains strong relative to the dollar in 2004, America's trade deficit will moderate, but at the cost of making a robust European recovery all the more difficult.

Meanwhile, once recovery has set in, the huge borrowing demands of the US and Europe will almost certainly drive up real interest rates globally, posing new problems for the world's emerging markets. For them it will be just another instance of having to bear the costs of policy mistakes made in the advanced industrial countries, another instance of globalisation gone awry.

(The author is Professor of Economics at Columbia University and was chairman of the Council of Economic Advisers to President Clinton and Chief Economist and Senior Vice President at the World Bank.)
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