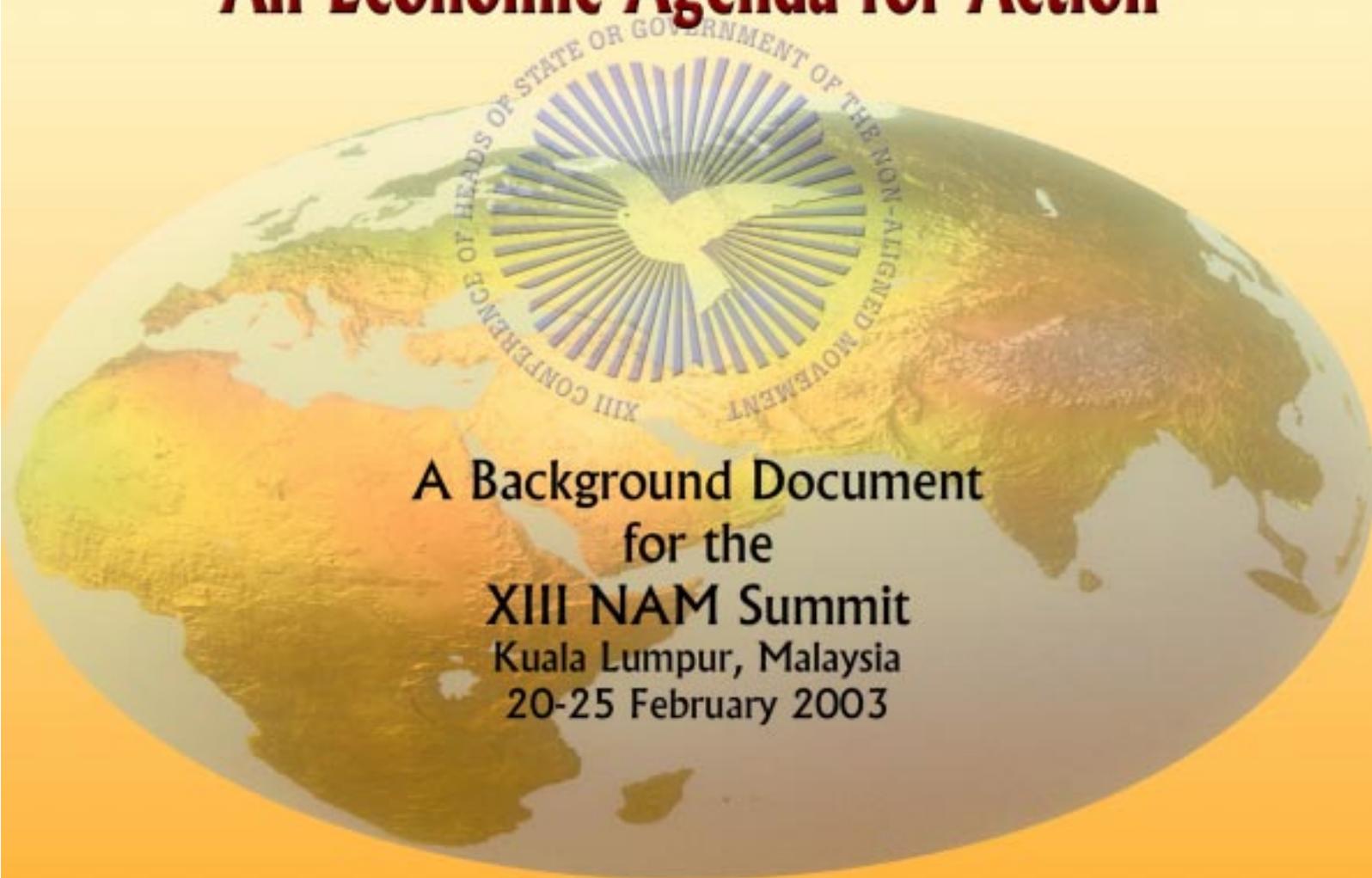


Globalization and the Non-Aligned Movement

An Economic Agenda for Action



**A Background Document
for the
XIII NAM Summit
Kuala Lumpur, Malaysia
20-25 February 2003**



**Research and Information System for the
Non-Aligned and Other Developing Countries (RIS)
New Delhi, India**

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Globalization and Non-Aligned Movement: An Economic Agenda for Action

Executive Summary	ix
Chapter 1: The World Economy: Trends and Prospects	1
Chapter 2: World Trading System and NAM Countries:	13
Setting the Agenda for Cancun	
Chapter 3: Capital Flows and Reform of	35
International Financial Architecture	
Chapter 4: Globalization, Growth and Equity:	57
Development Experience of the 1990s and Lessons for Pro-Poor Growth	
Chapter 5: Relevance of South-South Economic	77
Cooperation: Trade and Investment	
Chapter 6: North-South and South-South: The Agenda for Action	85
Appendix	
NAM in a Comparative Perspective: A Statistical Profile	95

Globalization and Non-Aligned Movement: An Economic Agenda for Action

Executive Summary

I. The Context

Developing countries have integrated their economies more intensively with the world economy with the extensive reforms undertaken over the past two decades. The increasing global integration was expected to expand economic opportunities and also benefit them from the emerging international specialization, obviate the constraints on their development by the size of domestic market, and absorb spillovers of knowledge and technological developments taking place in the rest of the world. However, the experience of the past has shown that the increasing global integration has brought more vulnerability, and the benefits of the integration have been shared inequitably between the rich and poor countries. The experience of the past decade has attracted widespread rethinking on the pros and cons of globalization for developing countries. It is widely believed that developing countries have received a raw deal in their recent experience with globalization with growth rates going down and inequalities of income rising, as summarized below. Against that backdrop, this Report summarizes some elements for the economic agenda for the NAM to be considered at its XIII Summit, scheduled to be held in Malaysia on 20-25 February 2003.

I.1 Growth and Equity in the Globalization

Contrary to the claim that global economic integration expands opportunities, the growth

in developing world has languished. In two thirds of developing countries average growth rate of per capita incomes in the 1990s has been lower than that achieved in the 1980s. In a large number of countries, especially the low-income ones, growth rate of GDP has not been able to even keep up with the population growth thus leading to shrinking per capita incomes. Wherever there is positive growth of income, it has been more volatile and less equitable. Instabilities have increased, causing disruption and hitting the vulnerable sections of population harder. Income inequalities have increased, rate of employment generation has declined, and the process of poverty alleviation has suffered a setback. Small and medium enterprises have suffered the onslaught of trade liberalization, rendering thousands without jobs. Given the wide digital divide, the new technologies such as information and communication technologies (ICTs) have further perpetuated the global asymmetry between the rich and the poor countries.

I.2 Global Economic Integration and the Vulnerability to Economic Crisis

In the current era of liberalization and globalization of financial markets, the economies of developing countries have become highly vulnerable to speculative capital movements in and out of the country. The economic crisis in Mexico in 1994, the East Asian crisis of 1997, the Russian crisis in 1998,

the Brazilian crisis of 1999, and the Argentinean crisis of 2001 have highlighted the role played by speculative capital movements in triggering-off the crisis situations. A thorough reform of the international financial architecture is, therefore, urgently needed.

1.3 The Crisis of Capitalism and the Uncertain Global Economic Outlook

The major developed economies of the world, like the US, Germany and other European Union members and Japan, have exhibited recessionary trends over the past few years. The confidence in the system has been shattered by the bankruptcies of some of the most visible icons of the Western capitalism such as Enron, Worldcom, Xerox, Anderson, among a host of others. The outlook for the developed economies continues to remain uncertain with the threat of a prolonged slump looming large on the horizon. The slowdown in the developed market economies has, in turn, adversely affected the growth prospects of developing countries that depend on these countries for the demand for their goods and services and as sources of capital.

1.4 Asymmetric Distribution of Gains from Trade Liberalization

In the area of multilateral trade negotiations, developing countries have undertaken major commitments in the Uruguay Round and have provided market access to developed countries. The developed countries, while preaching the virtues of free trade to developing countries, have continued to protect their industry with tariff peaks applicable to the goods of export interest to developing countries, have backloaded the market access commitments in textiles and clothing, and continue to protect their agriculture sector and their labour markets despite commitments under the AoA and GATS, respectively. There has been increased resort to anti-dumping (as in the case of steel in the US), and a proliferation of NTBs in the form of environmental and health related standards much higher than the internationally agreed norms. Protectionist onslaught in the developed world has also covered formation of regional trade blocs that diverted trade from developing countries. As a result the developed countries have been the major beneficiaries of the expansion of trade and have been able to

increase their share in world exports at the cost of developing country partners.

While so much is made out of the Doha Development Agenda, the developed countries have dragged feet from reaching an accord on the medicines and public health as mandated under the Doha Declaration. There is a doubt if the March deadline for agricultural negotiations will be met, given the resistance of EU countries to commit themselves to reduction in subsidies. Notwithstanding the lackluster performance in terms of honouring their existing commitments, developed countries are constantly pushing the developing countries to expand the negotiating mandate of the WTO to cover new areas such as Singapore issues, despite the resistance of the latter.

II. The Agenda for NAM

As a forum of developing countries, NAM should raise concern on the emerging asymmetries in the world financial and trading systems and seek their immediate redressal from the international community. NAM could also take initiatives to help developing countries in evolving a coordinated position in international negotiations for reform of international financial architecture and the world trading system that are more responsive to their developmental needs.

Furthermore, given the scenario of a prolonged slump, coupled with the rising protectionist tendencies in the major developed economies, they are unlikely to serve as an engine of growth for the developing countries. The developing countries have to look to South-South cooperation for generating growth impulses in the coming years. Therefore, a renewed emphasis needs to be placed on South-South cooperation as a strategy for growth in this age of globalization. This would usefully complement their trade and investment links with the developed world, given the outlook of a prolonged slump in these markets. As a forum of developing world, NAM could play a crucial role in this. It could emphasize on the critical importance of South-South Cooperation and contribute to it by providing ideas and a framework for mutually beneficial cooperation among developing countries.

In the first three decades of its existence, NAM did take a number of initiatives for promoting South-South Cooperation. It was

NAM that led to creation of Group of 77 and the G-15. A number of institutions like RIS (India), were set up to contribute to capacity-building. But many other ideas and initiatives were sidetracked in the wake of the force of globalization and its tremendous promise in the 1990s. However, with the hindsight of the experience, it is time to resurrect these initiatives and pursue them with renewed vigour and go beyond the rhetoric. The rapid evolution of new technologies such as information and communication technologies (ICTs) could also come in handy in pursuing a number of programmes of South-South Cooperation.

In what follows some elements of a possible agenda of NAM on the North-South Issues, and for South-South Cooperation are summarized.

II.1 North-South Issues: Addressing the Asymmetries

Among several North-South issues, we deal here with international financial system and world trading system related issues.

II.1.1 Reform of the International Financial Architecture for Development

Major changes have taken place in the international financial system in terms of changing magnitudes and composition of external resource flows to developing countries. Net long-term resource flows to developing countries have declined steadily since 1997. The official flows in particular have gradually dried up over the 1990s despite the rhetoric for reaching the 0.7 per cent target of official aid. Private flows now account for over 80 per cent of total long-term resources. While the private capital inflows such as FDI and portfolio investments have expanded in magnitude, they are determined by the levels of development and infrastructure among other factors. Hence, low income and least developed countries are unable to increase their share in private flows despite liberalization of policies. As a result, the net resource flows to low income countries have reduced to less than half between 1996-2000 period. Furthermore, the net transfers on debt to low income countries, after providing for the debt service, have turned negative since 1998; this pushing them into a debt trap. The progress of HIPC (highly indebted poor countries) Initiative has been slow. The Monterrey High Level Conference on Financing and

Development (FfD) has not been able to resolve the issue of the immediate need for restoring positive long-term resource flows to low-income countries. But for that achievement of the Millennium Development Goals would be a mirage. In addition, the reform of international financial architecture should receive immediate attention, if the re-occurrence of the economic crisis in different parts of the world is to be checked. These crises are not only painful for the affected countries but have contagion effects for other countries and are extremely costly for the international community, in terms of opportunity cost of hefty bail-out packages and in terms of growth promotion and poverty elimination. In particular, the reform of the international financial architecture that NAM could seek to cover the followings:

a) Need for Restoring Long-term Resource Flows to Low-income Countries

Negative net transfers of long-term resource flows push low-income countries into the debt crisis and eventually to liquidity crisis. Private capital flows of long-term nature such as FDI tend to be highly concentrated in middle and low income countries. Liberalization of policy regimes has its limitations in expanding the magnitude of these inflows to low-income and least developed countries who need such flows. In that context, the speedy implementation of the 0.7 per cent aid target by developed countries and revival of SDRs allocation should receive high priority by the international community.

b) Moderating the Volatility of Capital Flows with an International Tax

The excessive volatility of capital movements needs to be curbed. In this context, the NAM could call for the imposition of an international tax of the type suggested first by economist James Tobin (hence called Tobin Tax). It could be imposed on short-term capital flows every time they cross the borders. Besides moderating the volatility of capital movements, such a tax could generate valuable resources that could be channelled to developing countries as development assistance. For instance, it could go to a special fund meant for poverty alleviation.¹ It has been estimated that given the levels of capital flows in the mid-1990s, a tax at the rate of 0.25 per cent could generate an

annual revenue to the order of \$ 300 billion, that is, upto six times as much as the total annual ODA flows to them.

c) Transparency, Monitoring and Surveillance of International Borrowing and Lending

The East Asian crisis has highlighted the need for transparency, monitoring and surveillance of international borrowing by enterprises. However, prudential norms governing foreign lending are equally important. This has been demonstrated by the collapse of Long-Term Capital Management (LTCM) of the US that had created an exposure of more than a trillion dollars before its crash, with a capital base of only about \$ 5 billion.

d) Reform of IMF Conditionalities

Recent crises have exposed the weaknesses in the IMF's package of conditionalities which do not take cognizance of the specific conditions existing in the affected country and prescribe the same set of conditions as if 'one size fits all'. They have been widely seen to compound the problem rather than resolving it. In that context, Malaysia's handling of crisis has shown the viability of unorthodox approaches. Malaysian approach included imposition of capital controls, although temporarily, and the adoption of a fixed exchange rate regime. More importantly, Malaysia's approach also included lower interest rates and fiscal expansion or pump priming by the government as against belt tightening measures and balancing of budget included in the IMF package. As a result, Malaysia did not suffer the kind of social consequences that other affected countries did and the recovery was rather quick with a 5.8 per cent growth of GDP in 1999 and 8.5 per cent in 2000, compared to countries under the IMF programme. Therefore, NAM could seek a thorough reform of the IMF's conditionalities and of bringing flexibility into the package that keeps in mind the specific needs of the affected countries.

e) A Cautious Approach to Capital Account Convertibility

Capital market liberalizations in Latin America, Eastern Europe, and Asia have been followed by extreme macroeconomic crises. Despite a widespread recognition of the role played by the capital account liberalization in accentuating

the crisis, the IMF has been pushing the affected Asian countries towards accelerated capital market liberalization in the wake of the crisis. There is now almost a general consensus that developing countries should adopt a cautious approach towards liberalization of the capital account, keeping in mind the vulnerability that it brings with it. There is no evidence either that capital controls lower growth. Prudent norms of behaviour and an effective mechanism for regulation of the banking and financial sector needs to be in place before the country could move towards liberalization of the capital account.

f) International Regulation of Credit Rating Agencies

The East Asian crisis also highlighted the role played by the sovereign credit rating agencies such as Moodys and Standard and Poor in precipitating the crisis. All these agencies are privately-owned and controlled and the criteria followed by them tend to be subjective. There is a need for an international framework having symmetric representation of both lenders and borrowers for monitoring the sovereign risk ratings of countries. Further, a more continuous scale may be devised for the credit ratings of countries so that changes in these are gradual and not dramatic. This will allow the affected countries to take corrective measures before the situation gets out of control.

g) Seeking Reform of Brettonwoods Institutions

The Brettonwoods Institutions, viz. IMF and the World Bank, continue to be run on the basis of a structure that reflects the balance of power that prevailed at the end of the Second World War. The heads of these institutions are nominated by the US and EU, as per an old convention. The voting structures need to be changed to give due weight to the developing countries that constitute the bulk of the membership in decision-making and greater transparency needs to be brought in their functioning.

II.1.2 World Trading System: Levelling the Playing Field

NAM needs to raise concerns about the asymmetries in the emerging world trading system, and contribute to evolving a system that is more responsive to the development needs

of its membership and playing field is more levelled. Following initiatives may be considered in this regard:

a) A Coordinated Position on WTO Negotiations: A Bottomline Approach

In order to get a better deal out of the WTO negotiations, the coordination among the NAM Member States is of critical importance. NAM should take steps to facilitate mutual consultations among the Member States and evolve a coordinated position as far as possible. While there could be differences between the Membership on select sectoral issues, a bottomline approach could be evolved for coordination. For instance, there could be coordination on broad issues such as market access concerns in developed world for goods produced by developing countries, effective market access and national treatment commitments on the movement of natural persons by developed countries, on the implementation issues of mandates given by the Ministerial Conferences (as Doha Mandate on Medicines and Public Health), concerns on expanding the scope of the WTO mandate to non-trade issues (such as core labour standards, linking trade and environment, investment and competition policy), giving real meaning to the Special and Differential Treatment (SDT), safeguarding their food-security, and the need for a reform of decision-making process to make it more democratic. They could also coordinate their position in seeking the reviews of some Agreements of the WTO and seek amendments for making them more friendly to their process of development. There is a widespread recognition now that the TRIPs Agreement, for instance, has been unfair to developing countries, leading the British government to set up the Commission on Intellectual Property Rights (CIPR), which submitted its Report in late 2002. NAM could seek reviews of such WTO Agreements and seek redressal of the concerns of developing countries.

b) Protection of and Benefit Sharing from Traditional Knowledge and Genetic Resources

Against the background of commercial exploitation and patenting of rich genetic heritage and indigenous knowledge of the developing countries and tribal communities by MNCs, there is need for *sui generis* regimes for

protection of indigenous knowledge at the national level. An international regime for recognition of the indigenous knowledge originating in other countries should be put in place. A framework for collection of rents for its commercial exploitation for the benefit for the communities owning the knowledge should also be established.² It should be made mandatory for the patent applications to disclose the geographical source of the traditional knowledge or genetic resources from which the invention is derived.³ The Patent Offices should provide the information disclosed in the applications to WIPO for onward transmission to the concerned governments. NAM could also proactively seek to build such a framework in coordination with the WTO-TRIPs, WIPO, CBD, FAO, UNESCO and UNCTAD. NAM could set up a Task Force on Indigenous Knowledge to work out proposals for action in this regard.

c) NAM/G-77 Watchdog on Implementation Issues in WTO

A brief review of the disputes that are taken up in the WTO framework indicates that the developed countries are well organized and are quick in scrutinizing the implementation of commitments by developing countries and bringing any cases of deficiency in implementation to the dispute settlement board of WTO. On the other hand, the cases of under-implementation of commitments made by developed countries to developing countries remain unnoticed owing to the inability of developing countries to scrutinize the policies of industrialized countries and to seek a redressal under the WTO framework. Besides well-known cases on non- or under-implementation of market access commitments under AoA, ATC and GATS, the transfer of technology to build supply capacity in developing countries from developed countries has failed to materialize. Furthermore, developed countries have used their dominant position in the world economy to take unilateral initiatives (e.g. under S. 301 by the US) that militate with the multilateral framework. The US Anti-Dumping Act of 1916, which has been found as violative of the WTO Agreement by its trading partners, has not been repealed as yet. Developing countries, individually, lack the capacity – physical, analytical and financial –

to identify and pursue the cases of non-implementation of commitments and autonomous or unilateral policy decisions concerning trade policy on the part of developed countries and seek their redressal under the existing framework. The recent case of the trade distorting export subsidy valued at \$ 4 billion under Foreign Sales Corporations (FSC) Act by the US government, which was successfully brought by the EU to the DSB, is a case in point. There is a need for setting up a Watchdog by NAM jointly with G-77. This body should be equipped with the necessary professional, analytical, legal and financial expertise to scrutinize the implementation of WTO commitments by developed countries and, where appropriate, to bring them to DSB on behalf of developing countries. In the interest of building a fair and just world trading system, developed countries should create a Trust Fund for maintaining the NAM Watchdog.

d) Trilateral Cooperation/NAM Trust Fund for Assisting the Member-States in Implementation of WTO Requirements

Developing countries have undertaken substantial commitments under different WTO Agreements. They lack capacity and resources for their implementation. In addition, proliferation of NTBs in the form of enhanced environmental and health-safety requirements in the developed countries is affecting a substantial proportion of developing country exports. The technical assistance promised under the SPS and TBT Agreements of WTO for building capacity in developing countries for compliance with the standards is often inadequate or not timely. Most of the budgets for capacity building and technical assistance provided by developed countries and multilateral agencies is actually spent on workshops or seminars rather than actually assisting the affected exporters in compliance of the new requirements. It is observed that in many cases the relevant expertise for technical assistance may not be available in developed world (such as for treatment of food stuffs in tropical climate). Some of the developing countries may have the relevant expertise but lack financial resources for delivering the technical assistance. NAM could set up a Trust Fund for assisting the member countries in their compliance with the requirements with the help

of experts from developing countries. The NAM Trust Fund could be augmented by contributions from developed countries and multilateral bodies in the interest of promoting fair world trading system.

II.2 Revitalization of South-South Cooperation: Going Beyond the Rhetoric

As discussed earlier, in the context of experiences of globalization, a renewed emphasis need to be given to South-South Cooperation as a strategy for expediting the development of NAM countries. Among others, NAM can consider taking following steps in this regard:

a) NAM Network of Think-Tanks on International Economic Issues

Strengthening the analytical capacity in the South on international economic issues by setting up a NAM Network of Think-Tanks on International Economic Issues is crucial. The Network could become a source of ideas for consideration of the policy-making bodies of the Movement on a regular basis. This Network could further set up three Special Task Forces:

- Task Force on Reform of International Financial Architecture,
- Task Force on the Making the World Trading System more Responsive to Development, and
- Task Force on South- South Cooperation.

These Task-Forces would pool the existing capability available in the Member States to evolve policy responses for the consideration by the Movement.

Furthermore, the Network should regularly monitor the trends in the world economy from the perspective of developing world and prepare Reports on World Economic Trends for the NAM Summits and Ministerial Meetings. These Reports could provide an independent assessment and viewpoints on the emerging trends and patterns and their implications for NAM Member-States and hence complement the reports emanating from the Bretton-Woods Institutions that are sometimes unable to capture developing country perspective adequately.

Given the scarcity of resources among the low-income countries for such activities, a Trust Fund, created with the voluntary contributions of countries and international agencies out of their budgets for technical assistance, could be

established to facilitate the activities of the Network and keep it active for facilitating the work of the Task-Forces. RIS for NAM and Other Developing Countries, an institution created by India within the framework of NAM after the Seventh NAM Summit, could be asked to coordinate the Network and provide secretariat to the Task-Forces.

b) Exchange of Experiences in Moderating the Adverse Effects of Globalization

As observed earlier, the process of globalization is widely seen as having an anti-poor bias. However, interesting experiments have taken place in different countries in moderating the adverse effects of globalization and also of poor-friendly applications of new technologies such as ICT and biotechnologies. These include experiments in development of self-help groups like SEWA (as in India) and cooperatives, micro-credit institutions (as Grameen Bank in Bangladesh), Community Food Banks as a means for Food and Nutrition Security (as by MS Swaminathan Foundation in India), experiences of countries like Maldives in water harvesting, mosquito repellent bednets in Tanzania for controlling malaria, among many others. However, these experiments and experiences remain confined to the regions where they evolved for want of diffusion of information on them. NAM could facilitate the exchange of such experiences by creating an information clearinghouse on the internet. The NAM Information Clearinghouse could be interactive so that Member States and organizations based in them are able to post information on these experiments for dissemination among other countries. The information would also contain the contact details of the experts or resource persons that could be contacted for further information or assistance.

c) Cooperation in Medicines and Public Health

Development of more effective remedies and vaccines for dealing with common and pressing diseases of developing countries continues to be neglected by the global industry despite the strengthening of international IPRs regime under the WTO's Agreement on TRIPs. These include tropical diseases like malaria, TB, HIV-Aids, among others, that affect millions of people in the South. R&D institutions in developing countries need to network and

organize themselves to undertake R&D on such diseases following a consortia approach. It has been estimated that research on dealing with these diseases would require an additional funding of US\$ 3 billion per annum.⁴ WHO is seeking an allocation of additional resources of this magnitude from developed countries. NAM should press that these resources are passed on to eligible institutions and enterprises in developing countries for conducting R&D relevant for their needs, besides helping them in strengthening their capabilities. A number of developing countries have developed capabilities in tropical medicine such as Cuba. Some others like India, Brazil, China have accumulated capability for development and production of life-saving medicines at affordable prices. A NAM's initiative for promoting fuller exploitation of these capabilities to improve the public health systems in the Member States would be fruitful.

d) Mobilizing ICTs for Empowering the Poor

Notwithstanding the concern about the digital divide, which prevents developing countries from exploiting the fruits of information and communication technologies (ICTs) for their development, many promising experiences of their pro-poor deployment from across the world have been documented. For instance, use of ICT by rural communities facilitated by community owned computers with visual or graphic interface, use of public fixed line and mobile telephone bureaus in India and Bangladesh as sources of rural employment as well as for increasing the virtual teledensity, use of mobile phones by fisherfolks, use of internet for e-governance such as computerization of land records, among many other applications. NAM can formulate strategies for promoting cooperation in the area of ICTs for exploiting their potential for the development of member states. In particular, the South-South Cooperation could cover the following areas:

- *Education and training:* Diffusion of ICT is constrained by lack of trained manpower. Some developing countries have expertise to assist other countries in education and training. Some Indian enterprises like NIIT, Tata Infotech, etc. are already operating centers for training in computer applications in other developing countries. NAM may promote such exchanges of training

enterprises and institutions from among the Member States by facilitating information exchange and FDI policy reforms wherever necessary.

- *Joint Development of Hardware and Software for IT Diffusion:* One of the reasons for underperformance of the region in terms of levels of diffusion of ICT is high cost of equipment and lack of software in local languages. Developing countries could pool resources to develop low-cost computers and other equipment. They could also pool resources for joint development of local language software for exploiting the opportunities thrown up by availability of open source platforms like LINUX. A number of NAM countries have developed substantial expertise in computer hardware and software. These capabilities could be exploited fully for promoting the diffusion of ICT in the Member States.
- *Exchange of Experiences in Innovative Pro-poor Applications of ICT:* There is need for learning from each other by documenting and sharing experiences in innovative applications in different parts of NAM. It could also be organized through the NAM Information Clearinghouse proposed earlier.

e) Exploiting the Potential of Biotechnologies for Nutritional Security and Rural Industrialization

Biotechnologies can assist developing countries in achieving food security and rural development by breaking the yield barriers, by helping development of development of plant varieties tolerant to salinity and alkalinity, and by development of low-input agriculture that is of special significance for developing countries with large populations of small and marginal farmers among other ways. They can also help in fostering rural industrialization by integrating agriculture with production of food, animal feeds, energy, fertilizer, and a number of industrial products. A number of encouraging experiences from countries like Brazil, China and India with these food-energy integrated systems are now available and could be replicated to other countries. NAM could promote mutual cooperation among the Member States for exploiting the potential of biotechnologies for their development. The

South-South Cooperation in this area could cover the followings:

- *Education and training*
- *Joint R&D for common problems*
- *Exchange of experiences and technologies*
- *Cooperation in biodiversity conservation, protection and evolution of biosafety norms*

f) Enterprise Development and Cooperation in Small and Medium Enterprises

Development of small and medium enterprises holds the key for fostering pro-poor growth in developing countries, given their smaller markets and limited resources. A number of NAM countries have successful experiences, technologies, skills and other resources for development of smaller enterprises in different sectors of industry and services. Sharing of these experiences and technologies would be valuable. In this context, cooperation among the government agencies responsible for enterprise development in the Member countries as well as the bodies of small and medium enterprises should be encouraged to form a coalition.

g) Trade and Investment

Given the wide variation in the levels of development between the NAM Membership, there is tremendous potential of mutually beneficial trade and investments. This potential remains untapped because of the domination of channels of trade and investment information by the developed countries. Regional economic cooperation and preferential trading arrangements among developing countries in different regions have helped in promoting South-South trade and investment cooperation. Such regional, sub-regional and bilateral cooperation between the Member States should be encouraged. NAM could provide a framework for these groupings to coordinate with each other and share their experiences and facilitate inter-regional cooperation. Inter-regional trade, if promoted on an organized basis, could emerge as a vibrant phenomenon – given more pronounced complementarities compared to those at the sub-regional level. Business chambers of NAM countries should also be encouraged to take a lead in the enterprise cooperation and facilitating the information flows and interaction among entrepreneurs leading to mutually beneficial business alliances.

h) Monetary and Financial Cooperation

NAM Member States could consider cooperating in the area of money and finance to provide a cushion for temporary liquidity crisis. In this context, the Chiang-Mai Initiative (CMI) involving the ASEAN plus Three countries provides a good model. Furthermore, availability of finance also often constrains the exploitation of potential of South-South trade and investment given the limited ability of developing countries to offer financing packages. In that context, NAM Member states could consider creating a financial institution for exclusively financing South-South trade and investments. In the past, a **South Bank** was conceived under the NAM/G77 fora. That proposal could be revived and implemented with initial share capital being subscribed by the NAM Member States. The Bank should be able to augment its financial resources by issuing bonds. Given the current scenario of negative real interest rates prevailing in the US on account of Fed cutting down the interests rates and depreciation of US dollar vis-à-vis other currencies, the bonds issued by the South Bank may become popular instruments for investment by capital rich countries as those in the Middle East. South Bank would develop programmes for financing of trade and investment deals involving NAM Member States on an exclusive basis and would go a long way to promote them.

III. Epilogue: NAM as a Movement for Development

The XIII NAM Summit is taking place at a juncture of unprecedented upheaval in the world economy. In the period since the mid-1980s, developing countries were prompted by the international community in general and the Brettonwoods institutions in particular to integrate their economies with the world economy more intensively through liberalization of trade and investment regimes and the capital account to benefit from the opportunities thrown by globalization. The agenda of GATT negotiations was expanded to cover new areas like intellectual property, investment and services in the Uruguay Round. Developing countries were lured into signing the Final Act of GATT with a promise of major benefits in terms of market access in the areas of agriculture, textiles and services (movement

of natural persons). The experience of the past years has shown that while the promised market access has failed to materialize, further barriers have been erected for developing country exports in the form of non-tariff barriers, anti-dumping duties, unilateral sanctions, etc. The integration of financial markets has brought vulnerability and many well performing economies in different parts of the world have had to suffer from severe crisis with painful economic and social consequences. The development experience of 1990s has also highlighted that while growth performance has not improved, it has been more unstable and inequitable affecting the social cohesion in the economies.

The experience with the process of globalization over the past decade is attracting a widespread rethinking in different parts of the world, if not a backlash. It is clear that the process of global integration needs to be carefully calibrated, moderated and regulated to produce optimal outcomes. Developing countries can face the challenge thrown by globalization with collective action much more effectively than as a divided lot. As a forum of developing countries, NAM has a major responsibility to assist its Member States in facing the challenge better. It can do so by collectively seeking a reform of emerging North-South asymmetries. It can also help them exploit the tremendous potential of mutual cooperation for their development. Therefore, NAM, as a movement of developing world, has a much greater relevance today to assist the Member States in confronting the forces of globalization with a collective response and action. It has a critical role to provide a time-tested platform for evolving a coordinated response by developing countries to any challenges faced by them in their journey towards development.

In this document an inventory of the elements of a possible economic agenda for action for NAM in the context of globalization has been provided for consideration by the NAM leaders for action in the coming years. The action on the agenda itself may bring about a further cohesion among the Membership and revitalize the Movement besides providing much needed spur for growth. NAM will then truly be a Movement for Development (MfD)!