

Prosper or Perish: Asian Poverty and the Australian Economy

**Record of a conference conducted by The Crawford Fund for
International Agricultural Research,
Parliament House, Canberra**

28 June 2001



THE ATSE CRAWFORD FUND

Mission

To share and promote scientific and technological expertise in agricultural research and development that will increase sustainable global food production for the benefit of Australia and developing countries throughout the world.

Mandate

To assist poverty alleviation, increase food production and encourage environmental stability in the developing world through support for international research and development in agriculture and natural resource management.

The Fund

The Australian Academy of Technological Sciences and Engineering established The Crawford Fund in June 1987. It was named in honour of the late Sir John Crawford and commemorates his outstanding services to international agricultural research. The Fund depends on grants and donations from governments, private companies, corporations, charitable trusts and individual Australians. It also welcomes partnerships with agencies and organisations in Australia and overseas. In all its activities the Fund seeks to support international R&D activities in which Australian companies and agencies are participants, including research centres sponsored by, or associated with, the Consultative Group on International Agricultural Research (CGIAR), and the Australian Centre for International Agricultural Research (ACIAR).

More detail is available at <http://www.crawfordfund.org>

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Prosper or Perish: Asian Poverty and the Australian Economy

PREFACE

THE HON. TIM FISCHER

The conference in 2001 was the seventh in an annual series established by the Crawford Fund to help raise awareness of international agricultural research, and of Australia's role in it. The topic may seem at first glance to be slightly off-beat. After all, the Fund was set up in response to a call from the World Bank for the establishment of '*national support organizations*' to combat a global decline in funding for international agricultural research.

Why are we talking about business investing in rural Asia?

Our mandate is '*to assist poverty alleviation, increase food production and encourage environmental stability in the developing world through support for international agricultural research and development in agriculture and natural resources management.*'

We have a vision of a better world for all through this crucial support, and that support is interpreted in its widest possible sense in order to achieve the vision. We therefore support and encourage Australian business investment in rural Asia for mutual benefit.

Benefits to the developing countries of Asia include increasing personal incomes, creating more jobs, having smaller families, better health and nutrition, increased political and cultural stability and so on. Other contributors to this conference will provide more details about these benefits.

THE HON. TIM FISCHER MP, Chairman, Crawford Fund Board of Governors, Melbourne, is one of Australia's most highly regarded politicians. His long career in politics began after he left the Australian Army in 1970 and he began to raise the profile of rural Australia at the State, and then Federal, level. He was elected Leader of the National Party in 1990 and appointed Shadow Minister for Trade in 1993. In 1996 he was appointed Deputy Prime Minister and Minister for Trade. His interest and advocacy for Australia to become a trading super-power, especially in Asia, are well known. Mr Fischer retired as Deputy Prime Minister, Minister for Trade and Leader of the National Party in June 1999 and continues to serve his constituents in Farrer, while lending his considerable advocacy and political talents to chair the Crawford Fund's Board of Governors.

At the same time, Australia benefits in many tangible and intangible ways. The tangible ways include increased trade opportunities leading to a better and more prosperous business sector; the intangibles include closer cultural relations and a better understanding of the needs and wants of our neighbours.

If we truly want a better world for all, for the many reasons that other contributors point out, corporate Australia needs to be doing its bit. It will be '*doing well by doing good.*'

I was pleased to welcome Ian Johnson, the Vice President of the World Bank, as keynote speaker. Ian was recently appointed the Chairman of the Consultative Group on International Agricultural Research. And I was especially pleased to welcome Dr Mechai Viravaidya who was invited here to tell us about the success of his efforts to encourage business to invest in rural Asia. They joined our other distinguished guests to help bring the message that Australia is '*doing well by doing good*' and

that there are far more opportunities for it to *do better*.

I will outline the relationship between The World Bank, the CGIAR, the Australian Centre for International Agricultural Research, and the Crawford Fund.

The World Bank is a cosponsor of the global network of international agricultural research centres called the Consultative Group on International Agricultural Research (CGIAR). Australia is one of 58 industrial and developing countries that, together with private foundations and regional and international organizations, provide financial assistance and technical support to the CGIAR centres. The CGIAR's mission is *'to achieve sustainable food security and reduce poverty in developing countries through scientific research and research related activities in the fields of agriculture, livestock, forestry, fisheries, policy and natural resources management.'*

Australia is home to the Australian Centre for International Agricultural Research (ACIAR), a statutory authority operating within the portfolio of Foreign Affairs and Trade. ACIAR's mission is *'to achieve more productive and sustainable agricultural systems for the benefit of developing countries and Australia, through international agricultural research partnerships.'* It brokers research and development projects with partners in developing countries, and Australia. These partners are drawn from mainly the public but also the private sectors. ACIAR also funds training that will help to implement research. About three-quarters of ACIAR's total R&D budget is allocated to its bilateral programs to improve the agricultural systems of developing countries.

Amongst its activities in R&D and training, ACIAR also administers the Australian Government's annual donation to the CGIAR centres that accounts for one quarter of ACIAR's R&D budget. These funds are divided between most of the 16 centres that make up the network. Grants are also provided to a small number of non-affiliated centres. In the 2000-2001 financial year, Australia has contributed A\$9.6 million via ACIAR, and A\$4.5 million via other R&D sources to the CGIAR's research agenda.

Since its establishment the Crawford Fund has been a small but distinctive part of Australia's international development assistance effort. We focus on support for international agricultural research that complements the work of ACIAR and the CGIAR system. We are funded through donations from Federal and State governments and the private sector.

The core activity of the Crawford Fund is raising awareness - which is one of the reasons for the series of conferences I have already mentioned. The Fund has also built strategic alliances with the Australian and international R&D communities in the public and private sectors; together we establish and fund training courses for men and women from developing countries. These courses are held in Australia and overseas; they help to increase the capacity of farmers, scientists and researchers to learn new skills, or build upon existing skills. Building this capacity will help the Third World to achieve economic growth through agricultural development. Many hundreds of men and women have taken part in the Crawford Fund's training program that complements the overall R&D effort in Australia and developing countries.

The activities of the CGIAR, ACIAR and the Crawford Fund are all aimed at reducing poverty in developing countries. The major part of Australia's development assistance program to reduce poverty is administered by the Australian Agency for International Development (AusAID), which, like ACIAR, reports directly to the Minister for Foreign Affairs for all its operations in helping to relieve poverty in developing countries. The annual aid program budget stands at \$1.725 billion.

Acknowledgements

The Crawford Fund would like to warmly thank the following supporters for their in-kind and financial assistance for the conference.

Conference supporters

- Australian Academy of Technological Sciences and Engineering
- Agriculture, Forestry and Fisheries - Australia
- Australian Agency for International Development
- Australian Centre for International Agricultural Research
- Foundation for Development Cooperation
- The World Bank

Overcoming Asian Poverty: What Australia is Doing

OPENING SPEECH

THE HON ALEXANDER DOWNER

Introduction

I'm very pleased to again open the annual Crawford Fund Conference at Parliament House. Under the chairmanship of my colleague, Tim Fischer, the Fund plays a key role in raising awareness within the community about the important contribution which Australian agriculture makes in reducing poverty in the region.

I'm pleased to say that the Government has been able to increase its financial commitment towards the work of the Fund, to \$650 000 per year for the next four years, principally to establish a Northern Territory chapter of the Crawford Fund.

The annual Conferences of the Fund provide an important opportunity to discuss and debate key aspects of global development in creative and thought-provoking ways. And what I particularly admire is the fact that the debates and discussions are directed towards securing practical outcomes that will genuinely benefit people in developing countries.

This conference will discuss the role Australia plays in the enormous challenge of reducing poverty in Asia. This challenge can appear very daunting, but we sometimes forget how much progress has already been made towards meeting it. For example, between 1970 and 1995, per capita incomes of Asian developing countries nearly trebled. Rapid population growth was easily outpaced by even faster growth in food production.

THE HON ALEXANDER DOWNER MP is the Minister for Foreign Affairs. He was elected Federal Member for Mayo in South Australia in 1984. In 1987 he became Shadow Minister for Arts, Heritage and Environment, before taking on the role of Shadow Minister for Housing, Small Business and Customs in 1988. In 1990 he became Shadow Minister for Trade and Trade Negotiations, a position he held until 1992 when he became Shadow Minister for Defence. In 1993 he took on the Shadow Treasurer portfolio, before being elected Leader of the Opposition in 1994. Mr Downer stepped down as Liberal Party Leader in January 1995 and became Shadow Minister for Foreign Affairs. In March 1996 he was appointed Minister for Foreign Affairs when the Liberal-National Party Coalition was elected to Government.

There is, nonetheless, still a long way to go. Although the absolute number of poor people in the region has declined considerably, there are still over 800 million living on an income of less than \$US1 per day in this part of the world. The impact of the Asian financial crisis and political instability in some countries has compounded the challenge.

During today's proceedings, a number of eminent speakers will give us their perspective on Asian poverty and the Australian economy. Many of them will speak about the role of Australian businesses in the region, which play an important part through investments in rural Asia.

I will outline what the Australian Government is doing in this important area to complement the role of business, through both our trade and business facilitation efforts and our aid program.

Trade and business facilitation efforts by Australia

Promoting trade and engagement by Australian business with the economies of Asia is one of the key things that the Australian Government can do to help reduce poverty in the region. We are working in a number of areas to facilitate this. In general, further trade liberalisation will be good for the region, and good for Australian business.

Launching a new round of World Trade Organisation (WTO) negotiations, at Doha in November this year, remains our number one trade priority. Australia believes that open markets, underpinned by a strong transparent and rules-based multilateral trading system, are vital for achieving economic prosperity, particularly for developing countries. These countries have much to gain from a successful round, particularly through progress on breaking down agricultural barriers and subsidies that confront overseas primary producers in the markets of some developed countries.

At the regional level, Australia is active in promoting further work towards trade and investment liberalisation and business facilitation in Asia Pacific Economic Cooperation (APEC). Good progress has been achieved in lowering tariffs, but much more is also being done, including trade facilitation to reduce costs of doing business in the region; promoting Australian initiatives in e-commerce and paperless trading; streamlining customs procedures and conforming production standards.

We are also working to develop the Closer Economic Partnership between Australia, New Zealand and ASEAN countries. The object of the CEP is to promote closer economic integration, and to improve the climate for business and trading activities in the Association of South East Asian Nations (ASEAN). Bilaterally, we are working on free trade agreements – talks are well under way with Singapore, and we are pursuing discussions on the possibility of an agreement with Thailand.

The Asian economic crisis demonstrated clearly that sustainable economic growth in the region, over the longer term, will depend on meeting the challenges of domestic economic reform and the maintenance of a sound macroeconomic policy framework. So, for example, Australia has provided technical assistance through AusAID to key ministries in a number of Asian countries for capacity building in economic and financial management. AusAID's economic governance programs have also focused on banking reform, economic policy development and the reform of important commercial legislation.

And what is the fundamental significance of initiatives like these in terms of reducing poverty? I don't know of any nation that embraced economic liberalisation and sound economic governance that did not make real progress in overcoming poverty, but I have come across quite a few poor countries that have refused to travel down this path and remained poor.

The reality is that the countries with the most impressive levels of economic growth are those that have used the forces freed by economic liberalisation to further their economic development. And those countries that have most actively undertaken reforms to improve their economic competitiveness and governance are those most able to withstand external shocks in the challenging economic environment of the modern world.

The role of Australia's aid program

I'd like to explain how the Australian aid program is seeking to promote poverty reduction in the region. As many of you know, this government set down a new framework for the aid program in 1997, as outlined in the policy document entitled *Better Aid for a Better Future*.

We established a new objective for the program, reflecting not only the importance of poverty reduction but also Australia's interdependence with the region in which we live:

'To advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development'.

The regional crises of the last three years, from Indonesia and East Timor, to Fiji and the Solomon Islands, have only served to underline further just how closely Australia's future is tied to the prosperity of our neighbours.

This new strategy has enabled the Government to change the aid program's focus towards a greater emphasis on the needs of the poorest in the world community. Australia, and the international community more broadly, have been engaged in the fight against poverty now for many years. It is useful to consider what we have learned over recent decades about the nature of this poverty and how best to address it.

Earlier this year, I approved a new poverty reduction strategy for the aid program that incorporates the results of the most recent international research on this topic.¹

The new framework embraces a broad definition of poverty. In addition to the traditional understanding, based on concepts of material welfare, we now understand that poverty is also related to access to health and education services, vulnerability to adverse shocks and accountability of state institutions. The international community has learned a good deal about the most appropriate interventions to address these needs. The new poverty reduction strategy for the Australian aid program therefore includes four pillars:

- First, strengthening frameworks for sustainable and inclusive economic growth that will benefit the poor;
- Secondly, supporting interventions that enable the poor to increase their productivity;
- Thirdly, encouraging governments, institutions and donors to be more accountable to the poor; and
- Fourthly, reducing vulnerability through, for example, conflict resolution, disaster mitigation and emergency assistance.

We have learned that economic growth is the most powerful force for sustained poverty reduction. There is no doubt that growth was the driving force behind Asia's success over the last three decades in going some way towards meeting the challenge of poverty. But we now know that growth reduces poverty much faster where governments ensure that the benefits are invested broadly in human capital, where natural resources are managed in a sustainable way and where income inequalities are not allowed to become excessive.

We know that, despite the growing cities of Asia, most of the poor still live in rural areas. We also know that virtually every country that has made substantial progress in eliminating poverty began the task by transforming its agriculture sector.

Typically, it is increased agricultural productivity that produces the initial surpluses necessary for rural transformation and broad-scale economic growth. Agricultural and rural development are therefore essential building blocks for Asia's future, and that is why this is such an important theme in our discussions today.

The Australian aid program invests around \$200 million each year in rural development, most of which is in the Asia-Pacific region. The focus of this work is on income generation for the rural poor² and is targeted towards three key areas:

- First, increasing agricultural sector productivity;

¹ *Reducing Poverty: The central factor of Australia's aid program*. AusAID, Canberra, 2001. 27 pp. <http://www.aisaid.gov.au/publications/pdf/povertystrategy.pdf>

² *Income Generation for the Rural Poor: The Australian aid program's rural development strategy*. AusAID, Canberra, 2000. 16 pp. <http://www.aisaid.gov.au/publications/pdf/ruralstrategy.pdf>

- Secondly, stimulating rural non-farm employment; and
- Thirdly, managing natural resources in a sustainable manner.

We will be giving increasing attention in the aid program to the second of these themes: non-farm employment. In part, this reflects the fact that many Asian countries have already made significant gains in agricultural productivity and are moving through the second stage of rural transformation. This is where non-farm rural enterprises become a major engine for economic growth and for providing employment for the rural poor. In many countries in the region, there are significant constraints to rural enterprise. The aid program will seek out opportunities to work with the private sector in complementary ways to address such constraints.

For example, our assistance to the non-farm economy will include support for economic reform and institution building to improve the enabling environment for private sector development. Other initiatives will focus on rural marketing and trade-related assistance, which is particularly relevant following the accession of most Asian countries to the WTO. A good example is the increased regional demand for Australia's assistance regarding food quality and quarantine issues.

At the end of the day, the aid program can play only a facilitating role in this process of rural transformation. It is primarily investment by the private sector that provides the growth and the employment that is so essential to poverty reduction in developing countries. While most of this investment comes from domestic sources, there is a very important role for foreign direct investment. Australia, as a significant partner in the region, has a tremendous potential to play a constructive role in the development of the region in this respect.

Conclusion

As you know, I admire the Crawford Fund for the fine work it does in harnessing Australia's capacities in international agricultural research in the cause of overcoming poverty. And I'm pleased to see it focusing at this Conference on the role that business can play.

It is tremendous that so many of our businesses are showing an interest in the potential we in Australia have for making a positive contribution towards the reduction of poverty in Asia. The distinguished speakers who will be contributing today will inspire you further in your efforts, and I wish you well in your discussions.

The Road to Johannesburg: Mobilizing Agricultural Science for Sustainable Development

GLOBAL ADDRESS

IAN JOHNSON

Introduction

Thank you for inviting me to address this prestigious conference on the inter-related issues of poverty, economic growth, and sustainable development. It is a privilege to participate in this forum. Australia's involvement with the World Bank and CGIAR has a long and rich history, and of course, Australia's biggest contribution to the World Bank is our president, James D. Wolfensohn.

IAN JOHNSON is Chairman, Consultative Group on International Agricultural Research (CGIAR), and Vice President and Head of the Environmentally and Socially Sustainable Development Network, World Bank. His twenty-year career with the World Bank began in 1980. He was appointed as Administrator of the Global Environment Facility (GEF) in 1992, where he played a role in the restructuring and first replenishment of the GEF, putting the fund on a permanent footing. In 1995, he was promoted to Assistant Chief Executive Officer of the GEF Secretariat. He became Senior Manager of the Bank's Environment Department in 1997.

In 1998 he was appointed as the World Bank's Vice President for the Environmentally and Socially Sustainable Development Network, and as Chairman of the Consultative Group on International Agricultural Research (CGIAR) in July 2000.

Mr Johnson is an economist who studied at the Universities of Wales, Sussex and Harvard. Prior to joining the Bank, he worked for the British Government as an economist, and also spent five years in Bangladesh working with a non-government organization as a Program Officer for UNICEF.

Australia was one of the founding members of the CGIAR³ and it continues to exert a strong influence throughout the system. Australians have served the CGIAR with distinction, and we have two centres that are headed by Australians: the International Maize and Wheat Improvement Center (CIMMYT) in Mexico, and the World Fish Center (ICLARM), in Penang, Malaysia. The Boards of two other Centers – International Food Policy Research Institute (IFPRI) based in Washington, and the International Livestock Research Institute (ILRI) in Nairobi, Kenya – are chaired by Australians. And of course, our host today, the Crawford Fund, is named after Sir John Crawford who I never had the opportunity to meet but who was one of the founding fathers of the CGIAR. Last year, a premier Washington event, the Crawford Memorial Lecture at the World Bank, was delivered by top genomics' scientist J. Craig Venter⁴, President of Celera Genomics, who led the hugely-successful private sector effort to decode the human genome. We are grateful for Australia's multifaceted contributions.

This address will be largely on global issues that fit into the theme of this conference: the notion that the business sector does have a role to play, and that the Australian economy is tied

³ <http://www.cgiar.org/>

⁴ <http://www.worldbank.org/html/cgiar/publications/icw00/venter.htm>

not only to the global economy, but also to its closest neighbors, the Asian economies.

Next year, the Republic of South Africa will host the World Summit on Sustainable Development, the Johannesburg Earth Summit. It will be a key meeting, where the world community will review what has been achieved since the 1992 UN Conference on Environment and Development and Agenda 21, its principal outcome. There is a great sense of anticipation about this meeting, and Africans take great pride about the fact that it is being hosted by South Africa. It is my hope that meetings such as this one will help define the agenda of the Johannesburg Earth Summit, because addressing the issue of poverty and development is central to our times. I will return to this theme later in my talk.

The challenge of sustainable development

Reducing world poverty is not only a moral imperative – a global social good – but it is a global strategic priority for the survival of our species and the planet. Left unchallenged, poverty will both be a symptom and cause of global political, social and economic insecurity. Today:

- Well over one billion people eke out a living on less than one dollar (US) a day, the overwhelming majority live in rural areas;
- Although poverty is a global phenomenon, the bulk of the poor are concentrated in South Asia (43%), East Asia (23%), and in Sub-Saharan Africa (24%);
- One and a half billion people still do not have access to safe drinking water nor to adequate sanitation;
- Eight hundred million, mostly women and children, still go hungry every day; and
- HIV/AIDS is threatening life and development with over 36 million people worldwide already infected and rural areas being hit the hardest.

But while we must address these central issues of today, we must also concern ourselves with tomorrow. Sustainable development is both short term and long term. In essence, sustainable development means not only caring for ourselves today – already a large enough task given the numbers above – but also trying to leave the world a better place for our children, and their children.

Let us then for a moment try and look into the future:

Rapid population growth is the foremost challenge, and over the next 25 years, world population will increase by an estimated two billion more people. Almost all of that growth will be in developing countries. The planet will be increasingly urban, with 60% of the world's population living in teeming cities. Energy needs will grow, as will demands for food and basic services. And energy shortfalls that are already occurring will hobble economies, rich and poor alike.

Given the pressing and multifaceted nature of the challenges we face, it is clear that economic growth is needed. A large portion of the gross domestic product of developing countries lies in the agricultural sector. Therefore, effective poverty reduction requires a broad, holistic approach to rural development, incorporating all aspects of rural life and all components of the rural space, including giving greater emphasis to the non-agricultural components of rural livelihoods, such as job creation, infrastructure, and services, at the same time also enhancing the role of the private sector. Agricultural research for development can be a key driver of economic growth.

A vibrant agricultural sector will be essential for addressing current and future pressures. Consider the following global aggregates:

- Food production will likely need to double over the next 25 to 40 years;
- Demand for meat will increase by nearly 60% – neighbouring East Asia is already the locus of a demand-driven livestock revolution that has shown the highest rates of meat consumption; and

- Agriculture is the largest user and abuser of water, accounting for 70-80% of water withdrawals in developing countries.

The challenges are immense, and it is clear that the pressures described earlier could lead to serious geo-political and geo-social problems as the world gets smaller, and national boundaries become more porous. The costs of inaction will indeed be high. What then is to be done?

The evolution of development thinking

The World Bank has been in existence for a little over five decades, and the CGIAR has been in existence for three decades. It is instructive to consider how development thinking itself has evolved over that period, and the roles of each institution.

Discussions early in the 1950s would have largely revolved around macro-aggregates of finance and economics. Development was largely a matter of closing financial gaps through sound macro-economic planning and prudent fiscal management. **Financial capital** and its management were felt to be the key to economic recovery and growth.

Soon thereafter, in the aftermath of the Marshall Plan for Europe, a view emerged that infrastructure was needed – roads, power plants, ports – to spur economic growth and be the engine of development. Investment in **physical capital** was seen as key. The brick-and-mortar approach was later complemented by concern for the environment and social impacts.

Beginning around the late 1960s, leading thinkers of the time – Gunnar Myrdal, Paul Ehrlich, and others – expressed serious concern that rapid population growth would outpace food supply, resulting in famines in large parts of the developing world.

In 1971, the CGIAR was founded. Its objective was simple: increase the pile of rice – in reality, food – by mobilizing agricultural science and deploying it to problems of agricultural development in tropical countries. The international response was spontaneous, and remarkably prescient. It led to the establishment of flagship research centres such as the International Maize and Wheat Improvement Center (CIMMYT) in Mexico, and the International Rice Research Institute (IRRI) in Los Baños, the Philippines. It is these institutions that would serve as the birthplace of the Green Revolution, transforming agriculture in developing countries, doubling food production, reducing poverty, and protecting the environment by curbing agricultural expansion.

Around the late 1970s, it became increasingly clear that developing sound macro-economic policies; implementing infrastructure plans, and encouraging growth in the key sectors of the economy, *including agriculture*, was not enough to increase prosperity in the developing world. Labor markets required healthy, fit and educated people. Good health and basic education were key requirements for development. Investment in **human capital** was required.

Today, I believe that we will also need to better understand two additional forms of capital if we are to have any chance of moving the world towards a long-term sustainable future.

The first is **natural capital** – the earth's natural resource base, the basis for agriculture and civilization itself. We are depleting the world's natural resource base at historical and unprecedented rates and accounting for it as if it counted for nothing. Accountants the world over would be appalled if we abolished depreciation rules for physical capital – yet we do so as a matter of course for natural capital. Our actions cost the earth and yet we value them at zero.

Four examples – of land, forests, water, and biodiversity – illustrate both the gravity and scale of the problem. Just consider:

Land: Most of the world's land and water is used for agriculture. Unless agricultural practices are made more benign, agriculture's 'ecological footprint' will continue to grow. Already

40% of the world's cropland is degraded to some extent, and continuing nutrient depletion, erosion and salinization are exacerbating the problem.

Forests: Although the global rate of net deforestation has slowed to 9 million ha per year, clearing and degrading of natural forests in developing countries continues at alarming rates. Forests are not only home to biodiversity, but also provide livelihoods for the poor.

Water: This is emerging as a binding constraint for growth – in 1995, 29 countries experienced water stress or scarcity. By 2025, 48 countries will be water stressed and 1.4 billion people, mostly in the least developed countries, will be adversely affected. By 2035, an estimated 3 billion people will be living in water stressed countries.

Research at the International Rice Research Institute shows that it takes 2 tons of water to produce one kilo of rice. New farming techniques being developed already allow water savings of 25%, and new varieties can further decrease water use. Research is essential to develop less thirsty crops.

In many countries, it costs more to produce a gallon of water than it does a gallon of oil. In virtually every developing country, water is under-priced – often provided free to the agricultural sector. Farmers are the largest users of water and irrigation its largest abuser.

While on the matter of subsidies, I would be remiss if I did not bring up the role of subsidies in the rich countries. According to a recent estimate, for the OECD as a whole, total support to agriculture amounted to US\$ 327 billion, or close to \$1 billion a day. This is an enormous amount that jeopardizes the competitive ability of developing countries to benefit from trade and exports.

Biodiversity: We are losing biodiversity at historic rates and with unknown, but potentially catastrophic consequences. Some 25 locations around the world, occupying only 1.4% of the world's earth, contain more than 60% of the earth's plant and animal species. The FAO estimates that 60% of the world's marine fisheries are either over-exploited or in decline.

On the agricultural biodiversity side, the CGIAR has an impressive track record in conservation: CGIAR genebanks hold in public trust 600 000 accessions of plant samples. These are freely available to one and all, and represent one of the world's largest and most valuable collections of plant germplasm maintained in viable form.

The effective management of the earth's natural resource base is essential. The final form of capital – **social capital** – is one that we are still beginning to understand and appreciate. It relates to the ways in which societies interact; how social relations at the community level shape and influence development outcomes. Indeed there is an increasing appreciation that an understanding of the intricate web of the social and cultural fabric of communities can contribute considerably to our understanding of economic development.

Some important global themes and their impact on sustainable development

Let me now turn briefly to some themes that cut across our efforts. Themes that are worldwide in nature and act as defining and forcing factors in our understanding of global change. Harnessing them will be central to our goal of a sustainably managed future:

1. Growth in private investment and the role of the market place

Private investment flows have increased significantly to developing countries over the past ten years and now outstrip official development assistance by a factor of between seven and nine. In developed countries, private investment has broadened into areas previously considered the domain of the public

sector – health, electricity, transportation to name a few. The market dominates and is no longer the preserve of wealthy and informed-city stock-brokers.

Overall, the market has been a friend of development. However, for the environmentalist and observer of sustainable development, the market, unfettered, is not always the truest of friends. Markets also find it hard to recognize and price the non-monetized benefits of environmental management (such as the value of *in situ* biodiversity, watershed protection, etc.). We must embrace, not reject, market-based solutions but seek new ways of making markets longer, more capable of capturing non-market benefits, and more attuned to social realities. In short, we need a new public-private compact.

If, in addition, we could get politicians to think longer term than their next election, and if economists could revisit their mantra of positive discount rates, advocates of sustainable development could all sleep a lot easier at night!

How might this be achieved and how might partnerships between the public and private sector be enriched? Three illustrations come to mind:

Value of carbon: To date we have no fully functioning market for carbon although we know intrinsically that it must have a value to society. Project-to-project deals for carbon offsets look promising, as do carbon investment funds such as the one we have recently created in the World Bank in partnership with several major industries—this is called the Prototype Carbon Fund. Put simply, if we could find a way of ‘tweaking’ the market such that the price of carbon would be sufficiently high to transform a logging company into a sustainable forest management company without affecting the bottom line of profitability we would be meeting both public and private expectations.

Agricultural activities – especially agroforestry – can play a crucial role in sequestering carbon, by transforming low-productivity croplands to agroforestry systems. The International Centre for Research in Agroforestry (ICRAF) has shown that agroforestry has high potential to soak up maximum amounts of atmospheric carbon, at rates of 3 tons of carbon per hectare per year. These developments also open up tremendous opportunities for small farmers, and conceivably, the day is not far when we can begin to pay farmers for providing ecosystem services such as carbon sequestration.

Value of partnerships: In the World Bank we have begun a series of partnerships with the corporate sector with the goal of learning about the dimensions of good practice in corporate social and environmental responsibility. We have created a bi-annual forum with CEOs of the more forward-thinking logging companies; we are in discussions also with the oil and mining industry. In the challenging area of agricultural science and technology, under Jim Wolfensohn’s leadership, we hosted a major meeting of 13 CEOs of top biotechnology companies last fall. At subsequent sessions, we met with civil society representatives to see how the debate can be moved forward. A creative partnership with the private sector will be essential, especially in the area of intellectual property rights.

We recognize that not all companies take on social responsibility with equal seriousness, but increasingly many are adopting the triple bottom line (profit, society, environment).

Value of non-priced goods and services: Analytical techniques are now available to assess the economic and monetary value of goods and services previously left unmeasured. Analysis of the Catskill Mountain watershed in upstate New York showed that watershed degradation resulted in an incremental cost to the city of around US\$6 billion annually in water purification. For a modest investment of about US\$1 billion, the city of New York could have purchased the upstream watershed, protected it, and allowed nature to freely cleanse the water.

2. Globalization

This is an obvious fact of life for all of us. It takes many dimensions but all point to a smaller, more connected world; a growing concern for issues related to the global environmental commons; and a greater urgency to find world-wide solutions. Globalization is affecting us in profound ways – it is shaping cultural assimilation; providing unprecedented opportunities for common learning, and for elevating local actions to the global stage.

New global institutions – e.g. the Global Environment Facility – have been developed to deal with common issues such as the protection of the environment. They offer hope of common (but often differentiated) actions and provide a forum for the world to cooperate. The conventions on climate change, biodiversity and desertification are all of direct relevance to the issues of this conference. To date, these conventions have been inter-governmental in nature – a challenge for the future will be to find effective ways of including all stakeholders – government, NGO, and private sector.

3. The issue of science and technology

There is little doubt that economic development will become more science-based in the future. Returning to our earlier theme of food security provides a useful illustration. The doubling of food production in the next forty years will require the application of science and technology. Our options are not free of significant tradeoffs: *Extensify*, with high ecological costs unless managed in a scientific and prudent manner; *Intensify*, through increased inputs (hopefully with technological applications that limit resource use such as water-saving technologies) and through biotechnology, an issue which has become controversial to say the least.

Modern science is an expensive endeavor. In 1998, 22 countries of the OECD spent more on research and development than the total economic output of the world's 61 poorest countries (the low-income countries, excluding China and India). Scientific advance may well be a metaphor for our times, but increasingly advances in science are concentrated on the problems of industrialized agriculture, or those who are willing to pay the costs as in human health. The example of transgenic crops is illuminating.

In 2000, the estimated global area of transgenic crops was nearly 45 million ha, an area twice the size of the United Kingdom, and representing a 25-fold increase compared to 1996 when global area was 1.7 million ha. During the same period, countries growing transgenic crops more than doubled (from 6 in 1996 to 9 in 1998, to 12 in 1999, and 13 in 2000). However, the growth was confined to crops (e.g. soybean and corn) and cropping systems mostly common in industrialized agriculture. Given these trends, it is clear that a major effort – anchored in the common good – is needed to widen biotechnology research for crops of concern to the poor, and for the small-scale farming systems common in most developing countries.

This point was made tellingly in the 1999 Crawford Memorial Lecture by Michael Lipton⁵, who noted that over the past decade agricultural research has shifted in both nature and ownership. There has been a huge shift of crop science to the private, for-profit sector. But as the example of transgenic crops has shown, the private sector does not face incentives to invest in science dedicated to eliminating world poverty. Much more needs to be done so that the market can be reoriented toward addressing the problems of subsistence farmers in developing countries.

Conclusion

In the long span of history, no country has been able to tackle the scourge of hunger and poverty without focusing first on agricultural development. Agriculture is the cornerstone of development.

⁵ <http://www.worldbank.org/html/cgiar/publications/crawford/lipton.pdf>

Over the 30 years of its existence, the CGIAR has made major contributions in the fight to reduce hunger, poverty, and environmental degradation:

- More than 300 CGIAR-developed varieties of wheat (bread and durum) and rice, and more than 200 varieties of maize, are being grown by farmers in developing countries. Food production has doubled, improving health and nutrition for millions of people;
- New, more environment-friendly technologies developed by CGIAR have ‘saved’ between 230 and 340 million ha of land from cultivation worldwide, helping to conserve the land and water resources and biodiversity; and
- CGIAR works with developing country partners to strengthen their scientific capacities. More than 75 000 scientists and technical experts have received training at the Centres.

While the challenges of sustainable development and poverty reduction are formidable, we have greater human capacity and ingenuity than at any time in our common history. With the right policies, investments and political will to reach into poor communities we will meet the challenges of this century. Partnerships will be a key.

Times are changing; opportunities to make a difference have never been so great. We have a very real chance of reducing world poverty and doing so in a manner consistent with a clear social and environmental conscience. It is only by joining together that we can hope to lay the foundations for sustainable development. The Johannesburg Earth Summit will be an important milestone in that journey.

The Privatization of Poverty Alleviation

ASIAN ADDRESS

MECHAI VIRAVAIIDYA

While many developing country governments have been able to significantly improve basic infrastructure such as roads, electricity, schools and health centres, they have failed to make much progress in poverty alleviation in rural areas. The people employed in this endeavour have been the wrong type and the methods used have been incorrect. Simply put, we have used the wrong doctor as well as the wrong medicine; no wonder the patient is still sick!

Let us take a look where we went wrong. In a typical developing country, what are the poorest doing to earn an income? Some pick up garbage and sell it, some buy rice, cook it and sell it. Some grow vegetables or fruit, raise chickens and sell their produce. **They are all engaged in business.** A reasonable question would be, why are they poor? The answer is that they are poor because they are not very good at business and they lack or are denied opportunity.

If this is the diagnosis, the task to remedy the situation should be to provide them with opportunity through particular loans or credit, and to assist them **to learn to be better at business.**

Dr Mechai Viravaidya is founder and Chairman of the Population and Community Development Association (PDA), Thailand. He served as a Senator, a Minister of the Office of the Prime Minister of Thailand twice, in 1991 and 1992, when he assisted the Former Prime Minister Anand Panyarachun in establishing a comprehensive national HIV/AIDS prevention policy and program. He has also served as Government Spokesman, Deputy Minister of Industry, Governor of the Provincial Waterworks Authority, Chairman of Krung Thai Bank Public Company Limited and Telephone Organization of Thailand. He was appointed as the Ambassador for UNAIDS in 1999.

Educated at Geelong Grammar and Melbourne University, Dr Viravaidya has won international acclaim and an Order of Australia for his pioneering work in population control and AIDS prevention. He has also launched the Thai Business Initiative in Rural Development, or T-Bird. This is a project aimed at bringing rural villages and large corporations together in business ventures to halt migration, particularly by women, from poor rural villages to urban areas for work and better livelihoods for families.

Who better to help them improve business skills than people from the business sector? Unfortunately what we have witnessed for almost thirty years is governments hiring graduates of public or social welfare faculties to help the poor, using a welfare rather than a business approach, in what are generally called community development programs. Thus, the wrong doctor as well as the wrong medicine were used. As for improving opportunities in loans, the government can play a significant role as long as some imagination is used when collateral is required to back the loans. The business sector also can contribute in this area.

It is in the areas of learning about and doing business, however, that corporations are adept. By teaching each rural person how to do business and gradually take them to the market place, business people can move them out of poverty. Companies can also be encouraged to move part of their labour-intensive manufacturing away from major cities to rural areas. This has been successfully demonstrated in some areas of Thailand where migration has stopped and poverty is no longer an issue.

Apart from income-generating activities, the corporate sector can contribute financial and human resources in many other areas including education, environment, health and sanitation, institutional development and the promotion of democracy. This concept was developed by an NGO with cooperation from the business sector.

Many governments are in the process of privatizing state-owned business enterprises in the belief that the private sector can better serve the public. The same logic may be applied to poverty alleviation, where encouragement, recognition and tax incentives can be offered by the government, while the NGO sector can play a key role as coordinator or marriage broker, as in the case of my own country.

Examples of successful projects in Thailand⁶

- Empowerment through the pocket is much more important than empowerment on a piece of paper. Sometimes, because of difficulties in rural settings, a mother has to go to urban areas to find work, leaving her baby behind with grandmother. Access to small irrigated gardens enables such people to earn income. An AusAID project has assisted construction of water tanks and pumping systems to irrigate 1/5 acre plots for village people in poverty. Most of the participants are women, who may now earn more than their husbands. It's labour intensive; requiring a couple of hours in both the morning and evening. People who are HIV positive can participate. They may earn about \$6 or \$7 a day, two-thirds of a factory wage, from which they contribute about 10% to repay the cost of the system. You don't have to always pay back in cash; paying back in kind is quite acceptable. We never give anything free; even scholarships must be repaid by serving the community - picking up garbage, helping the elderly. Governments should never give any free scholarships, but ask recipients to go back and serve their poor for at least one year.

Projects such as this also enable small communities to care for orphans – young or old – from families in which the able-bodied adults have died. Apart from anything else, the community environment is much pleasanter than that of institutions. Thailand has 70 000 villages; if each is able to care for three elderly and three young orphans, some 400 000 people will be cared for. We have a 1 000 000 HIV positive cases and about 30 000 orphans; the total capacity of government facilities is only about 3000 cases. Thus there is no point in thinking that government should care for everyone; the government can't. It is much better to use the community, and business funding, for these sets of activities. We get funded as an NGO by a German foundation; for every dollar they give us we are able to generate about another 90 from within the country; we are just given the hinge and the rest is the door on the wall. We encourage Australia to continue such assistance. That's the way foreign assistance ought to be used.

- In another example we are using land beside a railway line for vegetables and trees. We have lots of railway line, pretty good land; we put in wells and pumps to supply water along a distance of 5-6 km right near the city. People from urban slums grow and sell the vegetables. When I return to Thailand I will open another 5 km of these gardens, all funded by companies. We also link with the schools and make teaching interesting - in agricultural classes participating students make money as well as get grades. This opportunity may be particularly important for children who are orphans. For two hours a day, in the morning and in the evening, the vegetable plot can finance their lunch, their school uniforms, transportation - the whole works - while education is free, a lot of the other stuff is not. In this case funding was provided by an American and a Thai company.

⁶More examples may be found in *Thai Business Initiative in Rural Development: A decade of corporate social responsibility in Thailand, yearbook 2000*. Population and Community Development Association, Bangkok, 2000. 40 pp., or at <http://www.pda.or.th/>

We now have similar projects at over 150 locations, supported by about 270 companies

- The development of village-based micro-credit and banking facilities has been an important step. The village fund is administered by an elected body, at least half of whose members must be women. (You have to be a bit biased because the world has been biased against women for so long). The micro-credit available from the fund is very carefully run because the money belongs to the village, and because everyone helped to earn the money they make sure it doesn't disappear. Simple loans, up to the equivalent 120 days of labour, are available for the collateral of labour. The capital for the fund is provided by an external sponsor in exchange for work by villagers on a community project, such as tree planting. For every tree planted we put in, say, 50 Australian cents. At the end of each year for three years, we count every tree; a deduction is made for every dead tree; by the fourth year the trees are able to take care of themselves. So for 10 000 trees \$5000 goes in. Trees planted by children are worth the same amount of money as those planted by adults. Thus we have a reforestation program that functions by allowing the poor to work off their debts. We did not forgive them their debt; it was not a moratorium, it was just using some imagination to use the assets people have to repay debt. You can bring your friends along to help pay off your debts; the community spirit is tremendous.

Although this was an NGO idea, we can't do everything ourselves: we had to convince government departments, bureaucracies and the business sector of its feasibility. NGOs then begged and borrowed to make it a success.

- Another successful project entails land leveling, which increases income from growing very special red jasmine rice by at least 30% without any additional input of other factors. The leveling requires very simple modern machinery, funded by business and rented to the villagers. The rice is packed and labeled in the village for export as gourmet food; the farmers are involved in the whole process including export and they will get 70% of the sale price instead of 50% or 20%. They are thus included in what I call social capitalism, instead of capitalism in which a few fat cats own everything.
- Another project is in education in a primary school that is very disadvantaged in terms of its geographic location but which has the best English of any school in Thailand except the international schools. The school has been supported both by Australia and the local business sector. The computer lab is a key facility for both English and IT education. One of the important things we are going to do is to provide a grievance articulation channel through a non-government organization so that students can complain about wrong-doings, for example by government officials. If a teacher is sexually abusing boys or girls, or the labour of women or kids is being exploited, they will have an effective channel of articulation. Then we will go down and check and make sure action is taken. Thus by working with a civil society, non-government organizations make many things happen.
- We provide valuable educational opportunities to children from very poor families, in return for an undertaking to work on development projects on completion of a university education. About 1400 scholarships are funded by individuals and businesses. The courses typically entail a year of English, two years of a bachelor degree at a university in Australia or Canada, and two years at a Thai university. Special emphasis is placed on female students.
- We have been successful in encouraging the decentralization of manufacturing to rural areas. Initially we borrowed funds to provide buildings for chicken-raising, but the returns were low. We took out the chickens, improved the floor and now make Nike shoes. We went from feather to leather, and we repaid the original loan much faster than we could have from chickens and eggs. We have convinced many many companies to move part of their manufacturing away from Bangkok. If you're successful in Bangkok you are just a good business man, but if you're successful in a rural location you are God's right hand.

One important result is that migration to Bangkok for work is unnecessary: families stay together; there is no disruption of the social fabric and tradition of the village; agriculture is better and the community is stronger. Little of the money earned in Bangkok could be sent home because of high costs in the city; all earnings from the village factory go to the family, and there is more income for everyone in the area. The companies involved have also set up a special fund to lend money and provide training for others to become mini-entrepreneurs: their micro-businesses sell everything that the workers need; they're very good at repaying the initial debt. And just before I came I heard one of the most wonderful things: one man who borrowed money to sell ice cream has now put money aside himself to establish a scholarship. You see how it rubs off when you get the businesses involved - the only way to enable people to earn money is to have them engaged in business.

Six Cambodian ministers visited our project three years ago: they were impressed with it; the villagers did all the explaining. The visitors proposed to foster similar decentralization. Perhaps later on we can move parts of the shoe manufacturing into Cambodia, helping Cambodia as well as Thailand.

I appeal to the Australian government to help NGOs to be sustainable. Beggars, whether domestic or international, have no future. If they can establish a successful business as a separate legal entity, profits can be given to the NGO. We have 15 such companies in Thailand. Sixty-five percent of our NGOs now run entirely from the profits of these companies; they also provide other assets – buildings and equipment - that donors don't give you. You must, however, leave the business of profit-making to the business people, and you leave the running of the NGOs to those expert in that area. If the Ford Foundation owned most of the shares in the Ford Motor Company, how much more public good could Ford do for the world! An example of our successful businesses is a restaurant called Cabbages and Condoms. This is the best Thai restaurant in the world because it's the best in Thailand: the food is good, otherwise it wouldn't last. All the profits go to charity. If you want to do some public good, just come and eat with us. At the end of the meal we don't give mints because these are bad for your health; we give life-saving condoms instead. I believe that within four years the number of people who are HIV positive in just China and India alone will be 30 million. It's no good being shy: you've really got to go out and do something.

Conclusion

The relevance of the experiences I have described is not confined to Thailand, or indeed to developing countries only. Developed countries like Australia can very easily apply the same principles in under-privileged areas.

Internationally, donor countries can provide some of their overseas development assistance through corporations which have investments in target developing countries, instead of going through two bureaucracies to arrive at an outcome that is often, at best, dubious. If Australians wish to raise the income of people living in poverty in poor countries, employees of Australian companies in those countries are best suited to deliver assistance.

We live in a time of shrinking public sectors with ever-decreasing funds for development, coupled with an ever-expanding private sector in which businesses overshadow governments in available resources and reach. Surely, the way of development must now be to harness some of the energy of the private sector rather than to fight over ever-diminishing scraps of public funds to reach our community development goals. The capacity of the business sector to alleviate poverty and raise income has until now been greatly underutilized because so many of us operating in the field of development, both within government and in civil society, have overlooked the potential benefits of using the private sector.

The organization that I started and have continued to lead through two decades of development work, the Population and Community Development Association (PDA), Thailand's largest and most

diversified NGO, now realizes wherein the future lies. We have slowly but surely come to know that it is through the development of business skills and entrepreneurship that rural communities will lift themselves out of poverty. Most importantly, when these communities nurture these opportunities locally, they can reverse the decades-long social and economic decay that comes from chronic migration from the country to the city.

Growth and Prosperity: Still the Best Ways of Reducing Poverty

AUSTRALIAN ADDRESS

SANDY CUTHBERTSON

Although the title of this conference is 'Prosper or Perish', I intend to discuss prosperity - why it is to be preferred and what can be done to make it happen.

The way many of us think about most issues is conditioned by how we grew up. As our childhood fashions the spectacles we use to look at the rest of our lives, I want to tell you a little bit about my childhood and how that affects my view of the issue at hand.

I grew up on a dairy farm at Miner's Rest, just outside Ballarat. It was a cold, windswept place, ill suited to dairying. The folklore was that a 10-year-old cow would grow 2 inches if taken 100 miles away from Miner's Rest in any direction.

We had a couple of neighbours. One was a prosperous farmer with a large well-run property. With him the boundary fences were excellent, the stock well-bred, well-fed and well-behaved. There were no rabbits, foxes, Paterson's curse or gorse hedge. The other neighbour was not prosperous. His farm was a mess, with weed-infested pastures, poor fences and ill-bred stock.

More importantly, the prosperous neighbour and my parents cooperated constructively on many things - from attending field days together to sharing ideas, farm equipment, roads and fences - the relationship was harmonious and constructive. In contrast, with the poor neighbour there was little prospect for mutually beneficial activities - there was nothing much to trade. Thus I have always taken the benefits of having prosperous neighbours for granted.

SANDY CUTHBERTSON is Managing Director of the Centre for International Economics (CIE), Canberra, which he along with Andrew Stoeckel established in 1986. His extensive overseas experience includes long-term assignments in Sri Lanka and Washington. For the last five years he has been part of CIE teams which have prepared an annual review of Vietnam's trade policies. Sandy grew up on a dairy farm near Ballarat in Victoria and studied agricultural economics at the University of New England and North Carolina State University.

Prosperous neighbours are to be preferred

The organisers of the conference want me to be the dry and detached economist establishing beyond doubt that prosperous neighbours are to be preferred. I am happy enough to do this, but to me it's almost a 'no-brainer'. Apart from the impressions formed as a young fellow, my logic is simple.

- With open trade the consumption possibilities available to citizens of participating countries depend on their collective production capacity - put simply there are no opportunities to gain from trade with a neighbour that produces next to nothing.
- As the productive capacity of any one particular country expands (i.e. it becomes more prosperous) the consumption opportunities open to the people in all participating countries expand.

Thus, Australia's merchandise exports with ASEAN have grown by an average 12% per annum over the past 12 years, despite falls in both 1998 and 1999 in the aftermath of the Asian financial crisis. Merchandise imports have grown by an average 16% per annum over the past 12 years. ASEAN investment in Australia grew rapidly through the 1990s until 1997 and is generally about double Australian investment in ASEAN countries.

As a boring economist, I am supposed to consider only hard and measurable things. But in fact when we are prosperous and our neighbours are prosperous, our circle of friends expands infinitely. So all our lives become richer as we are able to visit, talk over the telephone and exchange emails with more and different people. Even a Luddite like me has regular exchanges of emails, including jokes, with friends in Vietnam, Thailand and Sri Lanka. Some of these exchanges refer to work and projects but many are about fun and enhancing the quality of each other's lives.

Prosperity comes from private firms in an open competitive environment

If you look about you today one obvious thought comes to mind. In terms of development policy this audience is the A list. In fact, just for a little bit of research we downloaded everybody's CVs and list of publications. I took all those careers articles, reports, books and so forth and derived a few quite astounding statistics. Consider the following.

- In this room today there is a total of 5499 person years equivalents of development policy activity (and by the end of the day we will clock up 5500).
- The overseas travel activities would have supported:
 - one airline;
 - three hotel chains;
 - one Pajero assembly plant.
- If the total output by page was laid end to end, there would be sufficient paper to lay an unbroken trail around the world 7 times, and that is not counting charts and double-sided copying.

I have to say my own humble contributions sufficed for the leg from Singapore to Colombo. You will be delighted to know that this spectacular productivity, no matter how it is measured, shows no sign of slackening off. Despite the absolutely enormous contributions indicated by my calculations, I am now going to argue that there are bigger and more sustainable contributions to development that are made by people who are probably not here today.

These people include the business people, the sales people, the adventurers who set up factories, shops, bars and trading houses in small towns and back streets. Most of us here today are not familiar with such people. Some of us might even find them a bit sharp. They have to be to survive. In Sri Lanka last week I met Australians who had established factories to make garments, others who were making sailboards and others again who were exporting specialty beers from Sri Lanka. Sometimes these investors are footloose, they work out of suitcases and you meet them in hotel lounges because they have no office. In other cases they are big respectable firms. Whatever the case, people like me must take care never to kid ourselves that we are at the front end of development.

But important as these investors and traders are relative to most of us, they too are relatively unimportant in the scheme of things. Development in the end is something that starts and is achieved by the citizens of the countries involved. We would all like to see them become prosperous, but the driving force for development is that so would they.

Recent years have seen substantial changes in the nature of foreign direct investment in developing countries. For many years it was resource-based sectors that attracted most of it, but through the 1990s private infrastructure schemes have come to be increasingly important.

Following the early efforts of Chile and the United Kingdom, Michael Klein of the World Bank private sector advisory services department says that over 140 countries have been trying out private participation in infrastructure (Klein 2001⁷). This is involving extensive effort in developing the regulatory arrangements that help these markets work effectively. The World Bank's 2001 Global Prospects contain a study of electronic commerce in developing countries. According to this report the big impediment to electronic commerce is telephone access and call charges. The report observes that the best chances for increased telephone penetration lie in the use of competition and the harnessing of private investment and ideas.

Why should anyone doubt that prosperous neighbours are to be preferred?

To me the real riddle is to be found in the question as to why on earth anyone would not wish their neighbours to be prosperous? To be sure there are people capable of envy and jealousy but not many, and there are certainly none here today, so I doubt that this is an explanation worth pursuing.

But other possible explanations might be:

- People are concerned that prosperity in other countries comes at the expense of poor people;
- People see other countries as competitors and increasingly prosperous countries as tougher competitors;
- People like prosperity well enough but they are uncomfortable about what it takes to achieve it.

Concern that prosperity comes at the expense of poor people

A recent report which CIE staff helped DFAT prepare describes large reductions in the incidence of poverty in several East Asian countries. The absolute number and proportion of people living on less than the World Bank's uniform poverty line of US\$1 a day fell sharply in East Asian APEC economies between 1985 and 1995 (see Chart 1). The number of people living in poverty fell by about a third (around 165 million people). In Indonesia and China, the proportion of the population living in poverty fell by 65% and 41% respectively (CIE 2000⁸).

Vietnam has also achieved considerable success, according to this criterion, in reducing the incidence of poverty over the past decade. The measure shows, of course, changes in only one dimension of poverty. But the success of these APEC economies in improving a broader range of social indicators confirms a positive story about the wellbeing of the poor, which has been affected, but far from reversed, by the increase in people living below the poverty line as result of the financial crisis (World Bank 2000⁹).

Most of this reduction in poverty is attributed to the strong growth of these economies. Chart 2 shows that economic growth has been the overwhelming force behind poverty reduction in many East Asian

⁷*Private Sector Development; Entrepreneurship, Markets and Development*. Klein, M. World Bank Private Sector Development Strategy, 7 May 2001.

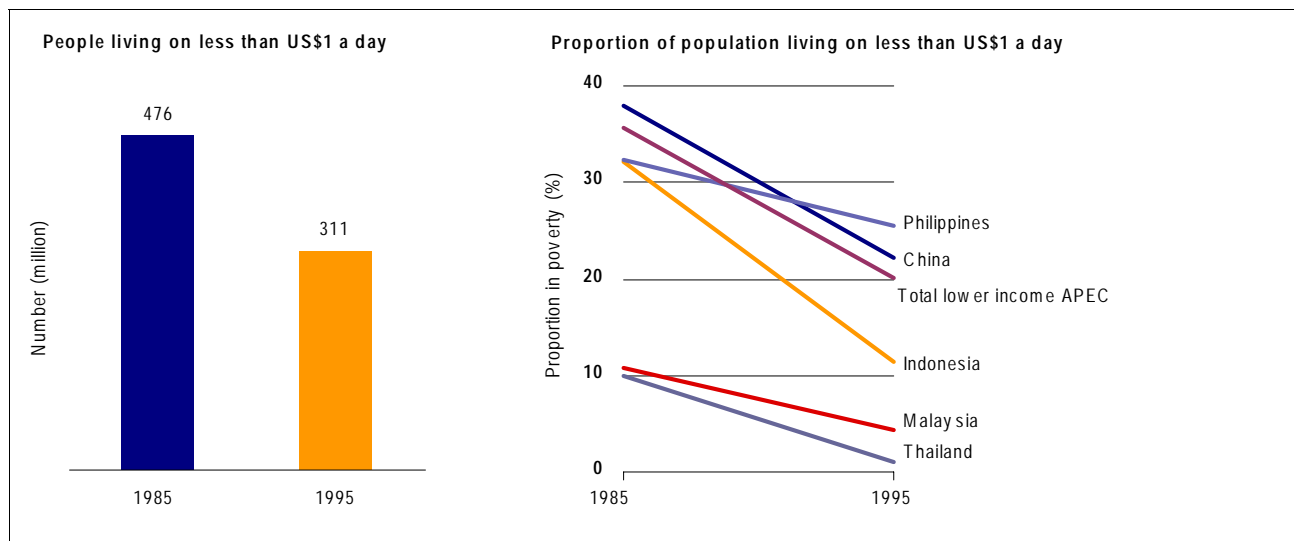
⁸*APEC's Decade of Progress: Open Economies Delivering to People*. CIE. APEC Economic Leaders' Meeting in Brunei Darussalam, 2000.

⁹*World Development Report: Attacking Poverty*. 2000. World Bank, Washington, DC.

APEC economies. This confirms recent research which shows that, contrary to some widely held views, growth is good for the poor.

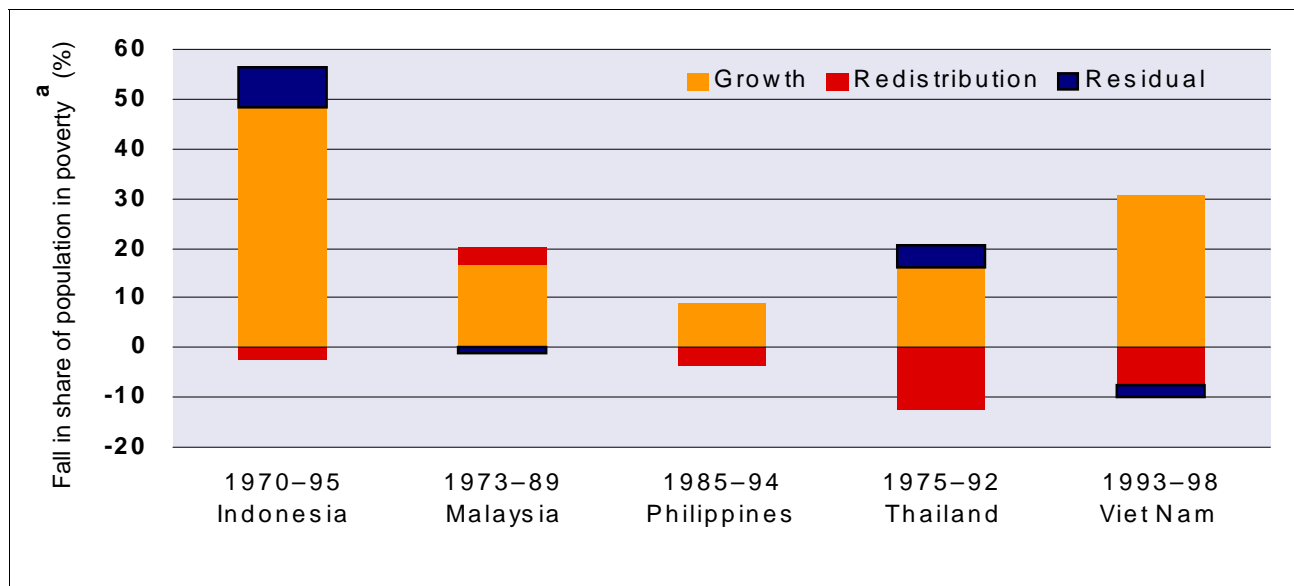
This research shows that, on average, every percentage point increase in average household consumption reduces the proportion of people living on less than US\$2 a day by about 2% (World Bank 2000). In other words, the benefits of overall economic growth are felt quite strongly by the poorer parts of society. Economic growth has consistently led to rising consumption in the poorest fifth of the population in developing economies. World Bank analysis of growth and contraction experiences in 65 developing economies shows that, on average, growth in consumption by the poorest fifth tracked overall economic growth one-for-one in the 1980s and 1990s (World Bank 2000).

Chart 1. East Asian APEC members have been alleviating poverty



Data source: APEC's Decade of Progress, CIE 2000

Chart 2. Growth is the driving force behind poverty reduction



Data source: APEC's Decade of Progress, CIE 2000

Income improvements for the poor are one thing- but what if the rich are getting richer faster?

I am pleased to be at a conference about prosperity. To me it is a very positive and upbeat approach which sits well with economic growth. I have recently had to adjust my thinking as the focus of international agencies has shifted from economic growth to poverty reduction. So over the past nine months I have worked in Kyrgyzstan, Nepal and Sri Lanka. In all these places there are World Bank, ADB, UNDP and Government resources working on poverty reduction strategies.

In most cases the change is one of emphasis rather than direction. These strategies still begin with the presumption that poverty reduction requires growth. And in some cases the revised emphasis has helped people recognise that the obstacles to many pro-growth measures are created by the enfranchised and relatively wealthy to impede policy reforms which would erode some of their preferred positions. It has been healthy to recognise the tendency for much official development assistance to slosh around in capital cities. And it has also been constructive to shift attention onto the investments that help people out of poverty through education, health and labour market reform. As yet it does not seem to have resulted in an increased emphasis on agriculture and rural development. We will come back to this later but for now note that:

- The countryside is where the people are and it is where most of the poor people are; and
- It was the green revolution of the 1960s that triggered significant growth of many Asian economies.

While shifts in the balance of effort are generally positive. I worry about getting to the point where it is not considered sound to advocate economic growth and prosperity, and that it is only acceptable to say we are all on about poverty reduction.

This emphasis on poverty reduction seems to originate in the widely held belief that economic growth as it has occurred in recent years has led to ever-widening global inequality. While I have lacked the wit and energy to challenge these statistics, I have not been comfortable with them.

- Most developing countries grow faster than developed countries because by taking advantage of the technological discoveries made in developed countries they are able to 'leap frog' or 'catch up'. The missions of both ACIAR and the Crawford Fund are to facilitate this 'catch-up'.
- When I go to Sri Lanka, where I have been working for 20 years, or Vietnam, where I have been working for ten years, certainly most of the people I see are much better off.
- The fact that some countries (mainly Asian) are growing faster than other countries (mainly African) could mean that a global assessment of inequality could find that it is increasing. But that is not a 'growth' outcome, it is a 'no growth' (in Africa) outcome.
- Studies so far find no systematic relationship between growth and distribution.
- Direct measurement of poverty typically understates even poor people's incomes. When surveyors go into homes in Vietnam for example, they frequently find evidence of consumption - TVs, motor cycles etc, which do not reflect reported income. Poor people have a strong incentive to not disclose information to officials.

So I was interested to read last week that the former head of Australian Bureau of Statistics, Ian Castles, does not agree with the conventional wisdom that there is growing inequality and considers that the evidence shows that the relative gap between rich and poor is in fact narrowing (Castles 2001¹⁰).

According to Castles, these statements of widening inequality are based on calculations which convert GDP into a common currency and grossly understate the contributions of developing countries to

¹⁰ Castles, I. *Australian Financial Review*, 14 June 2001

global output. These views are comforting to me, as for most of my career the model I worked with involved development of policies which would promote economic growth. Over the years, I and people like me could well be accused of taking it for granted that without economic growth, there was little chance of people moving out of poverty, and with it there was a pretty good chance. I am relieved to find these possibly lazy presumptions of ours are not wide of the mark.

Having said that, in recent years such presumptions have been modified as we have come to recognize the importance of institutions and governance for both achieving sustainable growth and providing opportunities for everyone to have a go at getting some of it.

These issues are important. If there is a belief that economic growth - and the only policies that will deliver economic growth: open trade, domestic competition and market-supportive institutions - has delivered inequitable results, that might lead to dissatisfaction with the only real option for improving the lot of poor people.

Even worse it might lead to policies which actually hurt poor and rich alike. These include reverting back to protection, job guarantee schemes, unfair dismissal laws and attempts to apply draconian taxation of the wealthy that end up taxing the middle class.

The tendency to see other countries as competitors

I was in Sri Lanka last week. Some of my friends there were worried about a trade agreement Sri Lanka has formed with a large and reasonably rapidly growing India. They seemed to think that selected Indian products would flood into Sri Lanka and wipe out some Sri Lankan producers. This might be a problem for the Sri Lankans who produce those products, though the evidence is that the positive growth effects of increased trade opportunities invariably make adjustment much easier than most people expect. Expanded trade opportunities make consumers better off. It makes exporting more attractive and generally stimulates rather than depresses economic activity. Consumers will eventually need to generate foreign exchange to buy the imported goods, so eventually enhanced access to good-value Indian products will be equivalent to a boost in demand for exports.

This tendency to see the economic output of the world as fixed is not helped by language which has it that the people of the developed world are rich because they 'control' most of the world's GDP. As Ian Castles points out, wealth is generated by production, not by control. He notes the fallacy of seeing world output as a fixed pie from which poor countries necessarily must get less if rich countries prosper - or one where the increasing prosperity of developing countries means less for us (Castles 2001).

The 'it's not so much that people are against prosperity, it's more that they are against what has to be done to achieve it' explanation

Perhaps I might preface my remarks here with a comment of the well-known American trade policy economist, Michael Finger. He says 'If your favourite tool is a hammer, all of your problems will look like nails.' My favourite tools are open trade, competition and institutions to support both. I am happy enough to admit to this, but there is convincing evidence that I am on the right track.

A substantial number of countries have been able to double average per capita income in about 10 years - e.g. Botswana, Chile, China, Ireland, Japan, Korea, Thailand - by adopting and adapting technical and organisational advances already invented elsewhere. Openness and competition - including easy entry and exit - are needed for this kind of leap-frogging to happen, and they provide the best bet for poverty reduction. Openness and market competition, particularly in testing export markets, underpinned much of the growth of East Asian economies. All the evidence is that the poor benefit from growth in the same proportion as do others. Connecting the poor to markets by giving them choice by providing entrepreneurial opportunity, by building roads and communication systems - all these things support the most powerful mechanism for escaping poverty, namely the ability to adopt and adapt improved practices.

The way forward

Michael Klein believes competitive markets are one of the reasons why we can even think about international development targets of halving poverty by 2015 (Klein 2001), yet open trade and competitive markets are widely seen as ‘bads’ by people with a keen and sincere interest in development. A large number of people seem to see prosperity built on such foundations as a conspiracy of the elite and the establishment.

Thus we have seen violent demonstrations over the last few years whenever the agencies promoting openness and competition meet. How can this state of affairs be reconciled? Consider the following explanations:

- When people stress the virtues of openness and competition they do not mean ‘nature red in tooth and claw’; they mean and should stress the importance of institutions to support market transactions that are voluntary exchanges between citizens;
- Some of the underlying principles of the WTO have been undermined so the WTO rules now tend to obscure the case for free trade; and
- There is a tendency to forget the people in rural areas.

The importance of institutions

Some 15 years ago a World Development Report tackled the charge that some of its policies were of a kind that ‘so long as the price was right’ it would rain. This is a bit simplistic, but it is fair enough to say that there was a tendency to believe the ‘market’ would do it. With the experience of transition economies through the 1990s has come a realisation that there are many market-supporting institutional arrangements which cannot be taken for granted. Hernando De Soto’s extensive work over the last few years has concluded (*The Mystery of Capital*¹¹) that many poor people could tap into considerable wealth under institutional arrangements which clarified title of land, created reliable conditions for them to save and borrow, and removed barriers to entry and exit into entrepreneurial activity. The recent shift to finding the evolving role of government and the law which will promote effective market transactions - such as accounting standards, property rights, enforceable contracts, dispute resolution methods - seems a potentially much more constructive thing to do than to fight openness and competition at every turn. This same consideration explains why some countries that have followed the open trade market route have not prospered.

The tendency to confuse the arguments for open trade

A second reason why people might protest against the WTO and the World Bank is the unfortunate perception that these organisations are urging developing country governments to adopt measures which are against their best interests and are in the interests of the developed countries only. In the case of the WTO this perception has been nurtured by the so called ‘concessions’ approach which has it that any reductions in trade barriers a country makes are concessions or favours made in order to get trading partners to reduce their trade barriers. In fact, the primary reason why countries should reduce trade barriers are entirely domestic.

While the WTO is inclined to get the credit (or the blame depending on your point of view) for the extensive reductions in barriers to trade of the last few years, in practice most trade reforms are made by countries for sound domestic reasons and have nothing to do with the WTO. Over the last 20 years I have worked in many countries which have taken substantial trade openings. In each case the reforms were introduced in recognition of the need to do so to ensure improved economic performance at

¹¹ *The Mystery of Capital: Why capitalism triumphs in the West and fails everywhere else.* De Soto, H. Bantam Books, London. 2000. 243 pp.

home. This was the case in New Zealand in 1986, in Australia in 1987, in Sri Lanka in 1977 and in Samoa in 1998. It is also the case in non-WTO member countries, China and Vietnam.

A few years ago Vietnam embarked upon a vigorous structural adjustment program called *doi moi* or economic renovation. It involved:

- Establishment of property rights for farmers;
- Dismantling of some state-owned enterprises;
- Achievement of fiscal balance; and
- A substantial dismantling of trade barriers.

These significant reforms were not part of any Structural Adjustment Loan and had no international agency conditionality. They were introduced in 1989 as Vietnam faced a crisis following prolonged drought and the break-up of the Soviet Union. They were introduced because economic renovation was seen to be Vietnam's best if not only economic policy option. Finally and most importantly, they worked. From a situation where food security was a dominant concern, Vietnam is now the third, and sometimes second, largest exporter of rice in the world.

The tendency to forget people in the bush

A famous and chronic New York bank robber, when asked why he persisted in robbing banks replied - 'because that's where the money is.' In the same way, if the Crawford Fund was asked why it worked on agriculture, one answer might be 'because that is where the people are'.

That it is where the people are is one reason for focussing on agriculture. Another is that all the evidence is that across Asia rapid improvements in incomes and agricultural production have contributed to rapid reduction in poverty - this despite increasing population pressures. It is well known that all the transforming economies in Asia (except of course Hong Kong and Singapore) enjoyed successful agricultural revolutions before their modernisation.

A technology-driven transformation of the agricultural sector appears to be a necessary condition for good economic growth; rapid agricultural growth contributes to economic transformation in several ways:

- It supplies basic foods, raw materials for agricultural industry and exports;
- It releases labour and capital (in the form of rural savings and taxes to the non-farm sector); and
- It generates purchasing power among the rural population for non-farm consumer goods and services.

Jim Ryan has recently drawn attention to the diminished interest in agriculture by the international development community. I understand that the share of the World Bank's loan portfolio for agriculture and rural development is some 7%, down from 30% some 25 years ago. On average agriculture takes up about 10% of OECD countries development assistance, and in Australia it is 3% or 4% (Ryan 2001¹²).

This diminishing interest in agriculture might reflect reduced concerns about food security stemming from past technological successes and reductions in trade barriers.

My colleague at CIE, Andy Stoeckel, has consistently documented the gains to be had in all countries from agricultural trade reform. These reforms will surely occur one day, and there are powerful reasons for both the technology and policies of developing countries to be in shape for that time.

¹² Ryan, J.G. *Canberra Times*, 22 June 2001

Finally, I would like to thank the organisers of this conference. they had given me a chance to talk about prosperity, private voluntary exchanges and agriculture. I have enjoyed doing that.

Key Challenges and Solutions in Delivering Successful Aid for Commercial Ventures in Asia

BERIS GWYNNE

The Foundation for Development Cooperation is a privately funded, international development think-tank based in Brisbane. It was established in 1990 as the result of the vision and determination of a single individual, Bill Taylor, and has established itself as a small but influential player with particular expertise in the areas of regional cooperation and microfinance.

In recent times, FDC has extended its range of interests by networking with similar organisations in Australia and other parts of the world. We work in partnership with Universities, the private sector, non-government organisations and with individuals who share our commitment to innovation, action research and advocacy in support of sustainable development and poverty reduction in the Asia and Pacific regions.

It is a privilege to have been invited to contribute to The Crawford Fund's International Conference on the interconnectedness of Australian and regional futures and to join the Crawford Fund's Queensland Committee. I will:

- Review development prospects in the region;
- Identify and discuss some of the factors that inhibit more rapid progress towards internationally agreed poverty reduction targets - with implications for all concerned, but focussing especially on the private sector; and
- Explore fresh approaches and opportunities for increased investment and greater effectiveness to achieve sustainable development outcomes.

Re-capping

Previous speakers have reminded us of a number of principles on which I am sure there is substantial agreement. These principles will be illustrated in further case studies and presentations during this meeting.

BERIS GWYNNE was appointed Executive Director of The Foundation for Development Cooperation in Brisbane in May 2000. Prior to this appointment, she served as a career diplomat with the Australian Department of Foreign Affairs and Trade in diplomatic missions in Vietnam, Poland, Mexico and Nauru. She joined the Australian Agency for International Development (AusAID) in 1989 and worked there until 1994 when she was appointed Group Executive for International and Indigenous Programs for World Vision Australia (WVA).

First, investment in rural development is an essential element in any sustainable development or poverty reduction strategy.

- Food and water are essential to human life, but chronic insecurity in regard to both creates vulnerability which spills over into other areas, including health, education, environmental degradation, economic activity, and increasingly, conflict.
- Famine and thirst have been inextricably linked with migrations for millennia.

Secondly, rural development and poverty reduction are major factors in facilitating economic growth and the development of the political and other

institutions which enhance the capacity of developing countries to participate in the global economy.

- Economic growth prospects are seriously impaired if food and water are in short supply.

Thirdly, the application of the fruits of agricultural research is the key to rural development, offering significant rates of return in increased food production, improved management of natural resources and sustainable livelihoods.

Fourthly, Australia has substantial comparative advantage in agricultural research, rural development and natural resource management, with investment providing substantial spin-offs within Australia. This can be seen not only in terms of shared learning and the application of relevant agricultural research for the benefit of Australian producers, but also in terms of the strengthening of Australia's expertise and reputation in the fields of science and technology. As a result, Australia presents to the world a picture of cutting edge capability, innovation and human resource development when it comes to harnessing and exploiting scientific and technological advances. This is of considerable value when it comes to building mutually beneficial relationships and technology transfer with counterparts in neighbouring governments, businesses and communities.

And fifthly, Australia's future is inextricably linked to developments in Asia, with interconnectedness and inter-dependency becoming the hallmarks of globalism. Our investment in agricultural research to support the achievement of broader sustainable development objectives in the region creates a positive environment for trade and investment, and reduces risks of conflict. As a corollary, Australian interests are adversely affected by political, economic or other difficulties in the region.

Somewhat less clear from my point of view is the degree of consensus regarding the proposition that much greater effort is needed – and needed urgently – to increase investment in agricultural research and extension. *This* is where we need to start if we are to understand the key challenges and identify activities to improve development prospects in our region, to encourage private sector engagement and to apply the limited aid resources more effectively to support economic growth, and political and environmental security.

Understanding the need for great effort

There is no shortage of reports pointing to the state of near-collapse of the planet's capacity to support its more than six billion inhabitants. The United Nations, the World Bank, the United Nations Development Program and the World Resources Institute have collaborated to analyse the state of global ecosystems¹³. We are presented with a chilling picture of development prospects in the Asia and Pacific regions, and beyond, in the 21st Century. The High Level Panel of Eminent Persons on Financing for Development, chaired by former President Zedillo of Mexico, has much to say about the inadequacy of resources for development and calls for a substantial increase in volume of Official Development Assistance. An organisation which represents 'donor' interests, the Organisation for Economic Cooperation and Development (OECD)'s Development Assistance Committee, wastes no words in describing the challenges ahead and in urging an increased and better integrated effort to reduce poverty and resolve conflicts in many parts of the world.

These organisations are not infallible, *but we ignore their advice at our peril*.

¹³ *World Resources, 2000-2001: People and Ecosystems: The Fraying Web of Life*. United Nations Development Program, United Nations Environment Program, World Bank, World Resources Institute. World Resources Institute, Washington DC, 2000. 389 pp.

Most Australians continue to have only a limited appreciation of the challenges facing hundreds of millions of people in the Asia and Pacific regions who ‘survive’ - as a result of an accident of birth - on less than \$1 a day. The statistics are mind-numbing.

Australians are becoming increasingly aware of the implications of globalisation, particularly in matters of international trade and finance. But despite our first-hand experience of the impact on Australian interests of the so-called ‘Asian economic crisis’ in the late 1990s, many Australians seem to believe that we are somehow protected by geographic distance and our relatively higher level of ‘development’. Notwithstanding the lessons of history, there is a widely-held assumption that the advantages enjoyed in the latter half of the 20th Century are ours by right and will, in the course of natural justice, be maintained.

Such attitudes were understandable twenty or thirty years ago, but in current circumstances they are unwise and unhelpful, inhibiting the development to full maturity of relationships with regional partners and thwarting prospects for more substantial engagement in economic development activities. Recent events in the USA should dispel any notion that geographic isolation can be equated with political isolation.

But the longer-term implications are potentially of much greater concern.

Notwithstanding recent controversies over UN statistical methodologies, it is clear that while there have been significant improvements in a number of the indicators of human development in recent years, in other respects not enough progress has been made. The improvements in life expectancy, access to health and education, and increases in disposable incomes for the poor are modest in comparison with the improvements in standards of living in the developed world. Leaving social justice issues aside, while we applaud the achievements of poverty reduction strategies led by economic growth, the number of people living in absolute poverty remains unacceptably high, with implications for all. Economic analyses of the opportunity costs of under-development, and the actual costs to the international community as a whole of environmental damage and humanitarian assistance in response to increasing levels of conflict, surely indicate the need for re-vitalisation and better resourcing of sustainable development and poverty reduction strategies. Failure to recognise the rapidly diminishing margin for error in the management of natural and other resources has far-reaching implications for future generations of Australians.

Effective communication

Do we accept that the current distribution of benefits is acceptable or sustainable? I think not. Kenichi Ohmae’s *Borderless World*¹⁴ marked for many the beginnings of awareness of increasing interdependence and blurring of national boundaries, and it is now generally accepted that no country or region can isolate itself and remain unaffected by global change.

Urgent action is necessary to plan and manage the resources required to support the region’s more than three billion people. A new ‘green revolution’ will be required if millions of people in cities and rural areas are to be fed. This requires comprehensive and coherent rural development strategies. Substantial changes in consumption patterns in both the developed and developing world will be needed to avert irreversible damage to the environment. It is also apparent that the diminishing number of alternatives for people whose daily struggle for existence beggars the imagination provides fertile ground for conflict.

As an aside, it shouldn’t come as a surprise to us that people living in such conditions might choose - as many of our forebears did - to migrate to provide a better life for their children. Indeed, restoration of a sense of history might reinvigorate our efforts to deal with the causes as well as the results of such pressures.

¹⁴ *The Borderless World: Power and strategy in the interlinked economy*. Kenichi Ohmae. Fontana, London, 1991. 272 pp.

But,

if there is consensus that greater effort is needed to reduce poverty . . .

if we are to secure a peaceful and prosperous future for the generations who follow . . .

if the importance of agricultural research to develop new food production techniques and improved resource management for sustainable livelihoods in the rural sector is so obvious, and . .

if the evidence of the benefits and effectiveness of agricultural research is so persuasive,

why is it so difficult to find the necessary resources?

I do not wish to diminish in any way the achievements recorded over the years or the enormous contributions of individuals and organisations throughout the region, some of them in this room. I believe our efforts to secure the resources for greater investment in development cooperation in our region founder partly in the absence of a shared understanding of the fragility of the situation and the implications for Australia.

Our failure to articulate the rationale for development cooperation as a matter of strategic importance, and to make the case for agricultural research, rural development and natural resources management within that framework, has resulted, over time, in a lessening of interest in these activities.

New paradigms

Our assumptions about the adequacy of traditional approaches to development are being challenged and there are many who believe new paradigms for development cooperation are needed ‘beyond aid’ to deal with the globalisation of a range of development problems. These new approaches recognise the increasing importance of non-government players, in particular the private sector, in economic and other decision making, and of ‘civil society’ involvement to ensure relevance and sustainability.

Official development assistance remains extremely important but it is diminishing in real terms and in relation to forces which seem to be moving in opposite directions. The challenges ahead require substantial re-thinking of 20th Century approaches to ‘development assistance’ or ‘overseas aid’ to mobilise collaborative effort and leverage additional resources (from sources including national budgets, the private sector, multilateral organisations and communities).

Redefining ‘development assistance’

New concepts of development cooperation are being developed that take into account the complexity and scale of the cross-border problems looming on the horizon and offer partnerships that honour the enormous strides made by many of our neighbours in the region.

In the United Nations, Inge Kaul and others have argued for the application of economic logic regarding the notion of ‘public goods’ to a range of international development problems – cross-border environmental and health problems, aspects of commerce (the existence of effective financial systems) and business law (intellectual property), human rights (where deprivation and conflict contribute to migration pressures) – where the achievement of private needs (including national interests) increasingly involves the achievement of mutual objectives and international cooperation¹⁵. Kaul argues that identification of the ‘global public goods’ should lead to the development of new ‘international funding mechanisms’ to allocate resources to ensure the production and protection of ‘global public goods’ and to deal with ‘global public bads’ where such action, by definition, requires

¹⁵ *Global Public Goods: A New Way to Balance the World's Books*. Inge Kaul. Le Monde Diplomatique, June 2000; see also *Global Public Goods : International Cooperation in the 21st Century*. Inge Kaul, Isabelle Grunberg and Marc A. Stern (eds). Oxford University Press for United Nations Development Program (UNDP), New York, 1999. 546 pp.

collaborative action. The models developed in the context of APEC Economic and Technical Cooperation activities are also relevant, harnessing regional resources to achieve regional objectives.

In an excellent article in *The Economist* some time ago, Harvard University economist Jeffrey Sachs argued that the developed world has an obligation to mobilise global science and technology to address the specific problems which help to keep poor countries poor. He went on to point out that research and development of new technologies are overwhelmingly directed at rich-country problems, noting that the privatisation of significant bodies of research, including food production, risks further marginalisation of the poor, even in cases where third-world biodiversity provides the genetic material for such work.

Sachs calls for:

- New approaches to dialogue on global development issues. where rich and poor sit down together;
- The urgent mobilisation of science and technology;
- New and creative institutional alliances, to support provision of the necessary resources to solve poor-country problems;
- Re-examination of implications of the global ‘intellectual property’ regime; and
- ‘Long-term finance for the international public goods’ necessary for developing countries to break through to prosperity¹⁶.

Perhaps it is time for Australia to move away from its emphasis on ‘humanitarian concerns’ and poverty reduction, and promote the aid program in the context of the holistic objective of ‘sustainable development’. This does not mean ‘re-packaging’. It requires a complete paradigm shift to position sustainable regional development at the heart of Australia’s strategic interests and provide the basis for better understanding of the mix of short- and longer-term benefits. Integration of long-term sustainable development objectives in this way would reinforce arguments for a more significant ‘official development assistance’ effort. It underlines the importance of a national policy orientated towards sustainable development becoming the basis for leveraging the financial support.

Getting the language and the numbers right

Our ambivalence with regard to the message has frustrated our efforts to communicate effectively.

For some years now, the international development constituency has struggled with ‘language’ and imagery which lock us into understandings of ‘aid’ as an expression of humanitarianism. It is this of course, but an approach to international development based on notions of ‘charity’ will not produce the resources required. Even the expression ‘enlightened self-interest’ reinforces the feeling of ‘us and them’, when the situation increasingly calls for cooperative approaches, which reflect a more profound respect for the mutuality of interest.

In responding to a unenlightened public and a lack of vigorous parliamentary support for the aid budget, we have continued to argue the case for aid on the basis of short-term returns to Australia. This significantly understates the case for development cooperation and is in some respects counterproductive. It fails to promote understanding of the longer-term and far more significant benefits for Australians and Australian business interests. It under-estimates the role played by partner governments, the private sector and communities in the region, and fails to point out the dangers of inadequate international effort.

The development constituency has failed to ensure that the body politic is able to distinguish between artful avoidance and wishful thinking in the development debate on the one hand, and misleading and

¹⁶ *Sachs on Development: Helping the World’s Poorest. The Economist*, 14 August 1999, pp. 17-20.

unhelpful negativity on the other. We are confounded by naïvety on the one side (expressed in eternal confidence in human progress and environmental brinkmanship) and doom and gloom on the other. There is widespread rejection of awareness-raising by ‘guilt’ or shock tactics - but ‘good news’ doesn’t engage either. And the quality of the debate deteriorates in a cloud of misinformation and ignorance.

It is possible that the familiarity of the refrain has dulled our hearing. The confidence and optimism of earlier generations, whose world seemed much bigger and less fragile, has lulled us into a false sense of security. We need a new ‘sustainable development’ lexicon, supported by comprehensive development research and statistical analysis to ensure that our language reflects the proper balance between confidence and concern.

Increased resources for research

Our ability to define the elements of a successful communication strategy will depend to a large extent on the research capacity which is available to gather and analyse information and to deliver and disseminate cogently argued material to support these new processes. Increased emphasis in AusAID on development research is welcome, with increased analytical capacity and research and results-based management intellectually underpinning all that we might hope to achieve. But this must be accompanied by better understanding of research management and closer attention to the dissemination of research output to ensure that it impacts policy and practice.

A new program of action – with implications for policy and programs

Resourcing new partnerships

Realisation that ODA is increasingly dwarfed by private resource flows has led to re-assessment of the *role of the private sector*; new mechanisms are needed to encourage greater participation in viable economic activities that maximise sustainable development outcomes. In this process, private sector engagement contributes to the greater understanding of the importance of good governance and the strengthening of institutional frameworks, including those for small and medium enterprises.

Many segments of the business sector are already engaged, initially sharing the commitment to prosperity in the region in their own interests, but increasingly accepting the ‘global social responsibility’ agenda. In making additional funds available for global public good approaches, successive Australian governments could offer incentives, for example by providing matching funds, to support pilot projects that model tri-sector partnerships (government, business, civil society/community). In a related area, more could be done to encourage greater levels of philanthropy in Australia in support of international development objectives.

If this approach is to succeed, there is need for better understanding of the complexities of tri-sector partnerships to help each party understand the predispositions of the other and establish methodologies and processes that seek ‘win-win’ solutions. Tri-sector collaboration and business engagement in development processes are not served by an approach that ignores the natural interests of each party or establishes unrealistic expectations.

Similarly, much better understanding is needed with regard to the role of what is termed *civil society* – communities, non-government organisations, the academic community, religious organisations etc. – who are increasingly in partnerships with government and business in the identification of local needs and the design and implementation of programs of assistance. More sophisticated understanding is needed of community development processes and local contexts (the sources of influence and power, land tenure, religion, gender etc.) to define solutions to development problems and to enhance sustainability through participation and ownership of the activity. Australian development researchers and NGOs can help by documenting best practice.

Australia's expertise in harnessing the energies of communities and volunteers through the 'landcare' initiative is instructive and is an element in approaches by the Foundation for Development Cooperation to the design of local remedies to improve water resource management.

Integrated program delivery

New approaches to development cooperation will require better integration of aid delivery, and multi-sector and multi-disciplinary collaboration to maximise the synergies inherent in a coherent 'global sustainable development' policy framework and to reduce compartmentalisation. While sometimes time-consuming, the cross-fertilization likely to result from such an approach will deliver a substantially better outcome.

Technology options

Offering special promise are tri-sector and civil society partnerships to further application of digital technologies, particularly to support distance education initiatives that target priority sectors for promoting sustainable development and poverty reduction. Community-based learning of improved food production and water management techniques could be offered in many parts of the region. Biotechnology is another area where new partnerships for agricultural research could bring enormous benefits and herald a new and even greener 'green' revolution. Australia's reputation for innovation in relation to appropriate technologies promotes FDC's confidence in supporting this platform. In each of these areas, the agricultural research and rural development constituencies could collaborate with private sector partners and communities to accelerate the development process, and reduce the poverty gap and the risks of permanent damage to the environment. New developments emanating from these initiatives would inevitably have benefits at the grass roots level for the people on the land at home and overseas.

New structures

Do we have the right structures in place, or are new tri-sector committees and multi-disciplinary, and multi-sector, working groups needed to articulate new approaches and devise new plans of action to leverage the necessary resources? Is there a new role for the Aid Advisory Council¹⁷? What of the roles of organisations like AusAID and ACIAR, and the mechanisms for inter-departmental and international consultation and planning? Is the current level of research and policy formulation sufficient? Why not a Key Centre for Global Partnerships for Sustainable Development? Identify the problems that need solving on a multipartite basis, supply the incentives and the partnerships will become self-sustaining.

Why Australia?

Of the member economies of the Organisation for Economic Cooperation and Development (OECD), Australia should be at the forefront of efforts to identify new forms of cooperation for development in the region. We have much to gain by re-establishing our credentials as a generous and informed partner. We can benefit enormously from our participation in the region's embrace of the new economy and the extra-ordinary levels of activity funded by private and multilateral investors.

Australia is well placed, geographically, with expertise in aspects of development which are highly relevant and likely to be of critical importance as the region deals with food security, water supply and natural resource management issues. The constraints to advancement/production presented by many of the environments of our huge land mass are indistinguishable from those experienced by primary producers in the Asia-Pacific Region. Let us work with our regional partners to share the knowledge needed to overcome these constraints.

¹⁷ <http://www.ausaid.gov.au/about/council.cfm>

The opportunities presented by new technologies are a specific case in point. The prospects for advances in biotechnology offer enormous benefit for all concerned. The World Bank and APEC recognize the potential and have instituted appropriate initiatives to enhance human capacity in this direction, through the promotion of distance education programs. This is an essential element in accelerating development and ensuring sustainability, with considerable benefits accruing to students and their mentors.

Our reputation as a partner in development in the region is well established, but we risk marginalisation as a result of the presence of more diligent and better resourced competitors. The longer we delay, the more danger there is that the region will pass us by, that we will lose the opportunities to share in its successes. Moreover, we and future generations have much to lose if recent forecasts prove accurate, even in part, with political, economic, social and environmental tensions leading to increased human suffering and, in turn, to heightened probability of conflict adding to pressures for human migration on an unprecedented scale. Whether on our shores or in the region, such migration will affect prospects for prosperity in the region and impact Australia.

Conclusion

It is not too late for Australia to review its approach to sustainable development and poverty reduction needs in the Asia-Pacific Region and to set aside the comfortable rhetoric and levels of assistance based on our profession of ‘humanitarian’ concerns. Now is not the time for comforting comparisons with others who are less generous than we are. Nor is it time for the false modesty and self-deprecation so often reflected in reminders about our small population size and inability to influence global events on the one hand, or the arrogance of inherited ‘colonial’ attitudes on the other.

We need to take seriously the reports prepared by The United Nations, The World Bank, FAO, UNDP and virtually every other organization with a global purview. They demand an urgent and comprehensive response to avoid the reversal of previous decades of development gains and reduce the risk of catastrophic and irreversible damage to the environment. There is substantial evidence that increased investment in applying scientific research and the development of technologically appropriate solutions could bring exponentially significant returns. There should be a sense of urgency.

As the former Head of the OECD’s Development Cooperation Directorate and inaugural lecturer under the FDC’s distinguished visitors program, Bernard Wood, has said: ‘In most cases, there is little doubt that humanity can muster the *technical* capacity to achieve these improvements. The questions about achievability thus lie mainly in the realms of *political wisdom* and *political commitment*; in our democracies, this depends in part on sustaining public understanding and public will.’¹⁸

With a Federal election in prospect, perhaps the Crawford Fund should activate its networks of business, academic and research establishments, individuals and organisations involved in the promotion and implementation of development cooperation activities, to-

1. Re-conceive its communications strategy and re-energize representations to the major parties;
2. Propose urgent steps to increase the level of support for food and water security as the foundation stones for sustainable development in the region, for poverty reduction and for conflict prevention with substantial spin-offs for Australia;
3. Develop innovative programs to encourage tri-sector collaboration (e.g. matching funds to promote increased philanthropy and social investment in support of regional development).

¹⁸*Development Cooperation into the 21st Century*. Bernard Wood, in the inaugural K. William Taylor Memorial Lecture, Brisbane, 1 November 1999. Foundation for Development Cooperation, Brisbane. 14 pp.
Also at http://www.fdc.org.au/publications/20010608_12.html.

Substantially more effort is needed by all parties - not on the basis of minimalist assessments of voter preferences or their lack of awareness of the issues, but on the basis of strong and visionary leadership and well researched and clearly articulated arguments. An appropriate 'sustainable development policy' may well require new alliances and bipartisan planning and commitment to twenty and thirty year programs of activity, with special provisions for a quantum increase in the involvement of the Australian private sector.

China Australia Sheep Research Project

Case study presentation

JOHN WURCKER

You will recall that in 1997 the Australian Government accepted the fundamental recommendation of the Simons Report¹⁹ – that aid should have **one clear objective: sustainable poverty reduction in developing countries**. I was very proud at the time that Hassall & Associates' submission was quoted in the Report in support of this principle.

Notwithstanding this objective, economic and commercial benefits do flow to Australia from aid. My task today is to present a case study of an aid project which targeted both poverty reduction for rural poor and specific economic benefit to Australia and Australian business.

The selected case study is the China Australia Sheep Research Project, which ran over five years from 1991 to 1996.

At any one time Hassall & Associates International manages aid contracts worth over \$100 million. Why did we choose this project - which was conceived around 15 years ago, and has been finished for over five years?

JOHN WURCKER is Managing Director of Hassall & Associates Pty Ltd, a firm with consulting and project management contracts worth over \$100 million worldwide. The Company is owned by its staff and attracts people who are passionate about making a meaningful contribution to sustainable development but also willing to work under strong and effective management systems and financial controls.

John has qualifications in economics, business management and accounting. His career includes finance and tax consulting with Price Waterhouse, Australian Volunteers Abroad and 14 years working in Australia and overseas for Hassall & Associates, the last five years as CEO leading the Company through a major growth phase.

There are a number of reasons:

1. First, there has been enough time since the completion of the project to monitor and **reflect on the sustainable outcomes** in terms of both poverty reduction and the benefits to Australia.
2. Secondly, the project was conceived and designed in the 1980s when Australia's aid program was acting under the triple mandate extolled by the 1984 Jackson Report²⁰. Under this mandate, as well as a **humanitarian** goal, the aid program was designated with **foreign policy** and **commercial** goals. As mentioned earlier, the 1997 Simons Report changed all this by putting forward the single and unambiguous mandate of sustainable poverty reduction. Therefore since 1997 you will not find aid projects which include the goal or justification of benefiting Australian commercial interests. It should be noted, however, that Australian business still

¹⁹ *One Clear Objective: Poverty reduction through sustainable development*. Committee to Review the Australian Overseas Aid Program (Chairman H.J. Simons). 1997. Australian Agency for International Development, Canberra. 350 pp.

²⁰ *Report of the Committee to Review the Australian Overseas Aid Program*. Committee to Review the Australian Overseas Aid Program. (Chairman R. Gordon Jackson). 1984. AGPS, Canberra. 276 pp.

continues to benefit directly through the supply of goods and services and indirectly by being able to operate in a more secure and prosperous global economy.

3. Thirdly, the project **involved agricultural research** and arose from interaction between the sheep industries in China and Australia. Importantly the potential advantages (and disadvantages) to Australian business of the project were openly discussed at the time. China is the largest importer of Australian wool. The project was partly justified on the basis that it had the potential to enhance Chinese import of Australian wool by improving the viability of Chinese wool mills and reducing the threat of mills switching to synthetics and cotton. There was concern from some quarters, however, that helping the Chinese sheep industry put Australian wool exports at risk.
4. Fourthly, **aid projects are now far less frequent in the agricultural sector** than they were in the 80s and early 90s. Agriculture was then a cornerstone of the aid program, whereas it is now only part of one of the five sectoral priorities of Australian aid.

The project location is the Xinjiang Uygur Autonomous Region in the far north-west of China (see map), which is one of the major sheep and wool producing areas in China²¹. The climate is very severe, with winter temperatures regularly below minus 15°C. The sheep industry is based on herder production and seasonal migration, largely involving the minority Kazak ethnic group. The incomes of these communities faced a number of impediments:

- Overgrazing and low productivity of pastures;
- Low wool quality, including a high level of contaminants; and
- Poor clip preparation and marketing system.



All this led to limited usefulness of herder wool in the local mills. Many of these mills had quite sophisticated and up-to-date machinery, and openly stated that they accepted local wools only because of pressure from local authorities.

The project had three components:

- Establish and strengthen a sheep research centre;
- Facilitate adoption of improvements to benefit sheep-raising households; and
- Strengthen capacity to undertake research and extension.

Outcomes

Achieving sustainable outcomes from aid is risky, challenging hard work and often elusive, but success brings great rewards and satisfaction.

We believe there was successful implementation of all three components. Importantly, the research centre is still very much functioning. It has accredited national status and has also expanded its quality testing to other industries.

²¹ See *Partners* 6, 2-9, 1993 (ACIAR, Canberra) for more information on the region and the industry

Reduced herder poverty?

Helping the sheep enterprises of the Kazak herders clearly had the potential to reduce poverty amongst one of the most disadvantaged people in China.

Although a formal post-project evaluation has not yet been undertaken, we believe the following initiatives of the project have had a positive and sustainable impact on herder income:

- Introduction of reliable objective wool measurement;
- Improvement in wool quality;
- Better pasture and fodder projection/conservation practices;
- Improved management and husbandry practices;
- Development of alternative production systems such as lamb fattening to take advantage of increased demand for meat; and
- More participatory approach to research and development.

An important development has been the establishment of a local cooperative, involving herders and the research centre, for the testing and marketing of wool. Better wool quality, together with the grading, presentation and centralised marketing facilitated by the cooperative has resulted in improved prices to herders, with a recent report from the region stating that demand is outstripping supply – a reversal of the previous situation where mills only grudgingly accepted the wool.

Benefited Australian wool industry?

The project achieved the following:

- As one aspect of a portfolio of interactions with China, the Project helped build relationships that have resulted in more favourable Chinese policy towards wool imports from Australia. Agriculture, Fisheries and Forestry Australian (AFFA) considers that the Sheep Research Project, along with a number of other Australian-sponsored sheep projects in China, have been an important factor in major reductions in VAT and tariff quotas on wool imported by China. Australia's market share has also increased.
- The initiatives to improve local wool quality have supported demand for local wool. We will need to wait on the results of any post evaluation, however, to test the project assumption that this has translated into increased opportunities for Australian wool.
- Successfully demonstrated a long-term sustainable approach to R&D based on involvement and responsiveness to industry that may well have contributed to reinforcing the application of the same principles back in Australia.

Conclusion

The China Australia Sheep Research Project was a success in terms of installing a number of prerequisites for improving the income of one of the poorest peoples of China. The project also set in place the conditions that were expected to trigger the planned benefits for the Australian wool industry.

With the introduction of the one clear objective of sustainable poverty reduction in 1997, Australian aid projects no longer have specific planned benefits to Australian business. By achieving the humanitarian objective, however, the aid program still has major direct and indirect benefits to Australian businesses.

Fruit Flies: Solutions to Food Crop Losses and Opportunities for Business Development

Case study presentation

DICK DREW

Fruit flies are the major insect pests of fruit and vegetable production, worldwide. In developing countries, fruit crop losses are so large that they contribute significantly to reduced household food security, poor human nutrition and poverty. In addition to the direct crop losses, many countries lose export trade opportunities if they have major pest fruit fly species, while others spend considerable sums on quarantine detection and eradication procedures in order to remain free of fruit fly. Indeed, fruit flies rate with some of the major animal diseases in terms of economic losses and quarantine problems.

DICK DREW, Project Leader, ACIAR, Griffith University, Brisbane is regarded worldwide as one of the leading authorities on the taxonomy and biology of dactylofruit flies. Having worked in the Queensland Department of Primary Industries for over two decades, Professor Drew has been involved in various aspects of pure and applied research on this group of insects. He now holds a personal chair at Griffith University to continue his work of over three decades in this field. His keen interest in developing ecologically sustainable/ environmentally friendly methods of pest management in the context of the Australasian horticultural industry has earned him numerous accolades including the Clunies Ross National Science and Technology Award (2000), Order of Australia (1995) and the Ian Mackerras Medal (1990). He was integrally involved in the development of the Northern Australian Quarantine Strategy (NAQS) for fruit flies to minimise the risks of potential fruit fly incursions from Asia, and the Australian Quarantine Inspection Services (AQIS) fruit fly quarantine network to facilitate early detection and warning of invading fruit fly species.

Australian overseas aid projects on fruit flies

For over a decade, Australian scientists have worked on simple, environmentally sound solutions to fruit fly problems in developing countries in our region²². These projects have been supported by ACIAR, AusAID and the Crawford Fund, each making extremely important contributions. Besides the provision of funding, these aid organisations are responsible for building vital linkages and infrastructure that enable the scientists and technical workers to achieve project goals.

The fruit fly projects have been conducted in some South Pacific and South East Asian countries. The primary aims of the projects are to—

1. Increase food crop production through fruit fly field pest management;
2. Develop opportunities for export trade by assisting countries to overcome fruit-fly-induced trade restrictions;
3. Build quarantine security programs to

²² Drew, Dick and Allwood, Allan (1997) Fruit fly control: arrest of a pest. *Partners* 10, 2-7 (ACIAR, Canberra)

- prevent the introduction and establishment of new major pest species in countries; and
4. Conduct training programs for agriculture officers and farmers in all aspects of fruit fly pest management, eradication of introduced species and quarantine procedures.

An important goal of the fruit fly projects has been to work with and train agriculture personnel and farmers at all levels.

Field pest management of fruit flies

The most environmentally sound method of reducing field crop losses to fruit flies is the protein bait system. This involves regular weekly applications of very small quantities of protein plus insecticide to foliage of fruiting plants. The flies are attracted to feed on the protein and are killed by the insecticide. This method results in negligible amounts of chemical in food crops and the environment, and a buildup of populations of beneficial insects such as pollinators and biocontrol agents.

Although simple, this method requires precise application strategies and availability of inexpensive protein. The application procedures have been taught to farmers through the training workshop programs but the lack of protein in most developing countries has resulted in the methodology not being widely adopted. To overcome this problem, ACIAR supported a project in Tonga to develop a method, and establish a prototype manufacturing plant, to produce yeast protein from brewery yeast waste. This project resulted in a method of converting the yeast waste to a protein formulation that is attractive to fruit flies, and a prototype commercial manufacturing plant. The protein can also be used as a supplement in stockfood which is in short supply in many developing countries.

New project in Vietnam

A new project in Vietnam, to begin in late 2001, will build on the results of the Tongan project and establish a large commercial protein manufacturing plant in Vietnam. The project will be supported by ACIAR, AusAID and the Crawford Fund in a joint venture with Aventis and the Australian Fosters Brewery. The brewery owned by Fosters is in a town called My Tho in the Mekong Delta. The plant will process 3 to 5 tonnes of yeast waste per week, and the protein product will be available for distribution throughout Vietnam and for export to neighbouring countries. The protein can be used for both fruit fly field pest management and stock food supplements.

Expected outcomes of project

The new project in Vietnam will have the following positive results—

1. Collaboration between ACIAR, AusAID, the Crawford Fund, Vietnam government and Australian industry partners (Fosters Brewery and Aventis);
2. Production of yeast protein for agricultural purposes;
3. Environmental benefits in (a) reduction of pesticide usage in field control of fruit flies and (b) prevention of dumping of yeast waste by the brewery into environmentally sensitive areas;
4. Employment of people at the manufacturing plant;
5. An export market opportunity for Vietnam through sales of protein nationally and internationally;
6. Assistance for poor rural communities in Vietnam through increased production of fruit and vegetable crops for consumption and marketing;
7. Education and training for rural communities, particularly in horticultural and pest management practices; and

8. Benefits to Australia in (a) knowledge of South East Asian fruit fly species that are targets for our quarantine detection systems, and (b) savings in fruit fly eradication programs when new incursions do occur, e.g. it was estimated that a saving of \$10 million in the northern Queensland Asian Papaya Fruit Fly Eradication Campaign resulted from information gained in ACIAR projects in Malaysia and Thailand.

Following the successful completion of the Vietnam program, it is expected that protein manufacturing can be expanded in other breweries within the country and in some other South East Asian countries. This may involve new industry partners and some initial support from aid agencies., Once established, however, the manufacturing plants should be financially sustainable.

Key Challenges and Solutions in Successful Commercial Ventures in Asia

BRENT DAVIS

Future Australian Governments should look to an 'aid and trade' strategy to promote economic development and growth in the Asia Pacific, and Indian Ocean regions. This means using aid as the 'starter motor', and trade as the sustaining engine, of longer-term economic development and growth.

Encouraging economic development and growth in developing countries in the Asia Pacific region is important for the individuals and the countries concerned. There are also important regional, indeed global, dimensions to promoting economic development and growth in the Asia Pacific region which are in Australia's national interests. At their broadest, there is the reward of seeing others lifted from poverty into higher sustainable living standards, which in turn encourages stability and prosperity in our region and, ultimately, trade opportunities for Australia.

The traditional Australian mechanism for promoting economic development and growth in least developed countries/areas has been our international aid program. Commerce and industry, while supportive of a targeted aid program, sees a prominent role for trade in economic development and growth: in effect, a 'trade and aid' strategy. This does not mean 'trade to the exclusion of aid', but using these two avenues in a sequential and integrated fashion: aid as the 'starter motor' (through capacity building), and trade as the sustaining engine of longer-term economic development and growth.

Trade reform

One of the lasting impressions of the failed Seattle World Trade Organisation (WTO) Ministerial meeting was a call by a prominent diplomat from a Third World country for 'trade before aid'. In short, the Ambassador's message was: 'the best form of economic development is more international trade, commerce and investment.' This, ostensibly, means two things: a stronger, rules-based multilateral trading system, and better access to developed country markets.

Numerous international studies point to the economic benefits of trade and investment liberalisation for the world, and for developed and developing countries.

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Estimates by the WTO, the Organisation for Economic Cooperation and Development (OECD) and the World Bank put the benefits for developing countries from the Uruguay Round of trade liberalisation negotiations in the range of \$US 55 billion to \$US 93 billion annually. Each these bodies has pointed out that the benefits of liberalisation are proportional to the degree of liberalisation: those who liberalise most, gain most. Other research by the World Bank for its landmark 'Asian Economic Miracle'²³ report, and the Asian Development Bank for its 'Emerging Asia'²⁴ report, tell much the same story.

²³ *The Evolving Role of the World Bank: Helping meet the challenge of development*. K. Sarwar Lateef (ed.). c1995 World Bank, Washington, DC. 230 pp.

²⁴ *Emerging Asia: Changes and challenges*. Asian Development Bank. ADB, Manila, Philippines. 1997 337 pp.

In short, the main drivers of economic development and growth in the Asia Pacific region over the past 40-odd years have been: competitive domestic markets; trade and investment liberalisation; and, sound education (both primary and secondary). Although the sequencing and emphases may have differed between countries, the basic ingredients were much the same.

While the Uruguay Round of trade liberalisation negotiations delivered substantial trade reforms, and benefits, much more remains to be done, and thus substantial benefits remain to be realised.

Developing countries also have a more active and direct role to play in setting the agenda of a new WTO Round and actively participating in the negotiation process. As developing countries now constitute a numerical majority (around two-thirds) of WTO members, they must be players, not passengers, driving the engine for trade reform. Their agenda, of course, is not mutually exclusive of that of many developed countries. For example, there is common ground between many developing and developed countries on key issues such as trade and environment, and trade and labour standards. To put it in simple terms, developing countries regard calls by some developed countries to link environment and labour issues to trade, at best, as attempts to neutralise their comparative advantage, or at worst, little more than backdoor protectionism. As the Brazilian Foreign Minister observed: 'We stand absurdly accused by new and old protectionists alike of taking advantage of the doubtful benefit of being poor.' Developing countries are quite right to resist strongly calls for the inclusion of environmental and labour clauses into multilateral trade agreements because of their unjustified intrusion into the comparative and competitive advantage of developing countries, and corrosive impact on the rigour of the multilateral, rules-based trading system.

Other important agenda items for developing countries in a new multilateral trade Round include issues relating to ongoing implementation of existing commitments under the Uruguay Round. Some developing countries point to the ongoing difficulties they are having in implementing existing commitments, without taking on additional liberalisation requirements. Unfortunately, for outsiders, it is not always clear cut as to whether national governments are lacking the necessary political will to press ahead with the necessary reform process, succumbing to pressure from domestic protectionist forces, or genuinely challenged in implementing their Uruguay Round commitments.

Regrettably, some developing countries seem to want to renegotiate their commitments under the Uruguay Round, allowance of which would create an undesirable precedent and place untenable pressures on the multilateral, rules-based trading system. While such matters have to be determined on a case-by-case basis, for least-developing countries there may well be greater substance to incapacity issues. The solution, however, does not necessarily lie in delaying or resiling from further reforms. Rather, greater effort may need to be applied to what in the lexicon of diplomacy is called 'capacity building': that is, economic and technical cooperation from developed to developing countries to help developing countries to help themselves.

The Australian Government has numerous such programs in place- for example, the 'WTO training programs' which operate out of the Australian National University and the University of Adelaide to help trade officials from developing countries better understand the WTO system. All up, the Australian Government spends around \$A25 million annually on such technical assistance programs. Commerce and industry considers this money, in principle, to be well spent.

Finally, on the trade issue, it is worth observing that Australia offers many of the least developed countries (LDCs) what amounts to 'WTO-plus' access to our market. In simple terms, they have duty-free access for 85% of tariff lines, with 93% of LDC imports coming into Australia duty-free or quota-free. It is encouraging that other developed countries are following our example, such as the European Union with its 'Anything but Arms' initiative. Others, such as Japan and the United States, could usefully follow suit, recognising the clear incoherence in efforts by developed aid-donor countries to promote a greater understanding of international trade when they maintain artificial barriers to the exports of developing countries.

Targeting aid

Australia's overseas aid program, under successive governments of both political persuasions, has long been oriented primarily toward poverty alleviation: attempting to use our aid spending to kick-start and then sustain economic development and growth in recipient countries. Taken as a whole, commerce and industry have not seriously questioned these core objectives.

Australia, as a developed country member of the community of nations, has an obligation to assist lesser developed countries to move upward along the development/growth curve. In some of the more serious cases of absolute poverty, effective and targeted aid programs are the essential first step towards self-sustaining economic development.

Like many others, the Chamber made a considered submission to the Simons Review of Australia's aid program undertaken in the latter part of the 1990s. Encouragingly, many of our proposals were embraced, both in substance and in spirit, in the final 'Simons Report'²⁵. The essential message we sought to send to the Committee of Review was that the 'solution' does not necessarily lie in applying more monetary resources to the aid-poverty problem. Rather, it may well be found in more efficient and effective targeting of existing funds, both by governmental donors, other providers and recipients; taking action on the root-causes of absolute poverty, rather just dealing with the obvious symptoms; and looking beyond governments to a role for the private sector, through both individuals and enterprises. Like the Simons Review, the title of whose report was *One Clear Objective*, the Chamber called for a clarification of the objective(s) of our international aid program.

In our view, the primary objective of Australia's overseas aid program must be to tackle absolute poverty at root-cause, to the benefit of the recipient, allied to which is the promotion of economic development through a market economy as a permanent means to alleviate poverty. The Simons Review echoed this sentiment, recommending our aid program focus on a single and unambiguous objective: 'to assist developing countries to reduce poverty through sustained economic and social development' (page 2).

Commerce and industry, by and large, welcomed the key recommendations of the Simons Review. Without listing and commenting upon them exhaustively, they include:

- The principal motivation for our overseas aid program is humanitarian compassion;
- Our overseas aid program should focus more consistently on outcomes; and,
- The program should be innovative and responsive to changed circumstances.

Furthermore, the aid program should also be used to foster good governance policies and practices in recipient countries. Foreign policy and commercial outcomes must rank behind poverty alleviation in priority setting and program implementation: the Simons Review, especially given it was chaired by a prominent businessman, was particularly critical of the 'commercialisation of the aid program'. The final report observed: 'The commercial orientation of the aid program has, at times, been a major factor in determining both the types of activities undertaken and where they have been targeted – at considerable cost to its development effectiveness.' (page 3).

While commerce and industry would take exception to any claim 'business interests drove the aid program', we accept the Australian aid program should be delivered to the principal benefit of the recipient. The two ideas, however, are not mutually exclusive, or even incompatible. Australian firms should not be excluded from participating in delivering our national aid program merely because of their commercial orientation.

²⁵ *One Clear Objective: Poverty reduction through sustainable development. Committee to Review the Australian Overseas Aid Program* (Chairman H.J. Simons). 1997 (Australian Agency for International Development, Canberra) 350 pp.

We do not accept that government or non-government organisation (NGO) aid bodies are best able in all circumstances to deliver all aspects of the Australian aid program. The needs and priorities of recipient countries should be determined in consultation with them, and then the best means of delivering our aid commitments, and the optimum and relative roles of business, government and NGO aid agencies, should be determined.

In some instances, the lead role may be with government and the NGO aid agencies, with a minimal or no role for business. In other cases the primary role may fall to commerce and industry, for example in the supply of manufactures or services which are needed by the recipient country, and/or in the supply, installation, training and/or operation of large-scale capital assets, such as major infrastructure projects.

Building or upgrading airports, seaports, and communications, power and transportation systems is the proper function of commerce and industry within any comprehensive aid program.

The springboard to Asia

For many small firms the Australian aid program is a 'springboard' into new markets in developing Asia and the Pacific Islands. For such enterprises, especially those 'getting into trade' for the first time, the aid program affords them a pathway into new experiences and markets. This 'market entry' is often done in one of two ways: by 'piggy-backing' on a larger enterprise; and/or by going in directly themselves.

In the case of 'piggy-backing', a larger firm (say an infrastructure constructor) that wins a contract under an aid program may engage a small firm (often a consultancy or small manufacturer of niche products) to go along with them. Thereafter, having 'learned the ropes' and/or made new contacts in a relatively low-risk situation, the small firm may stay on to develop new business opportunities.

Small firms can also enter new markets more directly, again using the aid program, for example by winning small tenders from government agencies, most notably (but not only) AusAID, and the Department of Foreign Affairs and Trade. These agencies let specific tenders for precise products or services destined for specific countries, or seek proposals for products or services within the frameworks of particular programs, many of which have a capacity building or rural development focus. Either way, it is an opportunity for a small firm to enter new markets with minimal risk: local awareness of their products or services and/or their new-found experience in these markets acts as a springboard.

Although such outcomes are not the primary purpose of the aid program, they are an incidental benefit - 'a positive externality' in the lexicon of economics - for Australia.

The 'aid pathway', of course, is not the sole strategy used by Australian firms, especially smaller ones, for commercial engagement with developing Asia. Most firms adopt other indirect or direct market entry strategies.

The Chamber movement in Australia delivers the Export Access training program which is designed to teach small firms how to become successful and sustained exporters. A high proportion of the participating firms have looked to Asian markets as their first step into sustained exporting.

Other approaches to commercial engagement in developing Asia and the Pacific come from expatriates now living in Australia either as business- or labour-skilled migrants, or those who came out as humanitarian or social program migrants and who have subsequently gone into business. They use their linkages to 'the old country' as the vital sinews of commercial networks for trade and commerce.

Research undertaken by the Chamber on the post-arrival experience of business migrants during the 1990s indicates that a great many such migrants export back to their country of origin in the first instance, before diversifying into other export markets.

And, of course, many Australian firms go directly into their markets. They learn of business opportunities from participation in trade fairs or trade missions, 'cold contacts' by emails, from people visiting their website (a powerful marketing tool), from reading relevant news media, and/or from tip-offs from colleagues, or their Chamber of Commerce. Where they establish joint ventures with local counterparts and/or a direct presence in their targeted market there are transfers of financial, but potentially even more importantly, intellectual capital. Locals can adopt and/or adapt this 'know how' to enable them to succeed in international trade and commerce and thus stimulate a domestic market economy as the engine for sustained economic development and growth, and through it improvements in the human condition.

Conclusion

Promoting sustainable economic development and growth in the Asia Pacific region is a 'win/win' situation. Clearly, it is a win for the individuals and countries concerned. It is also a win for Australia through a more stable and prosperous region. While targeted aid programs can act as the 'starter motor', international trade and investment are the 'ongoing engine' of economic development and growth. In this regard, Australia should promote an 'aid and trade' approach to tackling poverty in the Asia Pacific region, or indeed wherever it is found.

Doing Business with Vietnam

Case study presentation

JOHN CROSBY

I developed the business that I am about to describe because I thought I'd make some money out of it, but as I will explain this takes a while.

At the outset we decided on a few specific points. We wanted to establish a local business that had the capacity to handle the Vietnamese end of an import / export business which I wanted to run from Australia. Before I went out on my own a couple of years ago I spent two years working for Elders; one of my roles was to try to work out a strategic position for Elders in Asia.

Elders is a very large company. During the Elliot years it spread throughout the world before contracting to the point where it nearly disappeared. Subsequently global links were re-established. I prepared a report which advised that if Elders really wanted to be part of Asia in the long term, they should create a series of strategic alliances so that they became part of the business structure in the countries in which they were involved. I guess I'm out on my own because they didn't think it was a good idea.

I first went to Vietnam because of an opportunity to export cattle to Vietnam and to process them - to do what happens in Indonesia, the Philippines and originally in Japan. In that process we ran across a whole series of problems - banking problems, language problems, lack of understanding of international trade, lack of understanding of accountability. In fact, all of the difficulties that you run into in developing countries, and particularly those formerly managed by communist regimes. Even though Vietnam is still a communist regime, it is actually now quite capitalist in the way it deals with trade and business issues. These issues arise because there are too few people that have really had exposure to international business at the level that we might expect.

JOHN CROSBY is Manager of JR Crosby and MJ Fisher, a cattle, grain and irrigation property at Lucindale, South Australia. He is also Managing Director of C&F International Pty Ltd, an import/export business between Australia and SE Asia, principally Vietnam. The Vietnamese end of this partnership is Hao Private Enterprise. As former General Manager, Asset Development with Elders his responsibilities included the hay and feedlot businesses and development of linkages with Asia. This followed positions as a director of Elders and Chairman of the NSW Meat Authority and President of the Agribusiness Association of Australia. Prior to 1994 John held various positions within NSW Farmers and the National Farmers Federation, culminating in Senior Vice President of both organisations. It was during this period that he led the NFF team which floated Elders away from Fosters and allowed the revival of this agribusiness icon.

So we explored how we might establish the business. We dropped the concept of shipping cattle to Vietnam - for the time being anyway - because circumstances were just not ready. The cost structure wasn't right. Some other people are now doing it with valuable assistance from the Queensland Government with nutrition and feedlot management, but I believe that whilst the future of the operation is essentially sound, it will take a long while to be profitable.

C&F International is the Australian end of our operation. We export meat and fruit, particularly temperate fruits that aren't readily grown in Vietnam. They are sold in Vietnam through Hao Private Enterprise. We'd actually like to import fruit from Vietnam to Australia, but this is very difficult because of the protocols that

are necessary to avoid entry of unwanted insects and disease.

We do import outdoor furniture into Australia: the Vietnamese are the best artisans in the southern Asian area. I think it's a combination of the French and Chinese heritages; they are meticulous and justly proud of their very good products. As their cost structure is very similar to that of Indonesia, we can import higher quality furniture at about the same price as that from alternative countries. As there is about 3000 hours of work in a container of outdoor furniture, every time we import a container of this furniture we've created 3000 hours of employment. Even though our turnover is quite low, Hao employs four people: the manager, an accountant and two sales people. These are capable people in their own environment and we've provided a lot of training in international trade and on clearance procedures, not the least of which is negotiating with customs authorities.

Our most successful business has been wholesaling Australian meat into Ho Chi Minh City. It is only about a tonne a month, but it has a reputation for being a good quality product. It is not the grade sold to Japan because that would be too expensive, but is what we call 'A' beef or 'S' beef, which is cow beef or steer beef. It is very tender as long as it is treated properly in the processing and is kept for two weeks before being eaten.

We are very keen to explore ceramics as well as furniture for the reciprocal trade that we are trying to set up. I have already mentioned the skill of the Vietnamese with wood - great carving, great finish - and they're extremely good at ceramics as well. Reciprocal trade will implant us into the Vietnamese system in a much better way than if we just try to sell to them. In addition, however, Vietnam is a very difficult country (as are a lot of countries in Southern Asia) to transfer money into and out of on a regular basis, particularly if you're just transferring it out. But if you set up reciprocal trade arrangements whereby you can use the money that you earn in that country to buy local products, your profile in the country is much better and the help that you get with your overall operation is much greater.

Now just in case all that sounds terrific to those of you that want to go out and have a go, I must say that we have still to make a profit, but our figures are heading in the right direction!

Quarantine and Inspection Services

Case study presentation

JOHN LANDOS

My company commenced operations in 1996 following my retirement from the Australian Quarantine and Inspection Service where from 1990-1994 I held the position of head of Australia's animal and plant quarantine service. One might think my qualifications are in science but in fact they are in economics, although I have a very healthy respect for scientists built into my psyche.

Over the past five years the company has undertaken a wide range of quarantine and food regulatory assignments throughout Asia and the Pacific, including:

- Developing the content of a web site which was subsequently translated into Bahasa, and delivering training to prospective Indonesian food exporters and relevant Government officials on the quarantine and imported food requirements for accessing Australia's food market;
- Advising the Lao PDR Government on the steps that need to be taken in relation to the WTO Sanitary and Phytosanitary Agreement in order to gain accession to the WTO; and
- Advising thirteen Pacific Forum Island Countries of steps they need to consider in order to improve the operation of their quarantine services both to assist subsistence and cash crop growers and to facilitate exports of primary products.

MR JOHN LANDOS, Principal, Quarantine and Inspection Resources Pty Ltd, Canberra, successfully established his specialist consulting company in 1996. The company has undertaken a wide range of assignments both within Australia and the neighbouring Pacific and Asian regions.

From 1982 John held a range of Senior Executive Service positions with the Australian Quarantine and Inspection Service and its predecessor organisations. In the early 1980s he contributed strongly to re-establishing the integrity of Australia's meat export inspection and certification system with the USA in the light of the kangaroo meat substitution incidents and subsequent Royal Commission.

From 1990 to 1994 John was head of Australia's Animal and Plant Quarantine Service, and in that capacity he was responsible for all policy, operational and management aspects of the Service.

The Indonesian project resulted from problems Indonesian food exporters were having in accessing the Australian market. Typically they were running into problems with Holding Orders, which are part of the mechanism that Australia uses to ensure that imported foods meet the labelling and food standards provisions of our Food Standards Code. The issue of a 'Holding Order' in respect of a particular product in practice meant delay, cost and at times total destruction of product. There was considerable feeling from Indonesian food exporters that Holding Orders were just another trade barrier, and this feeling was regularly conveyed in Government-to-Government meetings through to Ministerial level.

In reality most of the difficulties were labelling problems that could have been easily avoided given the manufacturer understood the provisions of the Australian Food Standards Code.

To help overcome these problems I set out to develop the content for web site that would contain a plain English explanation of Australian

quarantine and imported food requirements. This content was then translated into Bahasa and mounted on the Agriculture, Fisheries and Forestry Australia (AFFA) web site (<http://www.affa.gov.au/>). Arrangements were then made for a one-week training course to be delivered to Ministry of Agriculture officials and private sector representatives in Jakarta. Subsequently via the Indonesia Australia Specialised Training Program an additional training course of two weeks was held in Jakarta, this one attracting Ministry of Industry and Trade officials as well as representatives of manufacturers.

The courses were well received and subsequent feedback through Ministerial meetings has been very positive; a further course was delivered in August 2001. This particular project has contributed in a substantive manner to improving the understanding of key Indonesian officials and representatives of the manufacturing sector of the underlying reasons for Australia maintaining strong quarantine and food safety controls. In doing so it has provided Indonesian food and forestry products exporters with the opportunity to improve their access to the Australian market. It is also significant that rural producers have a part in this growth as they are supplying the raw ingredients for food manufacturers.

The Lao Peoples Democratic Republic (Lao PDR) project was a very different one from the Indonesian one. Indonesia is a member of the World Trade Organisation (WTO) whereas Lao PDR is not, but like its near neighbour Vietnam it is now seeking accession as it can see substantive benefits arising from increased trade with other countries via membership of the WTO.

The difficulties in gaining WTO accession for Lao PDR are quite similar to those of many developing countries. Typically their agricultural infrastructure, in particular the animal/plant health and quarantine infrastructure, is not strong, and my role was to advise on how best to strengthen this infrastructure so as have the capacity to meet the requirements of the WTO sanitary and phytosanitary agreement (SPS). They have a much more difficult task to maintain a favourable animal and plant health status than, for example, does Australia, as Lao PDR is a nation with land borders with five other countries: Vietnam, Cambodia, Myanmar, China and Thailand.

The WTO SPS agreement is a particularly daunting agreement for developing countries as it effectively requires a level of animal and plant health infrastructure that will take some time to build. However, while this particular project was funded by UNDP, there are other agencies with a substantive presence in Lao PDR which are sympathetic to the objective of WTO accession, and capable of assisting in the process required to provide the necessary underpinning.

We have left in Lao PDR a blueprint which, if followed, will lead to a substantive strengthening of animal and plant health infrastructure. This in turn will impact positively on poor rural producers by enabling them to tap into growing domestic and international markets.

Typically the countries I have worked in are developing countries, with much of the population dependent on subsistence or cash cropping. Most of these countries have been slow to recognise the importance of quarantine in its broadest sense as a subset of animal and plant health. More importantly, they have been slow to recognise the economic and social benefits which a favourable animal and plant health status can offer.

Even development assistance agencies have been slow to come to terms with the need for developing countries to have appropriate animal and plant health infrastructural arrangements in place, prior to embarking on major rural development projects. There are signs that this is changing, however, as we see agricultural production and trade becoming of increasing interest to developing countries. Some of course have recently seen the impact of exotic pest and disease incursions that have impacted heavily on their subsistence and cash crop farming:

- Samoa's taro production was around 37 000 tonnes in 1993 and zero the following year due to the introduction of the then exotic taro leaf blight;
- Palau is now attempting to raise about AUD \$2 million in order to attempt to eradicate oriental fruit fly, a recent introduction and one that effectively means that traditional fruits such as mango can be produced only if individual fruits are wrapped in paper.

In broad terms the assignments I have undertaken have stimulated:

- Examination of how animal/plant health and quarantine are integrated into the structure of the Ministry of Agriculture; that is the institutional arrangements;
- An upgrading of animal and plant health and an understanding of the links that these functions should have with subsistence and cash crop farmers;
- Closer links between extension services and plant/animal health and quarantine;
- The potential use of village gardeners in a passive surveillance capacity;
- The use of information available on the Internet to facilitate trade and maintain a favourable animal and plant health status; and
- Providing trade policy officers with a better understanding of how animal and plant health are integral to market access.

The benefits that have flowed or will flow to these countries include:

- Fewer pest and disease concerns for subsistence and cash crop farmers, and less reliance on agricultural chemicals;
- Encouragement of exporters of agricultural products to establish and maintain closer links with scientists and technical officers responsible for seeking market access;
- Quarantine generally gaining a higher profile amongst key policy makers; and
- An improved understanding by nationals travelling overseas of the need to observe quarantine requirements.

The benefits to Australia are also significant:

- Many of the countries either have direct or near-direct air links with Australia. Improving their animal/plant health status reduces our risk of an unwanted exotic pest or disease incursion;
- An improved understanding amongst key policy makers as to the reasons behind Australia's quarantine and food safety requirements;
- An increasing awareness of the essentiality of sound institutional arrangements in the areas of animal and plant health, in the context of development assistance projects in the agricultural area; and
- Many of the projects designed to assist Asian countries will provide opportunities for Australian animal and plant health specialists to gain experience in the diagnosis and management of serious pest and diseases which may well be exotic to Australia today, but no guarantee is possible that this will be the case tomorrow.

I will close with a mention of pitfalls associated with our efforts to improve the livelihood of the rural poor. In the early 1970s my position as an organisational development officer with the then Public Service Board taught me the value of sound organisational arrangements and a merit-based Public Service. These are matters we almost take for granted in Australia. In the context of developing countries and their capacity to improve their agricultural sector, sound organisational or institutional arrangements and a merit-based Public Service are absolutely essential.

Where to from Here?

SUMMING UP

MICHAEL TAYLOR

It is a pleasure to have attended the *Prosper or Perish: Asian Poverty and the Australian Economy* conference and to be invited to sum up the afternoon's session.

I also want to comment on the morning's sessions because The Crawford Fund, in convening this very important conference, has forced us to look at the way in which we are going to operate in the future; how we are going to address poverty and development issues.

Things have changed a lot over the last two decades. We have been motivated by humanitarian concerns in the past and concentrated our efforts on providing aid to alleviate poverty. I suspect that if we were to canvass the Australia population, or indeed the public in other Western nations, this humanitarian approach would rate highly. It's the thing we ought to do.

Speakers today, however, have shown that the context for development assistance has become very different. The world is much more interconnected, the distances between us are extraordinarily short and technology offers virtually instantaneous communication. We need to think about how we go about addressing poverty in this global framework. We can't just follow traditional practices.

MICHAEL TAYLOR, Secretary, Agriculture, Fisheries and Forestry - Australia has had a decade of extensive experience at chief executive level. Prior to his current appointment as Secretary, Department of Agriculture, Fisheries and Forestry - Australia, this included leadership of three Departments for the State Government of Victoria, and membership of a range of boards. Mr Taylor has been extensively involved in preparing and negotiating Commonwealth and State agreements and legislation, and in advising the State Government and Commonwealth / State Ministerial Councils on a wide range of agricultural, food, forestry, fisheries, energy, minerals, water, environmental and sustainable natural resource management issues.

All of the speakers emphasised that the institutional frameworks that we're going to need in the future are not necessarily the ones that we had in the past. All organisations find it difficult making that shift from comfortable past institutional structures to new structures that are much more relevant and much more effective. The change often means having to part with some quite cherished ideas and ways of doing things, even though they are not delivering much. A major challenge is to let go of the past when it is not actually delivering.

It is a tribute to Crawford Fund that it decided to continue the theme of last year's conference, *Food, Water and War*²⁶, into this year, by grappling with the difficult issues associated with poverty, development and trade, and the inter-relationship between them.

The presentations and case studies have shown that business can and must also play a role in helping individuals and communities to move out of

²⁶*Food, Water and War: Security in a World of Conflict*. Record of a conference conducted by the Crawford Fund, Parliament House, Canberra, 15 August 2000. ACIAR Monograph No. 73, 114 pp.

poverty, because it is trade and commerce that sustain development. We should think of aid as a starter engine, while poverty alleviation based on commercially-viable development makes for a long-term engine of growth, not just a patch up here and there.

The economic miracles that we have seen in many Asian countries over the past three decades have primarily been based on industrial and urban development. Little of the benefit of this economic growth has filtered out to the bulk of the population in the countryside. In fact, the development strategies often ignored agriculture and the rural sector, let alone acknowledged their fundamental importance to the economy.

The Asian financial crisis of the late 1990s showed just how tenuous much of the economic miracle was, and how uneven the development has been in most Asian countries. As we heard this morning from Ian Johnson, an efficient agricultural sector is vital to achieve balanced development. Since much of the poverty in Asia is concentrated in rural areas, the development of an efficient and ultimately prosperous agricultural sector will have the double benefit of reducing poverty and increasing national wealth. But, as we also heard from Ian, investment to ensure the adoption of science and technology in developing countries has been appalling. This is a message that people involved in agricultural science and technology, aid and development need to hear.

The question has been how to achieve the development of the agricultural sector. Mechai Viravaidya, Sandy Cuthbertson and Beris Gwynne pointed out that the traditional approach of providing development assistance in the form of aid has limitations. Projects assisted in this way often become an end in themselves because it is morally right to combat poverty, but such projects cannot be sustained.

Another challenge which I have heard Ian raise before is the contrast between the extraordinary amounts of money Western nations spend on subsidies compared to what they provide to developing nations in aid. If countries put the amount of money spent on subsidies into aid or, better still, commercially-viable development projects, there would be a fundamental improvement in the world's capacity to address poverty.

The key to addressing poverty through agricultural development is to ensure that this development is commercially viable. How do we do that? The answers lie in this afternoon's session *Asian Poverty – Development and Commercial Solutions*.

Dr Mechai Viravaidya, as only he can do, pointed out the fundamental importance of human capital as a driving force in development. This brings us back to the issue of institutional structures. 'Ownership' will have a key role in achieving success in any future development endeavour. The top-down approach from organisations and government agencies will not be enough in the future. A bottom-up approach and ownership by poor farmers of specific growth initiatives will play an increasing role in alleviating poverty.

That ownership is more likely to be present in initiatives in which the farmers have a stake, and for such projects to work they must have a commercial focus. As Brent Davis pointed out, trade can sustain development. Brent gave us some insights from a business perspective: how we get business much more integrated into the changed frameworks for the future; Beris Gwynne highlighted this shift to development based on mutually beneficial cooperation. There has to be something in it for the business sector.

Investment by Australian business in agriculture in Asia and assistance, in the forms of training, technical expertise and technology transfer, obviously benefit Asian farmers.

John Wurcker's case study showed that the Kazak herders benefited from the China Australia Sheep Research Project in several ways, including improvement in wool quality, and the introduction of better management of flocks, pasture and land. John emphasized that it was only when the project was given commercial focus that it started to make a real impact on poverty and environmental problems.

By improving farm management practices, agricultural production becomes more competitive and agricultural trade more viable, thus providing a strong base for the alleviation of poverty.

Dick Drew's case study on fruit fly management listed increased crop production, reduced waste, improved crop management practices and new trade opportunities as direct benefits to Asian farmers from Australian aid projects. Dick told us a wonderful story about how domestic fruit production in developing countries is gradually increasing and yielding new commercial opportunities for poor farmers as the damage caused by fruit fly is slowly being managed. He also pointed out that export is one of these opportunities, and that many developing nations could have an extraordinary export capacity once issues of quarantine and control of diseases and pests are successfully addressed. How will this be achieved? By good science, good technology and looking to where commercial partners can play a role in developing trade. The case studies by John Crosby and John Landos reinforce this conclusion.

So what does Australia get out of these projects?

As John Wurcker told us, the Sheep Research Project helped to build our relationship and our influence with China in wool matters. This has resulted in a more favourable policy towards imports of wool from Australia. Ultimately, it may build demand for wool within China, translating to demand for domestically-produced wool, which opens up opportunities for Australian service providers like Hassall & Associates, and ultimately for growth in imports of Australian wool.

So, recognition of Australian expertise can lead to new opportunities for Australian companies.

As John Crosby showed in his presentation, however, it is not always easy to set up business relationships. There are problems of language and different business traditions and experiences, not to mention the lack of strong financial and legal institutions and practices to underpin trade. Businesses shouldn't go into trade in Asia (or anywhere else for that matter) thinking they are going to make a quick dollar. It is a long hard road for all involved, but clearly mutually beneficial.

Remember John's opening comments? *I'm here to make money!* But the way he did it was in 'partnership' with the developing country, and with a view to giving that country serious long-term economic access to another market place. I think there is a very important lesson in that. We often look at things with a fairly narrow focus, but seeing what the developing country can get out of a business relationship too and selling that point to them to encourage cooperation clearly works. I think we ought to put more thought into such approaches.

Within my department – Agriculture, Fisheries and Forestry – Australia – we have a small but very influential program based on the idea of mutually beneficial cooperation. The International Agricultural Cooperation program is about facilitating trade between Australia and developing trading partners. Under this program Australia provides technical expertise and training assistance that helps government and industry to establish the systems and procedures necessary for agricultural development and trade. For example, the program has enabled the Australian Quarantine and Inspection Service (AQIS) to provide training to quarantine agencies in Indonesia and Thailand so they can adopt particular accredited inspection procedures.

These are the sort of things that John Landos has been doing: building capacity, infrastructure and institutional arrangements. John spoke about advising the Lao government on what they needed to do in relation to sanitary and phytosanitary procedures to join the World Trade Organisation, and how quarantine services in the Pacific Island countries could facilitate agricultural exports. John described an extraordinary set of initiatives, with informative examples which will be of interest to departments in terms of market access and the import risk assessment process. Helping developing countries to lift their quarantine skills, so that they can reduce the threat posed by pests and diseases, will enhance not only the productivity of those countries but their ability to export and ultimately to improve their overall economic well being. The sort of assistance that John has spoken about gives a bit of a kick-

start to the engine of economic growth, which goes all the way back to addressing poverty in rural and regional areas.

These are practical examples of how Australian business can assist the development of agriculture and thus alleviate poverty by removing barriers to trade and opening up new commercial opportunities.

Conclusion

All speakers this afternoon have shown that the alleviation of poverty through agricultural development has its best chance of success where such development is commercially based. If businesses are convinced that there are commercial opportunities for them in investing in agricultural development in Asia they will do so. The challenge here will be to convince business that such cooperation is mutually beneficially.

The presentations have shown that a number of Australian businesses are already convinced. The work of The Crawford Fund - this conference, and the Fund's ongoing support for international agricultural research - is integral to the process of involving business in the business of development.

What many overlook is the message of last year's conference: that agricultural development contributes to the alleviation of poverty and balanced development, which in turn contribute to political and economic stability, and nothing contributes more to business confidence than stability. So whichever way you look at it - morally, philosophically, economically - everyone benefits from the alleviation of poverty.

In the short time I have had to provide this summary I haven't done great justice to our speakers, but they have done a wonderful job and provided us with some real insights. I would like to thank our speakers on behalf of you all.

I now welcome participants in the discussion panel, Tim Fischer, Beris Gwynne, George Rothschild, Bob Clements, Ian Johnson and Mechai Viravaidya. This is an opportunity to draw out some of our keynote speakers on the broad theme of the conference.

This afternoon we have suggested that getting business better integrated into the aid program and making sure that we improve the way we deliver it is not being purely humanitarian but provides an engine of long-term growth. But how good are we going to be at doing that, and making sure we also address critical economic and social issues? I invite Ian Johnson and then Dr Mechai to respond.

Ian Johnson

It is important not to underestimate the private sector: for example, I know very few farmers who are not in the private sector. So when you go to the rural economy you really are working with the private sector: private entrepreneurs who face of a lot of difficult hurdles. The role of business, the role of the private sector, and the role of entrepreneurs are absolutely fundamental to long-term rural and economic development.

There are cases involving public goods that the market itself will not deliver satisfactorily, and in these you need to have creative public / private partnerships. Clearly setting the rules out, setting the market frameworks for private entrepreneurs is absolutely critical. Whether it's direct foreign investment, whether it's relationships between Australia and Asia, or whether it's on-the-ground entrepreneurs who are dealing day in, day out, with the management of their land, the private sector business sector is vital.

Dr Mechai Viravaidya

It's time for action; we've talked long enough.

I'd like to see AusAID or whoever controls AusAID be a little brave and try out something new: funding Australian companies that are hardly investing in countries of Asia: Philippines, Vietnam, Thailand or China. Give them some money and just say the whole idea is poverty elimination. The money can be in the form of cash or tax credits or whatever; they'll know what to do and try it out; when it succeeds you have really developed another avenue to success.

If you go through governments of partner countries you're not going to get the results because (I just have to keep on saying it) they are not accountable for their performance. But if you do let the companies in and take a good look at many of the issues, they are going to do a very good job. I believe that part of the redirection of foreign assistance in the future should be through your companies. They've got a lot of systems, a lot of skill: how to organise, how to produce, how to finance, how to market - that's all part of business, it's not part of government. You are going to see much better results; you have seen some already; keep pushing.

The other one is that in some countries still think that they are communist. It is very hard to establish NGOs – 'oh, it's terrible stuff'. Don't establish an NGO: just set up a company and make a loss like an NGO. In Vietnam it's very hard to do, but in Laos and China establish a company and make some losses. You say 'we are a company that's going to do promotion of vegetables with the farmers'; just help the farmers; if you make a loss it doesn't matter. Now if things go well, by the time the country changes you've got a company going and the company can help set up an NGO to do other things. The reverse is possible too, as I have shown in Thailand.

So I'd like to see some change in Australia, as this is probably the country most likely to be able to change in this way. Why not try it out?