XI INTERNATIONAL ORGANISATIONS

UNITED NATIONS AND ITS AGENCIES

DATE OF FOUNDATION: 1945 HEADQUARTERS: New York, USA
OBJECTIVES: To promote international peace, security and co-operation on the basis of the equality of member-states, the right of self-determination of peoples and respect for human rights
MEMBERSHIP (END-'05): 191 sovereign states; those not in membership of the UN itself at end-2005 were the Holy See (Vatican) and Taiwan (Republic of China), although all except Taiwan were members of one or more UN specialised agency
SECRETARY GENERAL: Kofi Annan (Ghana)

THIS was a year of celebration: the 60th anniversary of the organisation and the award of the Nobel Peace Prize to the Director General and the International Atomic Energy Agency; a year of investigation: a detailed and compelling analysis of the mismanagement of the "oil for food" programme; a year of reform, in which the members sought to address the challenges of the 21st century by attempting to make the United Nations relevant, effective, and efficient; and a year in which for the first time since 1963, an Israeli ambassador to the UN chaired a General Assembly meeting.

ELECTIONS AND APPOINTMENTS. The 59th Session of the General Assembly on 13 June elected Jan Eliasson of Sweden as the President of the 60th Session. On 10 October the General Assembly elected Congo, Ghana, Peru, Qatar, and Slovakia to serve for two years on the Security Council beginning on 1 January 2006. They replaced as non-permanent members Algeria, Benin, Brazil, the Philippines, and Romania.

THE GENERAL ASSEMBLY. The General Assembly met in a high level plenary session from 14 to 16 September, attended by a record number of heads of state and government. This "world summit" approved in the "outcome document" (General Assembly resolution 60/1) a range of reforms of varying potency—some would have immediate impact, some had to be negotiated by an agreed date, and some were future intentions—in the main areas of development, security, human rights, and institutional reform of the UN.

The Secretary General had produced a report in March entitled "In larger freedom" which proposed an agenda for the "world summit" designed to make the UN more efficient, effective, and relevant. Annan had put forward a carefully balanced set of reforms believing that, although member states would have different priorities, they would be prepared to yield in areas where they had reservations if serious attention were given to issues to which they attached high importance. Thus, for many states the overriding priority was development, while for others it was human rights, terrorism, management, and institutional reform.

The summit produced commitments from both developed and developing states to reduce hunger and poverty by 50 per cent in the next ten years, including an agreement to provide extra finance for fighting poverty, improving healthcare and education, and for development projects; the adoption of trade liberalisation policies; and a decision to consider additional measures to ensure long-term debt sustainability for both heavily indebted poor states and, where appropriate, other debt-bearing states that were not part of that initiative.

All governments also agreed for the first time that terrorism (although this remained undefined) in all its forms and manifestations. There was agreement that a comprehensive convention against terrorism should be sought by the General Assembly within the session ending on 30 September 2006; that the Nuclear Terrorism Convention should come into force quickly; that all states should agree to and implement the twelve other anti-terrorist conventions; and that a strategy for the international community to fight terrorism should be explored.

The summit decided that a Peacebuilding Commission—an intergovernmental advisory body—should be created and become operational by 1 January 2006. Its purposes would be to propose integrated strategies to help states that were emerging (usually) from civil war, in order to prevent a relapse into internecine violence. This included providing advice to the political organs; helping to obtain finance for short, medium, and long term recovery; providing longer and deeper attention by the international community to post conflict recovery; and developing best practice. The leaders also endorsed the creation of an initial operating capability for a standing police force for peacekeeping, and recommended further development of the proposals for enhanced rapidly deployable military capabilities to reinforce peacekeeping operations in crisis. There was agreement, too, that the Secretary General's capacity for mediation and good offices should be strengthened.

The summit made far reaching decisions in human rights. First, all member states clearly and unambiguously accepted that there was a collective international responsibility to protect populations from genocide, war crimes, ethnic cleansing, and crimes against humanity. They expressed their willingness to take timely and decisive collective action, through the Security Council, when peaceful means proved inadequate and national authorities were failing to protect their populations. This, however, did not guarantee that the Security Council would so act, particularly if the permanent members were divided; nor that an appropriate mandate, leadership, armed forces, finance and other necessary resources would be provided quickly and effectively. Secondly there was agreement to establish a Human Rights Council within a year to replace the discredited, politicised Human Rights Commission. The complex negotiations on the method of election to the Council to ensure that states which fragrantly violated human rights could not become members; on the size, the composition, and whether the Council should be a standing body in session for the whole year; and on the transition from Commission to Council were to be conducted by the General Assembly. Thirdly, the summit supported the action plan to strengthen the Office of the High Commissioner for Human Rights (UNHCR) and to double the budget that the Office

received, from 1.8 per cent to 3.6 per cent of the regular budget over the next five years. Finally, the summit welcomed the establishment of a new democracy fund to provide more resources for states that were moving from authoritarian to democratic forms of government. The fund had already received voluntary contributions of US$42.5 million by 25October.

The summit also took decisions on institutional and management reform. The Economic and Social Council was given new tasks, including annual ministerial reviews and assessments, the convening of a biennial development co-operation forum, a more effective response to emergencies, better co-ordination of activities within the UN system and its peacebuilding role. The leaders asked the Secretary General to undertake a number of important tasks: to review all mandates that were more than five years old in order to allow the obsolete to be replaced by new priorities; to review the rules on the management of the budget, finance, and human resources; to propose a redundancy scheme for staff in order to ensure that the organisation had an appropriate range of personnel; and to submit an independent external evaluation of the entire oversight system of the UN and the specialised agencies. The Secretary General also received support for the measures that he had already taken—partly in light of the "oil for food" report findings—to establish an ethics office, to protect "whistle blowers", to improve procurement practices, and to enhance transparency within the Secretariat.

For all of the successes of the summit there were some resounding failures. The Security Council was not reformed, although the "open ended working group" would convene yet again in early 2006 to seek progress; there was no agreement on nuclear non-proliferation and disarmament, and little progress on the circumstances in which states might legitimately use force in self defence.

THE GENERAL DEBATE AND THE IMPLEMENTATION OF SUMMIT DECISIONS. The debate was principally focused on how the General Assembly would implement the tasks that it had been delegated by the "outcome document". The Assembly achieved substantial progress. The Assembly and the Security Council on 20 December approved resolutions to establish a thirty-one member Peacebuilding Commission (as mandated by the summit), consisting of seven members of the Security Council (including the permanent members); seven members of the Economic and Social Council, giving particular consideration to those that had experienced post-conflict recovery; five out of the top ten contributors to UN budgets, including voluntary contributions to UN agencies and programmes and the peacebuilding fund; five out of the top ten providers of military and civil police personnel to UN peacekeeping missions; and seven additional members, elected by the General Assembly, to redress remaining geographical imbalances and to include states with experience of post-conflict recovery.

The Assembly also expanded and transformed the existing central humanitarian funding mechanism into the new central emergency response fund to meet the summit request to improve the timeliness and predictability of humanitarian funding. It adopted an optional protocol to the 1994 convention on the safety of UN and associated personnel, which originally covered peacekeeping opera-

tions. Legal protection was now extended to UN staff who were engaged in providing humanitarian, political, and development assistance in peacebuilding and emergency humanitarian assistance. Lastly the Assembly decided that a high level meeting should take place in May and June 2006, which would assess the degree to which the commitments in the 2001 declaration on HIV/AIDS had been achieved.

THE BUDGET. The Secretary General proposed a US$3.6 billion budget for 2006-07. This represented a real increase of 0.1 per cent, before the revised estimates that would arise from the summit "outcome document". Growth in priority areas was to be funded largely through the reallocation of resources. The budget continued a trend of significant investment in staff development and information technology, and maintained the UN capacity to handle specific special political missions. More than 3,000 obsolete, ineffective, or marginally useful areas of expenditure had been discontinued.

After prolonged "closed door" intensive negotiations to break a diplomatic deadlock that threatened to leave the UN without a budget, the General Assembly on 24 December finally approved a budget of US$3.79 billion for 2006-07. Exceptionally, this was a conditional budget: the Secretary General was limited to spending US$950 million in the first six months of 2006. He would then have to request the further funds that he might need. The Assembly indicated that it anticipated that total expenditure for 2006 would be about US$1.9 billion.

The Assembly also agreed to establish an independent audit advisory committee to assist the Assembly in its oversight role. The Assembly provided an interim budget for the capital master plan for the renovation of the UN headquarters in New York. To ease the perennial cash flow problems of the organisation, the Assembly created a working capital fund of US$100 million for 2006-07. The fund would be used for a range of purposes, including the financing of budgetary appropriations pending the receipt of contributions from members. Previously, these had been supported by the temporary cross-borrowing from peacekeeping funds; this had become difficult because the Assembly had restricted borrowing to the small amounts of money that remained in completed missions (see AR 2004, pp. 356-57).

THE "OIL FOR FOOD" PROGRAMME: The Volker Report. On 7 September the Independent Inquiry Committee under the chairmanship of Paul A. Volker presented its definite report on the management of the UN's "oil for food" programme for Iraq (see pp. xxx-xx). The committee recognised that the programme was the largest, most complex and most ambitious humanitarian relief programme in the history of the UN , that the administration of programme had to take into account political, security, financial, and economic concerns; and that the Security Council, the secretariat, and nine UN agencies, with varying degrees of financial and operational independence were involved.

It accepted that the programme, which was conceived as a means of reconciling comprehensive sanctions against the Iraqi regime with the need to meet the

humanitarian concerns of the population, had some notable successes: its existence helped to support the international effort to prevent Saddam Hussein from obtaining weapons of mass destruction, and minimal standards of nutrition and health were maintained by the population. These successes were achieved despite the lack of essential direction from the Security Council, pressures from competing political factions in Iraq, and endemic corruption on the ground.

The Committee believed that there were five reasons for mismanagement. First the Security Council failed to provide an appropriate mandate for the programme and therefore neither the Security Council nor the Secretary General was clearly in charge. Secondly, the administrative structure and the personnel practices of the UN were unable to meet the extraordinary challenges of the "oil for food" programme. Thirdly, notable among the UN's structural faults was a grievous absence of effective auditing and management controls. Fourthly, where corruption did occur in the UN, it reflected both managerial weakness and the absence of a strong institutional ethic. Finally the "oil for food" programme highlighted the difficulties of effective co-operation among UN agencies.

The Volcker committee made four recommendations. The Security Council should clarify the purpose and criteria of each programme and the execution should be delegated to the secretariat and appropriate agencies, with clear lines of reporting responsibility. A chief operating officer post should be created; the incumbent would be responsible for planning and personnel policies which emphasised professional and administrative talent. A strong "independent oversight board" with sufficient staff and authority should be established to ensure that the internal control, auditing, and investigatory functions were appropriately financed and staffed. Lastly, in large programmes with a common source of funds but with multiple delivery agencies, both the Security Council and the Secretary General must demand effective co-ordination from the outset.

Annan stated in response to the report that its findings must be deeply embarrassing to all. The Committee shone a harsh light into the most unsightly corners of the organisation. None of the member states, secretariat, agencies, funds, or programmes could be proud of what it found. He deeply regretted that he was not diligent or effective enough in pursuing an investigation after the fact, when he learned that a company that employed his son, Kojo Annan, had been awarded a contract under the programme. He was profoundly disappointed that there was evidence of corruption among a small number of UN staff. However, as the chief administrative officer, he was responsible for failings revealed in the implementation of the programme and in the functioning of the secretariat.

THE SECURITY COUNCIL. The Security Council held 200 formal meetings, adopted seventy-one resolutions and issued sixty-seven presidential statements. The veto was not used. The Council revived its use of monthly wrap-up meetings when, at the end of Brazil's presidency on 30 March, it discussed the African dimension in the work of the Council. The Council sent missions to Haiti (which was the first to any Latin American or Caribbean state) between 13 and 16 April and to central Africa from 4 to 11 November.

THEMATIC DEBATES. The Council held thematic debates on peace-building; the role of civil society in conflict prevention and peaceful settlement of disputes; civilians in armed conflict, in which the Council determined that a key objective of peacekeeping operations should be the establishment of a secure environment for vulnerable groups and populations; Africa's food crisis as a threat to international peace and security; the impact of small arms in fuelling conflict; women, peace, and security; HIV/AIDS; and collaboration with regional organisations, in which the Council invited these organisations to participate in the UN standby peacekeeping arrangements.

COUNTER-TERRORISM. The Council on 25 April welcomed the General Assembly's consensus adoption on 13 April of the International Convention for the Suppression of Acts of Nuclear Terrorism. The Security Council condemned the terrorist attacks in London (7 July); Sharm el-Sheikh (23 July); Iraq (4 August); Bali, Indonesia (4 October); New Delhi (31 October); and Amman (9 November); and the assassination of an Egyptian (8 July) and two Algerian diplomats (27 July) in Iraq. At a meeting on 14 September attended by heads of state and government, the Council condemned all acts of terrorism irrespective of their motivation, the incitement of such acts, and repudiated attempts at their justification. The Council also received regular briefings by the chairmen of the counter terrorism committee, the committee for sanctions against al-Qaida, Osama bin Laden, the Taliban and their associates, the committee on measures against individuals or groups involved with or associated with terrorism (resolution 1566), and the non proliferation of weapons of mass destruction committee.

CHILDREN AND ARMED CONFLICT. On 26 July, in Resolution 1612, the Security Council requested the Secretary General to establish a mechanism for the systematic monitoring and reporting of child abuse in situations of armed conflict or of concern. The mechanism would monitor grave violations by all parties to armed conflict, both governments and their opponents, with specific emphasis upon the killing and maiming of children, recruiting or using child soldiers, attacks against schools or hospitals, rape or other sexual violence against children, denial of humanitarian access for children, and child abduction. The Council created a working group to receive and assess these reports and to suggest measures that the Council might take against repeat offenders.

AFGHANISTAN. The Council's principal concerns were ensuring that conditions were propitious for conducting legislative elections; the overall security situation; and how to combat the illegal drugs trade. The Council renewed the mandates of both the UN Assistance Mission and the International Security Force (ISAF).

DARFUR. The Security Council took action on three fronts to resolve the situation in Sudan's Darfur region. First, on 29 March in resolution 1591, which was adopted by twelve votes with three abstentions (Algeria, China, and Russia), the Council gave the parties to the conflict thirty days to fulfil the range of commitments which they had entered into; if they failed to do so a travel and asset freeze would be imposed on any person who impeded the peace process, violated human rights, or failed to meet the obligations accepted in previous resolutions. Secondly, on 31 March in resolution 1593, in which there were four abstentions

(Algeria, Brazil, China, and the USA) the Council decided to refer the situation in Darfur since July 2002 to the prosecutor of the International Criminal Court, following the findings of the international commission of enquiry on Darfur established under Security Council Resolution 1564 (2004) (see pp. 203; xxx; xxx-xx). The Secretary General provided the prosecutor with documents, including a sealed envelope containing a list of suspects which had been received from the chairman of the international enquiry. On 29 June the prosecutor told the Council that there were admissible cases; that since 1 June there had been an investigation to gather facts and evidence relating to the crimes alleged to have taken place, as well as the groups and the individuals responsible for them. Thirdly, the Council continued to support the African Union (AU)'s political and diplomatic efforts to secure a political settlement and its peacekeeping role in Darfur.

ISRAEL AND PALESTINE. The Council continued to receive monthly briefings from senior secretariat officials and to hold meetings on the factors affecting the peace process. The Secretary General appointed a special envoy for Gaza disengagement and, at the request of the General Assembly, proposed a framework for a registry of damage caused by the Israeli barrier.

IRAQ. The Council monitored the political transition in Iraq including the assistance provided by the UN mission. Members were informed about, and commented upon, Iraq's progress towards democracy and the various initiatives to support its political and economic reconstruction. The Council extended for a further twelve months the UN Assistance Mission and the multinational force.

LEBANON. The killing of the former Lebanese Prime Minister Rafiq Hariri on 14 February by terrorist action prompted two UN investigations. The first was to enable the Secretary General to report to the Security Council on the circumstances, causes, and consequences of the attack. It reported that the Lebanese investigation was flawed and lacked the capacity and commitment to reach a satisfactory and credible conclusion and that, therefore, an independent international investigation was needed. This conclusion was endorsed by the Council in resolution 1595 on 7 April. The Secretary General appointed German prosecutor Detlev Mehlis as the head of the investigation.

In his first report Mehlis stated that there was evidence of Syria's involvement in the assassination, and invited the Syrian authorities to help the commission fill the gaps in its report by carrying out their own investigation (see pp. xxx-xx). In resolution 1636 the Council on 31 October defined the crime as a terrorist act; stated that the involvement in it of any state would constitute a serious violation of that country's obligations to prevent and refrain from supporting terrorism; called for Syria to co-operate fully and unconditionally with the commission; demanded that the Syrian authorities clarify a number of questions that remained unresolved and detain Syrian officials or individuals that the commission considered as suspects; insisted that Syria must not interfere in Lebanese domestic affairs; and that any individual suspected by the commission or the government of Lebanon of involvement in the crime must be subject to travel restrictions and the freezing of assets. The commission was requested to report on progress by 15 December, including Syria's co-operation.

Mehlis reported to the Council on 13 December that while Lebanon had facilitated the commission's work in all possible ways, the commission's relationship with Syrian had been marked by conflicting signals causing confusion and delay. He noted that at the present rate of Syrian co-operation the investigation might take another year or two. On 15 December the Council in resolution 1644 demanded that Syria respond unambiguously and immediately to the commission, and extended the mandate until 15 June 2006 with the possibility of a further extension.

PEACEKEEPING. There were a number of important developments in peacekeeping. Two missions were concluded and one new one established: a multifunctional, 10,000-strong mission in Sudan which it was anticipated would last for six years. Its mandate was to support the implementation of the comprehensive peace agreement of 9 January; facilitate the return of refugees and displaced people; provide de-mining assistance; contribute to international efforts to protect and promote human rights; and take the necessary action to protect UN personnel and civilians.

The UN Mission in Ethiopia and Eritrea, UNMEE, had restrictions imposed upon it by Eritrea, including the banning of all UN helicopter flights and a demand for the withdrawal of all peacekeeping staff from the USA, Canada, Europe, and Russia. The Secretariat and the Security Council attempted to have these decisions reversed.

Annan appointed six legal experts to study how UN personnel serving in peacekeeping missions who committed criminal acts in areas where there was no functioning judicial system could be held accountable. MINUSTAH (the UN Stabilisation Mission in Haiti) established a disciplinary panel in December to explore whether UN soldiers had used excessive force in the Sarthe/Cazeau area of Port-au-Prince and had conducted inappropriate body searches.

The Secretariat took a number of steps to eliminate sexual exploitation and abuse by peacekeeping personnel. A report had been prepared by Prince Zeid Ra'ad Zeid Al-Hussein, the permanent representative of Jordan, which candidly examined the problem and provided a clear framework for action by the Secretariat and member states. The Secretariat adopted a policy of investigation, prevention, and enforcement. By the end of October the Secretariat had investigated allegations against 221 peacekeeping personnel: eighty-eight troops, including six commanders, had been repatriated and ten civilians dismissed. Preventive measures included training on conduct for all peacekeepers. To enforce standards there were telephone hotlines and focal points in missions to receive allegations, and the publication of lists of premises and areas frequented by prostitutes which had been placed out of bounds to all personnel.

SANCTIONS. New or expanded sanctions (usually arms embargoes, and travel restrictions and asset freezes against named individuals) were imposed in Darfur, the Democratic Republic of Congo, and Côte d'Ivoire. An expert advisory panel was appointed for Darfur and the mandates of the panels for Congo, Côte d'Ivoire, Somalia, and Liberia were renewed. The "world summit" declared that the Security Council should improve the monitoring of the implementation and effects of

UNITED NATIONS PEACEKEEPING MISSIONS 2005

Mission	Established	Present Strength	Renewal Date
UNTSO: United Nations Truce Supervision Organisation	May 1948	150 military observers; 102 international civilians; 119 local civilians. Total personnel: 371. Fatalities: 41. Appropriations for 2005: $29.04 million (gross).	
UNMOGIP: United Nations Military Observer Group in India and Pakistan	January 1949	42 military observers; 21 international civilians; 47 local civilians. Total personnel: 110. Fatalities: 10. Appropriations for 2005: $8.37 million (gross).	
UNFICYP: United Nations Peacekeeping Force in Cyprus	March 1964	840 military; 68 civilian police; 38 international civilians; 111 local civilians. Total personnel: 1,057. Fatalities: 174. Approved budget July 05 to June 06: $46.51 million (gross) including voluntary contributions of one third from Cyprus and $6.5 million from Greece.	June 2006
UNDOF: United Nations Disengagement Observer Force	June 1974	1,047 military; 37 international civilians; 104 local civilians. Total personnel: 1,188. Fatalities: 41. Approved budget from July 05 to June 06: $43.71 million.	June 2006
UNIFIL: United Nations Interim Force in Lebanon	March 1978	1,994 military; 100 international civilians; 296 local civilians. Total personnel 2,390. Fatalities: 250. Approved budget from July 05 to June 06: $99.23 million	January 2006

UNITED NATIONS PEACEKEEPING MISSIONS 2005 *continued*

Mission	Established	Present Strength	Renewal Date
MINURSO: United Nations Mission for the Referendum in Western Sahara	April 1991	28 troops; 195 military observers; 6 civilian police; 124 international civilians; 96 local civilians. Total personnel 449. Fatalities: 11. Approved budget July 2005 to June 2006: $47.95 million (gross).	April 2006
UNOMIG: United Nations Observer Mission in Georgia	August 1993	122 military observers; 11 civil police; 102 international civilians; 183 local civilians; 1 UN volunteer. Total personnel 419. Fatalities: 8. Approved budget July 2005 to June 2006 $ 36.38 million (gross).	January 2006
UNMIK: United Nations Interim Mission in Kosovo	June 1999	36 military observers; 2,188 civilian police; 642 international civilians; 2,413 local civilians; 203 UN volunteers. Total personnel: 5,482. Fatalities: 35. Approved budget July 2005 to June 2006: $252.55 million (gross).	Established for an initial period of 12 months; to continue unless the Security Council decides otherwise.
UNAMSIL: United Nations Mission in Sierra Leone	October 1999	944 troops; 69 military observers; 30 civilian police; 216 international civilians; 369 local civilians. 83 UN volunteers. Total personnel: 1,711. Fatalities: 165. Approved budget July 2005 to December 2005: $113.22 million (gross).	Mission concluded on 31 December 2005. (It was replaced by the United Nations Integrated Office in Sierra Leone which had an initial 12 month mandate until 31 December 2006.)

UNITED NATIONS PEACEKEEPING MISSIONS 2005 *continued*

Mission	Established	Present Strength	Renewal Date
MONUC: United Nations Organisation Mission in the Democratic Republic of the Congo	November 1999	15,051 troops; 724 military observers; 786 civilian police; 816 international civilians; 1,388 local civilians; 482 UN volunteers. Total personnel: 19,247. Fatalities: 66. Approved budget July 2005 to June 2006: 1,153.89 million (gross). Approved by the General Assembly on 8 December 2005	September 2006
UNMEE: United Nations Mission in Ethiopia and Eritrea	July 2000	3,132 troops; 205 military observers; 191 international civilians; 235 local civilians. 74 United Nations volunteers. Total personnel: 3,837. Fatalities: 10. Approved budget July 2005 to June 2006: $185.99 million (gross).	March 2006
UNMIL: United Nations Mission in Liberia	September 2003	14,656 troops; 193 military observers; 1,088 civilian police; 558 international civilians; 840 local civilians; 433 UN volunteers. Total personnel: 17,768 Fatalities: 60 Approved budget July 2005 to June 2006: $760.57 million (gross).	March 2006
UNOCI: United Nations Mission in Côte d'Ivoire	April 2004	6,701 troops; 195 military observers; 674 civilian police; 350 international civilians; 418 local civilians. 203 UN volunteers. Total personnel: 8,541. Fatalities: 12. Approved budget July 2005 to June 2006: $438.17 million (gross).	January 2006
MINUSTAH: United Nations Stabilization Mission in Haiti	June 2004	7,265 military; 1,741 civilian police; 449 international civilians; 489 local civilians. 164 UN volunteers. Total personnel: 10,108. Fatalities 10. Approved budget July 2005 to June 2006: $541.30 million (gross).	June 2006

UNITED NATIONS PEACEKEEPING MISSIONS 2005 *continued*

Mission	Established	Present Strength	Renewal Date
ONUB: United Nations Operation in Burundi	June 2004	5,336 troops; 189 military observers; 87 civilian police; 325 international civilians; 385 local civilians. 144 United Nations volunteers. Total personnel: 6,466 Fatalities: 19 Approved budget July 2005 to June 2006: $307.69 million (gross).	July 2006
UNMIS: United Nations	March 2005	Authorised strength: 10,000 military; 715 civilian police; 1,053 international civilians; 2,690 local civilians; 208 UN volunteers. Total personnel: 14,579. Actual strength: 3,638 troops; 362 military observers; 222 civilian police; 511 international civilians; 983 local civilians; 67 UN volunteers: Total personnel 5,783. Approved budget from July 2005 to June 2006 approved by the General Assembly on 8 December 2005: $969.47 (gross).	March 2006

NOTES.

Different categories of personnel serving in peacekeeping missions as of 30 November 2005:

Military troops, observers and civilian police, 70,015

International civilian, 4,582

Local civilian, 8,476

UN volunteers, 1,854

Contributing countries, 107

Total number of fatalities from all categories in peacekeeping operations since 1948 to 30 November 2005: 2,040

Finance:

Approved budgets for the period 1 July 2005 to 30 June 2006, about $5.03 billion

Estimated total costs from 1948 to 30 June 2006, about $41.04 billion

Outstanding contributions to peacekeeping on 31 October 2005, about $1.8 billion

UNTSO and UNMOGIP are funded from the UN regular biennial budget. The costs to the UN of the fourteen other current operations are financed from their own separate accounts on the basis of legal binding assessments on all member states.

Sources: UN background note 30 November 2005 and UN current peacekeeping operations website.

UNITED NATIONS POLITICAL AND PEACEBUILDING MISSIONS 2005

Mission	Established	Present Strength	Current Authorisation
UNPOS: United Nations Political Office for Somalia	April 1995	Representative of the Secretary-General and Head of UNPOS: Francois Lonseny Fall (Guinea). 5 international civilians; 3 local civilians.	31 December 2005
Office of the Special Representative of the Secretary-General for the Great Lakes Region	December 1997	Special Representative of the Secretary-General: Ibrahimi Fall (Senegal). 8 international civilians; 8 local civilians.	31 December 2005
UNOGBIS: United Nations Peace-building Support Office in Guinea-Bissau	March 1999	Representative of the Secretary-General and Head of UNOGBIS: Joao Bernardo Honwana (Mozambique). 11 international civilians; 2 military advisers; 1 civilian police adviser; 13 local civilians.	31 December 2005
UNSCO: Office of the United Nations Special Coordinator for the Middle East	October 1999	Special Co-ordinator for the Middle East Peace Process and Personal Representative of the Secretary-General to the Palestine Liberation Organisation and the Palestine National Authority: Alvaro de Soto (Peru). 27 international civilians; 24 local civilians.	
BONUCA: United Nations Peace-building Office in the Central African Republic	February 2000	Representative of the Secretary-General and Head of BONUC: Lamine Cisse (Senegal). 25 international civilians; 5 military advisers; 6 civilian police; 44 local civilians. 1 UN volunteer.	31 December 2005

UNITED NATIONS POLITICAL AND PEACEBUILDING MISSIONS 2005 *continued*

Mission	Established	Present Strength	Current Authorisation
UNTOP: United Nations Tajikistan Office of Peace-building	June 2000	Representative of the Secretary-General for Tajikistan: Vladimir Sotirov (Bulgaria). 10 international civilians; 1 civilian police adviser; 18 local civilians.	1 June 2006
Office of the Special Representative of the Secretary-General for West Africa	November 2001	Special Representative of the Secretary-General: Ahmedou Ould-Abdallah (Mauritania). 7 international civilians; 7 local civilians.	31 December 2005
UNAMA: United Nations Assistance Mission in Afghanistan	March 2002	Special Representative of the Secretary-General: Jean Arnault (France). 190 international civilians; 749 local civilians; 11 military observers; 6 civilian police. 42 UN volunteers	26 March 2006
UNAMI: United Nations Assistance Mission for Iraq	August 2003	Special Representative of the Secretary-General for Iraq: Ashraf Jehangir Qazi (Pakistan). Authorised strength: 816-344 international civilians; 472 local civilians. Current strength (staff are based in Iraq, Jordan and Kuwait): 225 international civilians; 345 local civilians; 5 military advisers.	12 August 2006

UNITED NATIONS POLITICAL AND PEACEBUILDING MISSIONS 2005 *continued*

Mission	Established	Present Strength	Current Authorisation
UNOTIL: United Nations Office in Timor-Leste	21 May 2005	Special Representative of the Secretary General and Head of Office: Sukehiro Hasegawa (Japan). 158 international civilians; 281 local civilians; 15 military advisors; 56 civilian police; 36 UN volunteers.	21 May 2006

NOTES.

UNAMA, and UNOTIL, although political missions are directed and supported by the Department of Peacekeeping Operations. All the other political and peace-building missions are directed by the Department of Political Affairs.

The following missions were completed in 2005.

1 UNOMB: United Nations Observer Mission in Bougainville: 1 January 2004-30 June 2005.

2 UNAMIS: United Nations Advanced Mission in Sudan: 11 June 2004 until 24 March 2005 when it was absorbed into UNMIS: United Nations Mission in Sudan.

Current number of Missions, 10

Personnel:

International Civilians, 666

Military and civilian police advisers and liaison officers, 107

Local civilian personnel, 1,492

UN volunteers, 79

Total number of personnel serving in political and peacebuilding missions, 2,334

Sources: UN Political and Peace-Building Missions background note: 30 November 2005 and the UN website.

sanctions and ensure that fair and clear procedures existed for placing individuals and entities on sanctions lists and for removing them.

MILITARY FORCES. The Security Council extended the mandate on 13 September in resolution 1623 of the ISAF in Afghanistan for a further twelve months; on 8 November in resolution 1637 of the Multinational Force in Iraq until the end of 2006, at the request of the host state; and on 21 November in resolution 1639 of the EU Stabilisation Force (EUFOR) in Bosnia & Herzegovina for another year.

DEFENCE AND ECONOMIC ORGANISATIONS

DEFENCE ORGANISATIONS

North Atlantic Treaty Organization (NATO)

DATE OF FOUNDATION: 1949 HEADQUARTERS: Brussels, Belgium
OBJECTIVES: To ensure the collective security of member states
MEMBERSHIP(END-'05): Belgium, Bulgaria, Canada, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Turkey, UK, USA (total 26)
SECRETARY GENERAL: Jaap de Hoop Scheffer (Netherlands)

Shanghai Co-operation Organisation (SCO)

DATE OF FOUNDATION: 2001 HEADQUARTERS: Beijing, China
OBJECTIVES: to strengthen mutual trust and good-neighborly relations among member states
MEMBERSHIP(END-'05): China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan (total 6)
SECRETARY GENERAL: Zhang Deguang (China)
For data on other organisations mentioned in this article, see specific entries.

FOR European defence organisations 2005 proved to be both eventful and indecisive. The continuing financial crisis in the ORGANISATION FOR SECURITY AND CO-OPERATION IN EUROPE (OSCE) again raised the possibility that the organisation might be coming to the end of its useful life. But as the year progressed, signs of a reprieve began to emerge. The OSCE, having never been particularly popular with the Soviet Union since the 1970s, had latterly become something of a thorn in the side of the Russian government for its alleged encouragement of, and perhaps even involvement in, the peaceful revolutions in former Soviet states such as Georgia and Ukraine. Nevertheless, agreement was reached in April between the USA and Russia over new budgetary arrangements in exchange, Russia insisted, for extensive reform of the organisation (see p. xxx).

For the NORTH ATLANTIC TREATY ORGANISATION (NATO) 2005 was a year for growth and development, just as it was for NATO's supposed rival in matters of European defence and security, the European Union and its Common Security and Defence Policy. But it was also a year for revisiting several unresolved issues, particularly the health of the strategic partnership between the USA and its European allies and, on the institutional level, the relationship between NATO and the EU. The Iraq conflict had inflicted huge political damage on US-European rela-

tions, but the early months of the year held out the possibility of improvement. After his inauguration speech in January 2005, US President George W. Bush's goodwill tour of Europe was broadly welcomed, albeit cautiously in some capitals, and achieved some sense of reconciliation; towards the end of the year even France's Minister of Defence could announce that "the NATO alliance and the EU complement each other on defence". Nevertheless, it was clear that fundamental problems remained at the heart of the US-European alliance. In his inaugural address, Bush described the US foreign policy mission as "the growth of democratic governments and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world" (see p. 118). But it was rhetoric of precisely this sort which some in Europe found difficult to reconcile with their preferences for cautious diplomacy, secularism, and even moral and political relativism. Important differences remained: in February Gerhard Schröder, then Germany's Chancellor, went so far as to suggest that NATO had ceased to be the main forum for US-European strategic discussions, and called for a review of options. Perhaps the time was now right to negotiate a new Atlantic Charter, as the basis of the Euro-Atlantic security relationship? For advocates of European autonomy in matters of security and defence, if NATO's future was to be little more than a military "golf bag", available to the USA if and when it needed help, then the Alliance did not deserve to survive. More cautious analysts, however, noted not only that many of the more recent members of both the EU and NATO regarded a formal defence relationship with the USA as vital to their security, but also that the EU was still far from ready to usurp NATO's place as the continent's predominant political-military alliance.

For both NATO and the EU, therefore, 2005 offered a combination of old and new challenges. NATO continued its programme of political and military transformation, but what was the Alliance's core purpose to be: wholesale defence operations, or lesser tasks of crisis management? Much had been made of the new NATO Response Force (NRF), but the funding of the NRF remained uncertain and some argued that too little thought had been given to post-NRF force requirements. For its part, the EU continued its slow progress towards establishing an effective and deployable military capability. The original idea of a large-scale European Rapid Reaction Force had been quietly side-lined in favour of the ability to deploy several smaller force combinations known as "battlegroups" (see AR 2004, p. 372). But in 2005 even this lesser goal remained challenging. Similarly, the European Defence Agency—Europe's latest attempt at resolving deficiencies in military capability, established in July 2004—made only limited progress.

NATO's portfolio of missions broadened during 2005. The Alliance's 2004 summit meeting in Istanbul, Turkey, had agreed to the deployment of a small training mission to Iraq. By late 2005 plans were being drawn up to move the mission out of the relative safety of the Green Zone in Baghdad in order to establish a new Iraqi military academy. Such a move would, however, have made the mission vulnerable to attack. For some critics, NATO's unwillingness to fund a larger, better defended mission raised the humiliating prospect of a NATO deployment being guarded by a private security company (see pp. 188-92). Elsewhere,

the Alliance agreed in 2005 to provide logistic and training support to the African Union's involvement in Darfur, Sudan (see pp. 202-03). In response to a request from UN disaster relief officials, NATO decided in October on a battalion-sized deployment to Pakistan, to assist with post-earthquake relief. Medical teams and a field hospital were deployed, NATO engineer units helped to clear roads, and logistics specialists assisted UN staff (see pp. 278-79). More unusually, naval and air components of the NRF were also deployed in response to a US request for assistance in the aftermath of Hurricane Katrina (see pp. 121-24).

Some 2,000 NATO troops were sent to Afghanistan to support National Assembly and provincial council elections, and it was indeed Afghanistan that was to become NATO's most important operational concern during 2005 (see p. 265). In February it had been agreed that all US and European troops in Afghanistan—some 18,000 US troops deployed on "Operation Enduring Freedom" (OEF), together with a further 11,000 in NATO's International Security Assistance Force (ISAF)—would come under NATO command. This would be achieved incrementally into 2006. But doubts were raised as to whether these two very different missions—NATO's mission of peacekeeping and stabilisation on the one hand, and the higher intensity US counter-insurgency and counter-terrorism deployment along the Afghanistan-Pakistan border on the other—could be combined under one command. At a more general level, some wondered whether NATO had transformed sufficiently to undertake a large-scale deployment of this sort, so far from Europe. In some European governments, such as the Netherlands, there was concern that the amalgamation of the two missions would see ISAF-oriented troops becoming vulnerable to OEF-style attack; troops prepared for peacekeeping and reconstruction operations might prove to be inadequate in the face of a serious insurgent adversary. Among the more vehemently anti-US critics in Europe, some claimed that European forces were being dragged into a combat role in order either to validate the US-led "war on terror", or to release US troops to be deployed elsewhere. Towards the end of the year, commentators (and even some officials) in the USA expressed concern that their European allies were succumbing to the so-called "body-bag syndrome"; increasingly casualty averse and unwilling to undertake combat deployments in Afghanistan or elsewhere.

For the EU's security and defence organisation, 2005 saw yet more experience being gained in military, police, and rule of law deployments. In December 2004 it had been agreed that NATO's Stabilisation Force (SFOR) commitment to Bosnia & Herzegovina would be taken over by a new organisation known as European Force (EUFOR, see AR 2004, pp. 373-74). Although help would still be needed from NATO, the EU-led deployment, known as "Operation Althea", would be the biggest test so far of the EU's military aspirations. Spain, Italy, France, the Netherlands, and Portugal also agreed in 2005 to establish a European Gendarmerie Force, to be launched in January 2006. On the military front, EU Defence Ministers, meeting in May, sought to put more flesh on the plan for deployable battlegroups. It was agreed that there would be fourteen such units, each with about 1,500 troops, on call to act as rapid reaction forces, preparing the ground for larger-scale deployments by other organisations

such as the UN. The Defence Ministers' goal was to be able, by 2007, to mount two such deployments simultaneously. As had so often been the case with EU military aspirations, however, critics were quick to note that the EU still lacked the necessary command and control and strategic transport to make even these limited deployments a realistic goal.

Scepticism, bordering on cynicism, had often attended discussion of the EU's security and defence plans. Yet during 2005 it seemed to some observers that the EU was at last developing its own particular (some might say peculiar) so-called "strategic culture"; the political and organisational capacity to use organised armed force. Policy analysts had become accustomed to describing the EU as an institution relying on the "soft power" of trade, finance, and diplomacy, and as far as possible from the military "hard power" offered by NATO. But during 2005, some began to ask whether the EU was emerging as something altogether different, perhaps a "soft power-plus"? The EU was already established as a mature international actor with political, economic, industrial, cultural, and even historical authority. Now, although the EU's battlegroups might seem insignificant when compared to NATO's many divisions and overwhelming firepower, they might offer precisely the level of military capacity needed to make the EU a fully-rounded international organisation able to act on at least some level in every area of international policy. If so, then perhaps the EU was on the verge of becoming an organisation far better suited than NATO to the multi-level diplomacy, coercion, and even confrontation of the 21st century? Given that transatlantic divisions over Iraq had plainly not subsided, and given that some concerns were expressed in 2005 that the NATO-EU institutional rivalry of the early- and mid-1990s was about to resume, then the notion that the EU might have begun to acquire its own version of a strategic personality became especially significant. Although the EU could not be said during 2005 to have rivalled NATO militarily—nor would it ever for as long as NATO remained intact—neither could it be said any more to be a mere paper tiger; the EU's increasing ability to act across the political-economic-military spectrum would give it a breadth of international capacity which NATO could not match.

Yet the clearest lesson of 2005, for both NATO and the EU, was the need for a co-operative relationship between the two organisations, in which the strengths of each could be exploited. It was with this in mind that, in January 2005, the US administration announced the appointment of a new homeland security attaché to the EU, to enable direct and constant US-EU communication at the operational level. Following the terrorist attacks in London in July (see pp. 14-15), it was clear that institutional differences could not be allowed to undermine security. A co-operative relationship between NATO and the EU could help to bridge the conceptual divide between the USA and Europe. On one side lay the US democratic interventionist argument, to the effect that the absence of democracy was the cause of international terrorism, and democratisation the solution. The more sceptical European approach, on the other hand, was far less confrontational; Europeans had, after all, experienced terrorist attacks for decades and tended to argue for a more nuanced approach to terrorism, one which could

take account of poverty in many areas of the Islamic world and other grievances such as that over Palestine. Least of all did Europeans accept the idea that democracy could be spread through the deployment and use of armed force. Thus, throughout 2005, European critics of US foreign and security policy concerned themselves with the possibility that the USA might decide to use armed force to "democratise" either Syria or Iran, or both. The alarming—but no less real—prospect that a terrorist group might in time acquire and use chemical, biological, radiological or even nuclear (CBRN) weapons presented the most impressive case for effective co-operation between the USA and Europe, and between NATO and the EU. Important aspects of the CBRN challenge were broadly military in character, and when a high-grade military response was required, NATO should plainly be the preferred institution. But other areas, such as the management of the nuclear fuel cycle and the regulation of chemical and biological industries, were more a matter of risk management, and this was where the EU would, some argued, be far better suited.

As 2005 came to an end, it was clear that the relationship between NATO and the EU's Common Security and Defence Policy was unresolved and that tensions persisted between the two organisations. But it was also clear that a functioning relationship of some sort was essential. Confronted by terrorism and by the possibility of CBRN proliferation, and faced with growing demand for humanitarian intervention operations around the world, an effective security partnership between the USA and the EU was arguably more necessary than for many years. In other words, both NATO and the EU were necessary, but neither alone would be sufficient.

Elsewhere in the world, security and defence organisations continued to develop. The Asia-Pacific region still lacked an effective multilateral security organisation, but there were signs of progress in 2005, even to the extent of the ASIA PACIFIC ECONOMIC COMMUNITY (APEC) taking on some sort of security role. For the USA this was a welcome development that could improve maritime and port security and contribute to the overall effort to control CBRN proliferation. An important step forward was taken in July, when the Australian government declared its intention to sign the ASSOCIATION OF SOUTH-EAST ASIAN NATIONS (ASEAN) Treaty of Amity and Cooperation (1976) (see p. 2809). Previously, Australia had been reluctant to joint the treaty, arguing that the ASEAN agreement could clash with its mutual defence pact with the USA. Efforts were also made in 2005 to make the ASEAN REGIONAL FORUM (ARF) better able to undertake preventive action and conflict resolution, and to deal with the proliferation of CBRN and delivery systems. Once again the USA, a member of the ARF, welcomed this development. The ARF's security agenda expanded considerably during 2005, to include terrorism, human trafficking, and smuggling, the proliferation of small arms and light weapons, transnational crime, civil-military relations, missile defence and export licensing. With global security increasingly requiring a consolidated global response, the USA also called for a closer relationship between the ARF and the OSCE.

Little progress was made in 2005 by the SOUTH ASIAN ASSOCIATION FOR REGIONAL CO-OPERATION (SAARC). In November 2005 Afghanistan was admitted as the eighth member of SAARC, but security co-operation within the organisation remained low-level and tentative. Much was made of the need for improved confidence-building measures and for co-operation in the face of terrorism. The SAARC region saw a great deal of terrorist activity during 2005, and much associated cross-border activity. This led to tensions within the organisation; India, in particular, was convinced that many of its terrorist problems were exacerbated by the weak policies of its neighbours, such as Bangladesh, Pakistan, and Nepal (see pp. 280-82).

For the SHANGHAI CO-OPERATION ORGANISATION (SCO), 2005 proved to be a busy year. The SCO's security agenda had expanded in the late 1990s to include terrorism and the smuggling of narcotics, people, and arms. In July 2005 the SCO admitted India, Iran, and Pakistan to observer status and further developed its Regional Anti-Terrorist Structure (RATS), a small co-ordination body with no operational role based in Tashkent, Uzbekistan. The SCO's National Security Council Group examined the possibility of a regional agreement on stability and security, and supported practical activities such as joint anti-terror exercises and training, and the compilation of a list of terrorist organisations and individuals operating in the SCO region. Yet for all this co-operation and co-ordination, the prospect of a joint, operational response to terrorist attacks remained distant. Still more remote was the possibility that the SCO might one day become a politico-military alliance along the lines of NATO. China remained adamant that this should not occur, observing that the SCO charter would not permit it. Nevertheless, it became increasingly clear during 2005 that the SCO had developed a small but comprehensive bureaucratic infrastructure and that the organisation had become a factor for security dialogue in the region. Among all the security and defence organisations around the world, the SCO was the one most likely to acquire more political weight; if and when Mongolia, India, Iran, and Pakistan acquired full membership, the SCO would encompass approximately 50 per cent of the world's population (see pp. 271-72).

In Africa, members of the AFRICAN UNION (AU) continued to pursue the goal of a deployable military capability for peacekeeping and intervention operations across the troubled continent. Movement towards establishing an African Standby Force (ASF) had begun in 2004, with the intention that the ASF would act under the auspices of the AU to intervene in border wars and internal conflicts. The ASF would consist of five regionally based brigades of 3,000-4,000 troops, with a sixth headquarters establishment in Addis Ababa, Ethiopia. The intention was that initial operating capability would be achieved by the end of 2005, with full operating capability by 2010 when the AU would be in a position to manage a complex peacekeeping operation. By June 2005 it was intended that the ASF would be able at least to deploy and manage monitoring missions. With this in mind, the AU planned to have on call 300-500 military observers and 240 police officers at fourteen days' notice to move. It was also expected that the ASF would be able to draw on other regional security initiatives, such as the ECONOMIC COMMUNITY OF

WEST AFRICAN STATES (ECOWAS) Cease-Fire Monitoring Group and the security initiative of the Southern Africa Development Community (SADC). The 2003 SADC summit in Tanzania had agreed on a mutual defence pact and had made the first moves towards establishing deployable force structures for intervention and peacekeeping operations, which it was intended would result in a SADC standby brigade. For both the AU and SADC, however, budgetary constraints placed severe limitations on what could be achieved in 2005; as was the case, after all, for many of the world's defence and security organisations.

ECONOMIC ORGANISATIONS

International Monetary Fund (IMF)

DATE OF FOUNDATION: 1945 HEADQUARTERS: Washington DC, USA
OBJECTIVES: To promote international monetary co-operation and to assist member states in establishing sound budgetary and trading policies
MEMBERSHIP(END-'05): 184 members
MANAGING DIRECTOR: Rodrigo Rato y Figaredo (Spain)

World Bank (International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA))

DATE OF FOUNDATION: 1945 HEADQUARTERS: Washington DC, USA
OBJECTIVES: To make loans on reasonable terms to developing countries with the aim of increasing their productive capacity
MEMBERSHIP(END-'05): 184 members
PRESIDENT: Paul Wolfowitz (United States)

World Trade Organisation (WTO)

DATE OF FOUNDATION: 1995 (successor to General Agreement on Tariffs and Trade, GATT) HEADQUARTERS: Geneva, Switzerland
OBJECTIVES: To eliminate tariffs and other barriers to international trade and to facilitate international financial settlements
MEMBERSHIP(END-'05): 150 acceding parties
DIRECTOR GENERAL: Pascal Lamy (France)

Organisation for Economic Co-operation and Development (OECD)

DATE OF FOUNDATION: 1965 HEADQUARTERS: Paris, France
OBJECTIVES: To promote economic growth in member states and the sound development of the world economy
MEMBERSHIP(END-'05): Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, South Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, UK, USA (total 30)
SECRETARY GENERAL: Donald Johnston (Canada)

Organisation of the Petroleum Exporting Countries (OPEC)

DATE OF FOUNDATION: 1960 HEADQUARTERS: Vienna, Austria
OBJECTIVES: To unify and co-ordinate member states' oil policies and to safeguard their interests
MEMBERSHIP(END-'05): Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela (total 11)
SECRETARY GENERAL: (acting) Adnan Shihab-Eldin (Kuwait)

THE WORLD BANK, the WTO, and the OECD all appointed new leaders in 2005 amid the perennial controversy over the procedures for selecting them. In 2004 such controversy had surrounded the selection of the new managing director of the IMF, but in 2005 it was focused on the choice of Paul Wolfowitz, the former deputy Defence Secretary of the USA, as president of the World Bank. Much of the controversy related to his earlier involvement in US policy towards Iraq, but there were also familiar objections to the lack of transparency in the manner of his selection and to the continued US monopoly over the post. In 2001, an IMF-World Bank working group had recommended the creation of a panel that would vet the professional competence of all applicants "whether or not there are any understandings regarding the nationality of the president [of the World Bank] or the managing director [of the IMF]". Nevertheless, the top posts continued to be filled, as they were in most international organisations, as a result of horse-trading among the major economic powers.

WORLD TRADE ORGANISATION (WTO). In mid-January an expert group appointed by the Director-General, Supachai Panitchpakdi, and chaired by the WTO's first Director-General, Peter Sutherland, published a report on the functioning of the organisation together with an assessment of threats to the multilateral trading system. Among the institutional issues discussed was the consensus rule which allowed any member to block any action, a rule that some critics held responsible for the lack of progress in the current trade negotiations. The expert group defended the rule as it helped to protect the poorest countries from being dictated to by the rich, but in order to overcome some of the difficulties it suggested (i) reviving the former GATT system of codes and agreements to which not all members need adhere; (ii) the setting of broad rules in certain areas that would allow countries to make varying commitments according to their circumstances (and as provided for in the General Agreement on Trade in Services); and (iii) obliging a country exercising a veto to explain why. (Many developing countries, while supporting the principle of consensus, had argued that the obscure manner in which it emerged from informal consultations actually favoured the interests of the richest countries). The group judged the WTO dispute settlement to have proved effective. On the sometimes fraught relations with non-governmental organisations (NGOs), they cautiously recommended improving communications with the NGOs and suggested that the proceedings of dispute settlement panels be opened to the public, subject to the agreement of the parties to a dispute.

The new Director-General, Pascal Lamy, the former EU Trade Commissioner, took up his post on 1 September. In his "candidacy speech" earlier in the year he spoke favourably of the Sutherland report but also of the need to rebalance the international trading system in favour of developing countries.

The major preoccupation of the WTO throughout 2005 continued to be the Doha round of trade negotiations, due to be completed by the end of 2006. Early in the year the Director-General listed the areas in which progress had to be made by July if there were to be a substantial advance at the ministerial meeting in Hong

Kong in December. These included agreeing the modalities of negotiation in agriculture and non-agricultural market access (NAMA); a critical mass of opening offers in services; significant progress in rules and trade facilitation; and a "proper reflection" of the promised "development round". By July there was no substantial progress and the Director-General declared "the negotiations are in trouble". In the event, the December talks did not collapse, as many had predicted, but the outcome was meagre and imbalanced in favour of the rich countries. The EU tentatively agreed to eliminate its agricultural export subsidies, but only from 2013 and only if the modalities for the negotiations were agreed. The USA similarly pledged to end its export subsidies to cotton in 2006 but made no commitment to end the much larger subsidies to its cotton producers which had already been ruled illegal. The major concessions at Hong Kong were made by the developing countries which, divided by their different interests and the differentiated offers made to them by the EU and the USA, agreed to negotiating modalities that would expose them to considerable pressure to open up their key service sectors to foreign companies and to make large cuts in their industrial tariffs.

WTO membership rose to 150 in December with the accession of Saudi Arabia (11 December) and Tonga (15 December). Accession negotiations are at various stages for Russia, Vietnam, Iran, São Tomé and Príncipe, Cape Verde, Yemen, Montenegro, and Serbia, separate applications from the last two being accepted in February.

INTERNATIONAL MONETARY FUND. In its *World Economic Outlook* in September the IMF emphasised the resilience of the world economy despite a long series of natural disasters and heightened economic risks. Although its forecasts remained largely unchanged from the spring, there was concern at the large and growing global current account imbalances. The orderly correction of these, it was suggested, required a more co-operative response by the international community, including a medium-term fiscal correction in the USA, structural reforms in Europe and Japan to accelerate economic growth, and a combination of greater exchange rate flexibility and reform of financial institutions in the emerging economies of Asia. Increasing investment would help to reduce the high level of savings in Europe and Asia.

In 2004 the Fund started to review its medium-term strategy and priorities, the first results of which were presented to the annual meeting by the Managing Director. The review admitted that the organisation had been pulled too far from its original purpose of safeguarding international monetary stability and financing temporary balance of payments deficits. Changes in priorities, management, and organisational structure were recommended to meet the challenges of globalisation and, not least, of the institution's prospect of falling income. (New loans were at their lowest since the late 1970s and the Fund's outstanding loan book fell by more than one-quarter between April 2004 and November 2005). The proposed course of action included strengthening the Fund's surveillance of countries in a regional and global context; improving its capacity to anticipate and prevent financial crises; and adopting a more circumspect approach to capital account liberalisation. The Managing Director acknowledged that the present allocation of

"quotas and voice" damaged the legitimacy of the Fund as a universal institution, and remarked that the "governance and ownership balances in the Fund now rival the current account imbalances. Neither is sustainable."

THE WORLD BANK. The Bank's lending in fiscal 2005 was US$22.3 billion, just over 11 per cent more than in 2004. The increase was due to lending by the International Bank for Reconstruction and Development (IBRD), the "hard window" of the Bank; International Development Association (IDA) finance on concessional terms fell. The largest increase in lending (46 per cent) was to South Asia, in part because of emergency support to the Maldives, Sri Lanka, and India in the wake of the tsunami disaster of December 2004. In East Asia, the Bank put together a multi-donor trust fund of US$500 million of grants for reconstruction in Indonesia, to which was added other Bank grants and credits. Nevertheless, Latin America continued to be the largest borrower both in terms of its share of total Bank lending (23 per cent) and of loans per capita (US$10.3); Africa—regarded as a major challenge for the Bank—took just over 17 per cent of the total or US$5.6 per head, all of it in IDA finance.

The Bank's largest exposure to a single borrower was to China (US$11.1 billion in total) although in mid-2005 this was still below the single borrower limit of US$13.5 billion. The Bank was criticised for continuing to lend to China, which had rapidly increasing resources and an overseas aid programme of its own, but the president defended the policy on the grounds that China still accounted for some 18 per cent of the world's population living in absolute poverty and that the development of civil society needed support.

The Bank was losing borrowers in middle-income countries which had turned increasingly to the international capital markets for funds: this was more costly but the conditions were fewer and less intrusive and there was less bureaucracy involved. Between 2001 and 2005, the Bank's outstanding loan book fell 12 per cent and its loan income by nearly 50 per cent.

The new president reaffirmed the Bank's poverty reduction strategy which stressed improvement in the investment climate and empowering civil society. The Bank's *World Development Report* for 2005 focused on the importance of equity in the development process and underlined the necessity of providing equal opportunities and of ensuring that deprivation in levels of education, health, and income was not left aside. The second issue of the Bank's annual *Global Monitoring Report* warned that without a rapid acceleration in the rate of progress, the UN's millennium development goals would not be achieved, the shortfall being particularly marked in Africa.

The Bank faced increasing demands for reform at the time of its annual meeting in September. These included demands that it stop stretching its resources over too many areas of policy; that the impact of its lending on development be subject to independent, external evaluation; that its governance be more transparent and that membership of the board of governors be rebalanced (Europe, for example, had eight seats and Africa only two); and that the selection of the president be more transparent, competitive, and not restricted to nationals of the USA.

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT. The theme of the OECD ministerial council in May was "enabling globalisation". The ministers regarded globalisation as inevitable and desirable, but a major task was to make it inclusive and sustainable. Ministers strongly supported the WTO's Doha round of trade negotiations (see above), arguing that success would provide a powerful boost to global growth and poverty reduction, but secretariat studies stressed that that the benefits would depend on liberalisation being accompanied by active policies to ease adjustment.

One objective of the OECD was to deepen understanding of, and seek co-operation with, non-OECD economies. In 2005 this was reflected by the launch of a "good governance for development" programme with the states of the Middle East and North Africa, the first *OECD Economic Survey of China*, and the first review of agricultural policies in Brazil. The OECD also introduced a new, annual publication in 2005, *Economic Policy Reforms: Going for Growth.* This complemented the *OECD Economic Outlook* by focusing on the structural impediments to growth and addressing such questions as why, instead of converging, some countries had moved ahead in terms of income and prosperity while others continued to lag behind.

The annual *Employment Outlook* also called for better labour market policies in order to withstand competition from emerging economies and to address the rising sense of job insecurity in many OECD countries. Failure to tackle the problems of workforce adjustment, it argued, could erode public support for liberal trade policies.

Another source of personal insecurity in the OECD countries was the uncertain outlook for retirement pensions. The recent history of financial scandals prompted the OECD to approve in April a new set of guidelines for insurers and pension funds in order to strengthen confidence that the latter would be better protected from fraud and mismanagement. The OECD also launched a drive for the better financial education of citizens who were expected to bear increasing responsibility for financing their retirement.

The OECD's November *Economic Outlook* presented a picture of robust and resilient growth in the OECD area, but the downside risks were considered to be substantial and, because most of them involved financial variables, difficult to assess. The title of the chief economist's editorial neatly captured the assessment: "Less robust than meets the eye?".

The new Secretary General of the OECD would be Ángel Gurria, former Foreign Minister and Finance Minister of Mexico; he would succeed Donald Johnston of Canada on 1 June 2006.

ORGANISATION OF THE PETROLEUM EXPORTING COUNTRIES. The ministerial meeting in March (the 135th meeting) was held in Iran, the first time that OPEC had met in that country in thirty-four years. The meeting agreed that OPEC members should increase their official production ceiling by 500,000 barrels per day (b/d) to an overall quota of 27.5 million b/d. This was largely a token decision, as OPEC members were already thought to be producing significantly above their quotas at

around 27.7 million b/d. A further rise in production of 500,000 b/d was agreed at the 136th (extraordinary) meeting in June in Vienna, but this had little impact on the market, the price of US crude reaching a record US$60 per barrel by 23 June. OPEC members noted that the high oil price was mainly due to the inability of global refining capacity to meet strong demand, rather than a shortage in the supply of crude oil.

No further increases in quotas were agreed over the remainder of the year, although in September OPEC agreed to make available spare capacity of around 2 million b/d for a period of three months, in response to the continued rising oil price which briefly reached US$70 per barrel in the aftermath of Hurricane Katrina in the USA.

OTHER WORLD ORGANISATIONS

THE COMMONWEALTH

DATE OF FOUNDATION: 1931 HEADQUARTERS: London, UK
OBJECTIVES: To maintain political, cultural and social links between (mainly English-speaking) countries of the former British Empire and others subscribing to Commonwealth democratic principles and aims
MEMBERSHIP(END-'05): Antigua & Barbuda, Australia, The Bahamas, Bangladesh, Barbados, Belize, Botswana, Brunei, Cameroon, Canada, Cyprus, Dominica, Fiji, the Gambia, Ghana, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Malta, Mauritius, Mozambique, Namibia, Nauru, New Zealand, Nigeria, Pakistan, Papua New Guinea, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Samoa, Seychelles, Sierra Leone, Singapore, Solomon Islands, South Africa, Sri Lanka, Swaziland, Tanzania, Tonga, Trinidad & Tobago, Tuvalu, Uganda, UK, Vanuatu, Zambia (total 53)
SECRETARY-GENERAL: Don McKinnon (New Zealand)

THOSE who argued in the first years of the 21st century for the importance of the Commonwealth pointed to the spread and mix of its membership from some of the smallest to the largest countries in the world. In 2005 two events underlined the point: the rapid development of India as a global economic powerhouse, and the holding of the biennial Commonwealth heads of government meeting (CHOGM) in the smallest member country so far given this honour: Malta. Lawrence Gonzi, who had been Malta's Prime Minister for only twenty-two months, found himself chairing a global summit as well as becoming chairperson-in-office of the Commonwealth for the next two years, succeeding in that role President Olusegun Obasanjo of Nigeria.

India's role in Commonwealth affairs had diminished under the government of the Bharatiya Janata Party (BJP). The return of a Congress-led government in 2004 promised renewed interest by Prime Minister Manmohan Singh. This began to show itself when India raised its contribution to the Commonwealth fund for technical co-operation (CFTC) and other Commonwealth funds, including a special fund to support a Commonwealth action programme for the digital divide. However, Singh was not at the CHOGM; he sent a key colleague, Commerce Minister Kamal Nath, instead. Also absent was Paul Martin of Canada, whose

government fell during the CHOGM (see p. 129). It was only the second time that Canada had not sent its Prime Minister to a Commonwealth summit.

The summit (on 25-27 November), was attended by thirty-eight heads of government, with only Nauru unrepresented. It was notable for major changes in format. These included, for the first time, a two-day meeting of Foreign Ministers and a longer retreat of the heads of government, returning to the style introduced by Canadian Prime Minister Pierre Trudeau in 1973. The only officials present at the retreat were Secretary-General Don McKinnon and his assistant, and the hotel venue was isolated from all other CHOGM activity. The greater informality led to a more productive summit than of late.

The discussions centred mainly upon trade, in particular the forthcoming World Trade Organisation (WTO) meeting in Hong Kong. A statement on multilateral trade drew attention to the most distorted sector—agriculture—and called for all export subsidies to be eliminated by 2010. The adverse implications for small countries of the EU's reform of its sugar regime were condemned. Commonwealth Trade Ministers met in Hong Kong on the eve of the WTO meeting (11 December) to reinforce the CHOGM input, but McKinnon said that he was deeply disappointed at the Hong Kong outcome: trade issues needed statesmanship and political will, and should not be left to technocrats (see pp. xxx-xx).

Days before the CHOGM the opposition leader in Uganda was arrested (see p. 220). The uncertain political future in that country caused special concern because Uganda's capital, Kampala, was scheduled to host the 2007 CHOGM. Leaders in Malta voiced their anxieties informally to President Yoweri Museveni. This and other Commonwealth sensitivities about holding the line on governance were reflected in the summit communiqué, which also repeated the stand on Pakistan, namely, that the offices of head of state and chief of army staff held by General Pervez Musharraf must be separated by the end of his presidential term in 2007. Pakistan—suspended from the Commonwealth from 1999-2004—was represented at the CHOGM by Prime Minister Shaukat Aziz, who tried to prevent reiteration of the demand for the separation of posts, which had also been made by the Commonwealth ministerial action group (CMAG) at three meetings during 2005. He failed.

The Commonwealth secretariat's good offices work was stepped up. Election observers and expert teams were sent for polls in Lesotho, Bougainville in Papua New Guinea, Lesotho, Nauru, Sri Lanka, Vanuatu, and Zanzibar in Tanzania.

At the second meeting of Commonwealth Tourism Ministers, held in Abuja, Nigeria on 28-29 April, Malaysia offered to set up and finance for three years a Commonwealth tourist centre to enhance promotion. The 50th Commonwealth law conference held in London on 1-15 September was followed by a meeting of Law Ministers in Accra, the Ghanain capital, on17-20 October. Finance Ministers held their annual meeting in Barbados on 18-20 September); Health Ministers met in Geneva, Switzerland, on 15 May.

In mid-year the Commonwealth secretariat celebrated its 40th birthday. The secretariat had been set up at the June 1965 meeting of Commonwealth Prime Ministers, chaired by UK Prime Minister Harold Wilson, with Canadian Arnold

Smith as the first Secretary-General (see AR 1965, p. 60). Mark Collins succeeded Colin Ball, who retired as director of the Commonwealth foundation. Collins was director of the UN Environment Programme world conservation monitoring centre in the UK.

The UK government switched UK£6 million of its budget for overseas missions from six high commissions in order to open embassies in areas regarded as central to the "war on terror". The British high commissions in Vanuatu, Tonga, Kiribati, Bahamas, Lesotho, and Swaziland, and consulates in Brisbane, Perth, Auckland and Douala were closed.

FRANCOPHONE AND PORTUGUESE-SPEAKING COMMUNITIES

International Organisation of Francophonie (OIF)

DATE OF FOUNDATION: 1997 HEADQUARTERS: Paris, France
OBJECTIVES: To promote co-operation and exchange between countries wholly or partly French-speaking and to defend usage of the French language
MEMBERSHIP(END-'05): Albania (associate member), Andorra (associate member), Belgium, French-speaking community of Belgium, Benin, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, New Brunswick (Canada), Québec (Canada), Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Djibouti, Dominica, Egypt, Equatorial Guinea, France, Gabon, Greece (associate member), Guinea, Guinea-Bissau, Haiti, Laos, Lebanon, Luxembourg, Macedonia (associate member), Madagascar, Mali, Mauritania, Mauritius, Moldova, Monaco, Morocco, Niger, Romania, Rwanda, St Lucia, São Tomé & Príncipe, Senegal, Seychelles, Switzerland, Togo, Tunisia, Vanuatu, Vietnam (total 52)
SECRETARY GENERAL: Abdou Diouf (Senegal)

Community of Portuguese-Speaking Countries (CPLP)

DATE OF FOUNDATION: 1996 HEADQUARTERS: Lisbon, Portugal
OBJECTIVES: To promote political, diplomatic, economic, social and cultural co-operation between member-states and to enhance the status of the Portuguese language
MEMBERSHIP(END-'05): Angola, Brazil, Cape Verde, East Timor, Guinea-Bissau, Mozambique, Portugal, São Tomé & Príncipe (total 8)
EXECUTIVE SECRETARY: Luís de Matos Monteiro da Fonseca (Cape Verde)

ALTHOUGH 2005 was an off-year for the ORGANISATION INTERNATIONALE DE LA FRANCOPHONIE (OIF), in that there was no summit, it was still a year with a variety of significant events. Most important of these was the 21st annual ministerial meeting, held on 21-23 November in Antananarivo, capital of Madagascar.

This meeting had a symbolic importance in that it saw the adoption of a definitive version of the organisation's charter which incorporated a number of reforms undertaken in the previous ten years. These included the establishment of the office of Secretary-General in 1997, and the adoption of the organisation's current name in 1998. The drafting of the text of the revised charter was undertaken by the OIF's secretariat under Secretary-General Abdou Diouf, with the objective of creating a stronger "juridical personality". Apart from rationalising the structure of the secretariat and reinforcing and clearly defining the powers of the Secretary-General, the charter incorporated what it called the "new strategic missions" of the

OIF. It also indicated clearly the motor role of the political body, the council of ministers, as well as the different capacities of the permanent council of Francophonie, which was chaired by the Secretary-General and prepared important meetings as well as having a watchdog role over the institution and the implementation of policies. The charter, although immediately operational, was due to be ratified by member states in time to be fully adopted by the next summit in Bucharest, capital of Romania, in the autumn of 2006. Luc Dehaime, a new administrator responsible to the Secretary-General, would replace Roger Dehaybe, the Belgian national who had headed the OIF's co-operation agency—with considerable autonomy—for eight years.

The ministerial meeting also adopted a special resolution on the issue of the UNESCO (United Nations Educational, Cultural, and Scientific Organisation) convention on the protection and promotion of cultural diversity. Lobbying for this project, which was adopted by UNESCO in October, had been one of the core activities of the OIF, even if it was clear that the whole project had also been close to the heart of France's government because of its concerns for the survival of the French language in a world increasingly dominated by English. In the protracted UNESCO meetings and debates on the subject, the issues had frequently been presented as part of the international movement against globalisation—and on occasion had been fuelled by anti-Americanism—in an attempt to broaden the battle lines. The Antanarivo resolution said that in view of the "success of the mobilisation of member states and governments of La Francophonie" in contributing to the adoption of the UNESCO cultural diversity convention, which would help the creation of a "vast juridical space" for the "development of cultural identities and industries", members were urged to ratify the convention urgently.

The meeting also broadly endorsed the position of developing countries at the important ministerial meeting of the World Trade Organisation (WTO) in mid-December in Hong Kong (see p. xxx). Francophone ministers held a consultation on the eve of the meeting, at which particular support was given to the "cotton four" (Mali, Burkina Faso, Benin, and Chad) in their campaign to force the US government to reduce subsidies to its cotton farmers. This met with some success, but although the overall ending of international agricultural subsidies by 2013 received general support there was no evidence that any Francophone countries were part of the diplomatic effort to cut by three years the deadline for the EU to reduce its cotton subsidies, which some states had tried to secure with UK support against France's opposition.

These moves dovetailed with parallel higher-profile actions at the Africa-France summit in Bamako, capital of Mali, in early December which, as far as France was concerned, was a major focal point of diplomatic effort (see p. 230). Although not structurally linked to the OIF, the summit's agenda shared many of the same concerns as would have been on the agenda of a Francophone summit and included many of the same participants. This was particularly true of trade issues, where a statement on the WTO was bland on subsidies in general, but forceful in relation to US cotton subsidies. France's President Jacques Chirac used his speech in

Bamako to call on the USA to remove subsidies to its cotton producers "as the EU has undertaken to do".

The OIF trend towards a higher political profile was also seen in a greater interest in security issues and it was decided that a ministerial meeting on the subject would be held in Canada in the first part of 2006. Of UN troops, 10 per cent were Francophones. Diouf, as a former national leader of Senegal, was not afraid to take political positions in line with the OIF's 2002 Bamako declaration on democracy (see AR 2004, p. 384). Thus, the attempt in February by the army in Togo to force a dynastic succession on the country was strongly resisted by the OIF, which suspended the country until the decision was reversed after three weeks (see pp. 232-34). Elections followed, and observers from the OIF overcame earlier misgivings (expressed at the end of March) to give the poll a qualified approval in April.

There were other Francophonie election observation missions, such as that in Burkina Faso in November, and the OIF's newly-established electoral observatory was closely involved in the UN-supervised processes for the return to democracy in Democratic Republic of Congo and Haiti. However, the difficulties of generalising about democracy in Africa were underlined by the military coup in Mauritania in August (see pp. 229-30). The condemnation by the OIF of the was also short-lived once it transpired that the coup had been genuinely popular and had removed a sham democracy.

Although observers sought to detect important differences between the OIF and the Commonwealth—notably in the former's great emphasis on the defence and propagation of the French language—it was noted that in the past decade the two organisations had increasingly come to resemble each other. As with the Commonwealth, there was a proliferation of lower-level grassroots activities in la Francophonie.

The year saw the COMMUNITY OF PORTUGUESE-SPEAKING COUNTRIES (CPLP) preoccupied with the political uncertainty surrounding Guinea-Bissau (see pp. 238-39). The year ended as it had begun with task forces being mobilised to observe the conduct of elections and to assist in the maintenance of political stability within the country. Close collaboration with the UN led to an accord pledging €1.4 million to aid the reform of the military and the consolidation of peace and democracy. CPLP observers deemed the second round of voting in disputed presidential elections on 24 July to have been conducted in a fair and transparent manner. An independent candidate, João Bernardo "Nino" Vieira, emerged victorious from this vote and was sworn in as President on 1 October. However, with Prime Minister Carlos Gomes Junior allegedly refusing to accept his authority, the new President dismissed the government on 30 October, thus plunging the country into further turmoil. To assist with a return to political normality, a CPLP task force headed by Fonseca visited Guinea Bissau on 10-12 December.

Despite these overarching difficulties, the CPLP did not ignore its social responsibilities. In 2005, the organisation promoted an HIV/AIDS conference in Luanda, capital of Angola; supported a Portuguese-language book fair in Dili,

East Timor; and hosted a major conference on industrial activity in Funchal, Madeira. In April, the CPLP announced the establishment of a centre of excellence in public administration at a location close to Maputo in Mozambique. The year ended on a bright note with intensive preparations being made for the July 2006 staging of the biennial conference of CPLP heads of states in Bissau.

NON-ALIGNED MOVEMENT AND DEVELOPING COUNTRIES

Non-Aligned Movement (NAM)

DATE OF FOUNDATION: 1961 HEADQUARTERS: rotating with chair
OBJECTIVES: Originally to promote decolonisation and to avoid domination by either the Western industrialised world or the Communist bloc; since the early 1970s to provide an authoritative forum to set the political and economic priorities of developing countries; in addition, since the end of the Cold War, to resist domination of the UN system by the USA
MEMBERSHIP(END-'05): 114 countries (those listed in AR 1995, p. 386, plus Belarus, the Dominican Republic, St Vincent and the Grenadines, East Timor; minus Cyprus, Malta, Yugoslavia)
CHAIRMAN: Abdullah Ahmad Badawi, Malaysia (since Oct '03)

Group of 77 (G-77)

DATE OF FOUNDATION: 1964 HEADQUARTERS: UN centres
OBJECTIVES: To act as an international lobbying group for the concerns of developing countries
MEMBERSHIP(END-'05): 132 developing countries (those listed in AR 1996, p. 385, plus China, Eritrea, Palau, East Timor, Turkmenistan; minus Cyprus, Malta, South Korea, Yugoslavia)
CHAIRMAN: Percival J Patterson (Jamaica)

THE main meeting of developing countries in 2005 was the second south summit of the GROUP OF 77 (G-77), in Doha, Qatar, on 14-16 June. In April, the Indonesian government hosted celebrations to honour the 50th anniversary of the Bandung Asian-African conference of 1955, which had led ultimately to the formation of the NON-ALIGNED MOVEMENT (NAM) (see AR 1955, pp. 165-66). The NAM held a ministerial meeting on the advancement of women, in Putrajaya, Malaysia, on 7-10 May, and the sixth conference of Ministers of Information, in Kuala Lumpur, Malaysia, on 19-22 November. There were also the annual meetings of the G-77 and the NAM in New York at the UN in September.

The summit in Doha was similar to the first south summit held in Havana, Cuba, in that it achieved only a low level of attendance (see AR 2000, p. 394). It adopted a Doha plan of action, which was modelled on the Havana programme, mainly endorsing general aspirations for South-South co-operation rather than specific practical proposals. The reasons for the lack of progress in the intervening five years was evident in the failure of the follow-up committee to meet annually, the lack of mechanisms to implement potentially useful proposals, and the failure of members to provide the minuscule levels of funding requested to sustain a G-77 secretariat in New York. Despite the frank acknowledgement of these problems in the final section of the Doha plan, there was no reason to suppose that a working group established "to study possible ways and means to strengthen the G-77 and its secretariat . . . as well as innovative approaches to address resource

and personnel requirements" would generate the necessary political will to support the planned activities. In contrast to this pessimistic assessment of the G-77 as an institution, a UN report pointed to the rapid growth in South-South trade, increased levels of regional co-operation, the growth of developing country transnational corporations, and the vitality of networking between non-governmental organisations (NGOs).

The Bandung celebrations resulted in the declaration of a new Asian-African strategic partnership (NAASP) to promote political solidarity, economic co-operation, and socio-cultural relations between the two continents. This was to be institutionalised through a summit every four years and a ministerial meeting every two years. However, it was difficult to see what this might add to the existing work of the G-77.

The Putrajaya meeting on the advancement of women was attended by seventy-four of the 114 members of the NAM; it endorsed a wide-ranging programme of action, containing 111 proposals on poverty eradication, political participation, education, health, disasters, and awareness of gender issues. The programme was surprisingly radical in its call for gender equality, but most proposals were relatively general and would require significant economic resources that were unlikely to become available. The declaration ended by welcoming the Malaysian proposal to establish a NAM centre on gender and development and recommending further ministerial meetings every two years.

The NAM Ministers of Information were meeting nine years after their previous conference and five years after it had been agreed that they should meet again. Work in this field had declined after the vigorous leadership provided by the Yugoslavs had been lost when they were expelled from the Movement in 1992. The conference noted that the Non-Aligned news agency pool had been inactive due to declining support from member countries. It was agreed to accept the Malaysian offer to replace the pool with a new mechanism, in the form of an Internet-based news network, to be managed by the Bernama news agency.

During the south summit, the NAM ministers met on the sidelines to adopt a declaration on preparations for the UN "world summit" in September. They expressed fears that UN reform would not be agreed in a manner that was "inclusive, open-ended and transparent". The Movement was not able to adopt a collective position on increasing the size of the Security Council nor on whether to create a human rights council. The declaration was hostile to the concept of a "responsibility to protect" people suffering from violent oppression by their own government and correspondingly rejected the expansion of the authority of the UN Security Council. However, three months later in New York, many of the Non-Aligned, notably African members, actively supported giving the Security Council the right to authorise the use of force against governments who were unwilling or unable to prevent gross violations of human rights. Only Venezuela, Cuba, and Belarus voiced their objections on this question when the summit's outcome document was adopted (see pp. xxx-xx).

Throughout the year, UN reform dominated the work of the Non-Aligned in New York, to the point of limiting their initiatives on other questions. It was quite

exceptional that the NAM ministers in September did no more than review the outcome of the debate on reform of the UN. Normal activities on behalf of the Palestinians were at a low level, until after the UN summit. However, Malaysia's Foreign Minister did attend in July, on behalf of the NAM, an event in Ramallah to commemorate the International Court of Justice ruling on the illegality of the Israeli security wall in Palestine (see AR 2004, pp. 387; 443-44; text, pp. 147-50). The NAM troika (the Foreign Ministers of Malaysia, South Africa, and Cuba) visited the Iranian capital, Teheran, in November and made a qualified statement of support for Iran in its dispute with the USA over the processing of nuclear fuel. This was balanced by the NAM's endorsement of the work of the International Atomic Energy Agency (IAEA), the EU, and Russia to ensure that Iran did not develop nuclear weapons.

At the end of 2005 Jamaica handed the chairmanship of the Group of 77 to South Africa for 2006. There was no change in the membership of either the NAM or the G-77 in 2005.

ORGANISATION OF THE ISLAMIC CONFERENCE (OIC)

DATE OF FOUNDATION: 1969 HEADQUARTERS: Jeddah, Saudi Arabia
OBJECTIVES: To further co-operation among Islamic countries in the political, economic, social, cultural and scientific spheres
MEMBERSHIP(END-'05): Afghanistan, Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei, Burkina Faso, Cameroon, Chad, Comoros, Côte d'Ivoire, Djibouti, Egypt, Gabon, the Gambia, Guinea, Guinea-Bissau, Guyana, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkey, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan, Yemen (total 57)
SECRETARY GENERAL: Ekmeleddin Ihsanoglu (Turkey)

THE OIC's third extraordinary summit meeting in Mecca, Saudi Arabia, on 7-8 December was held under the banner "meeting the challenges of the 21st century, solidarity in action". Addressing the opening session, newly-appointed Secretary General Ekmeleddin Ihsanoglu (see AR 2004, p. 389) reviewed the current situation of the OIC and the place it was aspiring to occupy on the international scene. Taking into account "huge global developments" and the need for "strategic planning" in order to stay abreast of these developments, Ihsanoglu called on the Muslim world to preserve its identity, civilisation, and "lofty human values".

In a final communiqué, the summit reaffirmed that Islam was "a religion of moderation" which rejected "bigotry, extremism, and fanaticism". It stressed that dialogue among civilisations "based on mutual respect, understanding, and equality between people", was "a prerequisite for establishing a world marked by tolerance, co-operation, peace, and confidence among nations". It called for "combating pseudo-religious and sectarian extremism" and reaffirmed the need "to deepen dialogue and promote restraint, moderation and tolerance, and issuance of fatwas by those not eligible to issue them".

The summit expressed its concern at rising hatred against Islam and Muslims and condemned the "desecration" of the image of the Holy Prophet Mohammad in "the media of certain countries", a reference to the twelve caricatures of the Prophet published in a Danish newspaper, *Jyllands-Posten*, on 30 September. It stressed the responsibility of all governments to ensure full respect for all religions and religious symbols and "the inapplicability of using the freedom of expression as a pretext to defame religions". It underlined the need to counter Islamophobia, defamation of Islam and its values, and desecration of Islamic holy sites, and to co-ordinate effectively with states as well as regional and international organisations to urge them to criminalise this phenomenon as a form of racism.

The summit stressed the need to condemn terrorism and declared its "solidarity with member states which have been victims of terrorism". It called for the implementation of the recommendations adopted by the international counter-terrorism conference, held in the Saudi Arabian capital, Riyadh, in February 2005, including the creation of an international centre for combating terrorism.

Finally, the summit stressed the importance of the question of Palestine as "the central cause of the Muslim ummah" (community or people). It discussed the developments in Iraq and expressed the hope that the forthcoming legislative elections (see pp. 185-88) would lead to a constitutional Iraqi government in order to safeguard the country's unity and territorial integrity.

OIC Foreign Ministers convened for their 32nd session in Sana'a, the capital of Yemen, on 28-30 June. Tourism Ministers held their fourth session in Dakar, the capital of Senegal, on 28-30 March. The 21st session of the standing committee for economic and commercial co-operation of the OIC was held in Istanbul, Turkey, on 22-25 November.

EUROPEAN UNION

DATE OF FOUNDATION: 1952 HEADQUARTERS: Brussels, Belgium
OBJECTIVES: To seek ever-closer union of member states
MEMBERSHIP(END-'05): Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, United Kingdom (total 25)
SECRETARY GENERAL: President of European Commission: José Manuel Durao Barroso (Portugal)

THE most significant unfinished business at the start of the year was ratification of the European Convention, the treaty which had finally been signed in October 2004 and which would give the EU its own constitution, change the make-up of the European institutions to allow for a Union of up to thirty or so member countries, and strengthen emerging areas of policy such as external relations, and justice and home affairs (see AR 2004, pp. 391-94). The deadline for ratification was October 2006.

Each member state had to decide whether to allow a popular vote through a referendum or to give the responsibility for approving the treaty to its national legislature alone. Fourteen member countries opted for the latter course, with Sweden

undecided. Of these fourteen, eleven had ratified the treaty by the end of June with only marginal opposition from fringe political parties. In the Austrian Nationalrat (the lower chamber), for instance, the vote was 181 in favour and one against; in Greece the vote was 268 to seventeen; in Italy 217 to sixteen; and in Slovakia 116 to twenty-seven.

The decision of the UK government to consult the electorate directly over the issue put pressure on President Jacques Chirac to offer the French people a similar opportunity, and a referendum was duly scheduled for May. Spain, Luxembourg, and the Netherlands also decided to hold referendums in the first half of the year. (The UK government had opted for the last possible date, late summer 2006.) The Spanish electorate voted in February and approved the treaty, which went to the legislature for formal ratification (see pp. 60-61). Thereafter things began to go wrong, as it became clear that in France and the Netherlands the electorate had serious doubts. The French went to the polls on 29 May. They voted by 55 to 45 per cent against ratification, on a turnout of 69 per cent (see p. 40). On 1 June the Dutch voted 61.5 to 38.5 per cent against, in a 63 per cent turnout (see p. 48).

The outcome in these two countries revealed a sharp divergence between popular sentiment and the assumptions of the political elites. As the referendum campaigns got under way there were signs that, at least in France and the Netherlands, the European treaty was associated with issues that provoked deep unease amongst the population, such as high levels of unemployment, outsourcing of jobs, the threat to generous social support systems, the level of immigration, and fear of globalisation, as well as the general unpopularity of national politicians. Some argued that it was national issues alone which had determined the outcome, but there was little doubt that the terms of the treaty were perceived—with some justification—as agents of change which the people did not welcome.

The 2004 enlargement was one telling factor, reminding people as it did of the likely accession of Turkey in another ten years: not a popular cause among the population of Europe as a whole. The myth of the Polish plumber snatching work from local tradesmen became common currency in France, coupled with fear over proposals for a free market in services. In the Netherlands the prospects of further expansion of the EU encouraged a negative vote.

The double referendum result rocked the confidence of European leaders. Some insisted that the process of ratification should continue in those member countries which had yet to decide, but at the June EU summit in Brussels it became clear that this would not be acceptable. It was agreed that a "time for reflection" was appropriate before deciding the next step. The Czech Republic, Denmark, Ireland, Poland, Portugal, and the UK all postponed their referendums indefinitely, seeing no need to confront popular sentiment. It spared the UK government, in particular, the prospect of a difficult referendum campaign requiring a fundamental shift in popular sentiment (see p. 21).

Members of the European Parliament, which would have secured some additional powers and responsibilities if the treaty had been ratified, were critical of the national politicians. "The campaigns were poorly prepared and poorly exe-

cuted", said UK Liberal MEP Andrew Duff. "They should be seen as rehearsals. Practice makes perfect." He joined with Austrian Green MEP Johannes Voggenhuber to produce a report for the Parliament's constitutional affairs committee called *The period of reflection: the structure, subjects, and context for an assessment of the debate on the European Union*. In September Voggenhuber attacked Commission President José Manuel Barroso for his mild response to the crisis, to which the President retorted: "We don't need a philosophical debate on the future of Europe; we need to get Europe back to work." The Parliament's report was due to be published early in 2006.

THE EUROPEAN BUDGET. The crisis of confidence triggered by the referendum votes in France and the Netherlands was a difficult backdrop to crucial negotiations to settle the European budget for 2007-13: the seven-year financial perspective. Decisions were required by the end of 2005 and it was generally anticipated that the process would be painful and divisive. It would be a major challenge for Luxembourg, in the chair of the European Council until the end of June, and then for the UK in the second half of the year, in the absence of a June settlement.

In political terms the task was daunting: new resources had to be found to boost investment in the ten East European and Mediterranean countries which had joined the EU in the 2004 enlargement, plus Bulgaria and Romania which were expected to join in 2007; yet the main contributing countries had already said that the EU budget should not exceed 1 per cent of GDP. The UK was intent on defending the budget rebate formula which had been won by Prime Minister Margaret Thatcher some twenty years earlier, but France refused to countenance any reduction in the 2002 commitment to maintain farm spending at existing levels. The Netherlands and Sweden were pressing for a reduction in their contribution, while Poland and the other new members were insisting that their future budget receipts should not be whittled away in order to help fund the UK's rebate.

In the run-up to the June European Council meeting in Brussels there was much talk of the dire consequences for the EU of failing to reach a budget agreement. The pressure mounted on the UK government, which was seen as the main obstacle to progress. "If we don't achieve this, the Union will be involved in permanent crisis and paralysis", said the European Commission President. For Germany's Chancellor Gerhard Schröder there was no longer any genuine justification for the UK rebate. President Chirac, fresh from his failure in the French referendum, went on the offensive in advance of the summit, associating the intransigence of the UK on the budget with France's general hostility to the "Anglo-Saxon" economic model.

The British Prime Minister upped the ante in return, telling the UK (Westminster) Parliament in advance of the June summit that "the UK rebate will remain and we will not negotiate it away. Period." The UK government was clear that when, in 2002, it had accepted a Franco-German deal maintaining farm spending for the 2007-13 period (see AR 2002, pp. 415-16), it had also been clear that the British rebate would be untouched. Stung by the comments of the French Presi-

dent, Blair thus demanded a reform of the common agricultural policy as a prime condition for any compromise. There were suggestions that his hands were being tied by the hostility of Chancellor Gordon Brown to any change in the rebate, and even that the UK Treasury had refused to co-operate with their Foreign Office colleagues during the June negotiations.

At the June meeting in Luxembourg, Prime Minister Jean-Claude Juncker presented new proposals in an effort to find a compromise. He suggested a total budgetary ceiling of €871 billion for the seven years, representing 1.07 per cent of EU GDP, compared with the original European Commission proposal of 1.24 per cent. The British rebate would be frozen at the average of 1997-2003, amounting to €4.3 billion as compared with the 2005 figure of €5 billion.

The UK government and others rejected this formula and—to nobody's surprise—the incoming UK presidency inherited the issue on 1 July, chairing the search for a compromise while also being the major protagonist in the dispute. Its starting position was a budget ceiling of 1.03 per cent of GDP, while its stance on the rebate would have meant a significant cut in the funds available for the new accession countries of Eastern Europe. As the strongest advocate of EU enlargement to embrace the countries of the old Communist bloc, this put the British Prime Minister in an embarrassing position.

During the autumn and early winter the British presidency kept its counsel, giving no indication of where it would be willing to move, but continuing to stress that the common agricultural policy would require fundamental reform. The defeat of Gerhard Schröder in the September elections in Germany and the installation of Angela Merkel as Chancellor introduced some change in the chemistry among EU leaders (see pp. 35-39). She had said in June that while the British would have to soften their position, others would also have to show flexibility. This had led the then Chancellor Schröder to accuse her of undermining Germany's negotiating position.

Expectations were low in the run-up to the December European Council meeting. In an unprecedented alliance, the Foreign Ministers of France and Poland published a joint letter to the *Financial Times* on 16 December, in which they wrote that that the UK's compromise proposals were unacceptable. They would make victims of poor member states and could not become the basis of an agreement. "The UK has been a champion of enlargement. We trust it will also be willing to cover the costs it presents", they wrote.

The tactic of the British presidency was to work out an interlocking pattern of concessions to be put to EU leaders when they met in Brussels on 16-17 December . Intensive bilateral and trilateral meetings were held to seek a compromise, culminating in a meeting between Blair, Chirac, and the new German Chancellor Merkel, to be joined later by Luxembourg's Juncker and Austria's Prime Minister Wolfgang Schüssel. Germany's new leader was credited with making a major contribution to the fashioning of the final agreement. "Sober, pragmatic and down-to-earth", in the words of Wolfgang Schüssel. She gave Germany's approval for a higher budget total, and persuaded Chirac of the need to make concessions. Romanian President Traian Basescu was generous in his praise:

"she brokered the deal from start to finish. She was the first to break the deadlock with a proposal."

In the ultimate settlement UK Prime Minister Blair agreed to an overall budget ceiling of 1.045 per cent of GDP, amounting to €862 billion over the seven years. He offered a further €2.5 billion reduction in the British rebate, which would mean that the UK net contribution would rise by 63 per cent over the period. The key political element for the UK government in agreeing to a settlement was the review clause attached. This invited the European Commission to undertake a "full, wide-ranging review covering all aspects of EU spending, including the common agricultural policy, and of resources, including the UK rebate, to report in 2008-09". This commitment gave Blair the justification he needed to claim in the UK that the settlement was acceptable. Commission President Barroso stressed that the Commission would undertake the review "without restrictions or taboos". Unmentioned was the fact that the review would take place after the next presidential elections in France, and probably with a new British Prime Minister as well.

The budget settlement would mean that French net contributions would rise by 116 per cent over the seven years. The contributions of the Netherlands and Sweden would be somewhat reduced. The detailed budget was constructed in such a way that the new member countries would not be expected to contribute to the UK rebate.

In outlining the agreement to the European Parliament following the Brussels meeting, Blair underlined that he did believe in the need for a larger EU budget, but that this could only be achieved in the context of a reformed budget structure. The European Parliament would now have to decide whether to demand fundamental changes to the negotiated settlement, but this debate was reserved for 2006.

ECONOMIC REFORM. A summit in March agreed a package of measures to re-launch the Lisbon strategy, a programme of economic reform which had been agreed in 2000 to make the European economy a world leader (see AR 2000, p. 404), but which had thereafter failed to produce tangible results. Europe's leaders committed themselves to maintain a target of 3 per cent of domestic GDP for research and development, to introduce tax incentives for private investment in innovation, and to create a European research council to support cutting-edge and basic research, although a proposal to establish a European technology institute was "noted" but not launched. The summit decisions contained the customary shopping list of sometimes contradictory ambitions, calling for a reduction in regulatory administrative burdens and red tape for business, while asking business to "develop its sense of social responsibility". There was emphasis on the need to raise employment rates and extend working life with measures to reconcile working and family life. It was agreed that member states should draw up their own national reform programmes to make a more practical contribution to growth and employment.

In the wake of the disappointments of the referendums and the impasse over the EU budget, the UK presidency was charged with trying to breathe new life into

the European project. Prime Minister Blair issued the invitation for an informal meeting of heads of government, to be held at Hampton Court on 27 October (see p. 22). His invitation said the purpose of the meeting was "to consider together the strategic issues facing Europe in the years ahead . . . to uphold the European ideals in which we believe, in the modern world . . . to demonstrate to our citizens that we are addressing the issues and challenges they really care about". In virtually his last appearance as German Chancellor, Gerhard Schröder was scathing about the British approach at Hampton Court. "We are standing before a fundamental debate in Europe", he said. "Should markets and calls for ever-greater liberalisation be the final measure for political action? . . . It boils down to which direction Europe should take."

In spite of the Chancellor's sceptical approach, the Hampton Court meeting did appear to remove some of the bitter divisions over the nature of Europe—polarised between the Franco-German model and the more liberal British-Irish model—and identify some areas for positive action. The European Commission presented a document on European values in the globalised world, which outlined specific areas of concern such as increased research and development, reform of the university system in Europe, the demographic challenge, growing dependence on energy imports, and immigration. "We are moving from analysis to action", Commission President Barroso said after the meeting. The commitment to the development of European energy policy and investment in a European energy grid was particularly striking.

EUROPEAN MONETARY UNION. The budgetary disciplines set out under the Stability and Growth Pact, which were intended to be the bedrock of monetary union, continued to lose authority as the big member countries of the eurozone continued to ignore the rules and sought to water down the conditions under which participating countries could be penalised for exceeding the 3 per cent limit on public debt.

Finance Ministers met to negotiate reforms to the pact in February, but were subject to serious lobbying from certain Prime Ministers. German Chancellor Schröder, for instance, in a *Financial Times* article, demanded a return to "national sovereignty", provoking the Dutch Finance Minister Gerrit Zalm to warn against such interference.

At the March European Council meeting there was agreement on measures to "improve the implementation" of the Stability and Growth Pact. The Council agreed that a "rules-based system is the best guarantee for commitments to be enforced", but said that "an enriched common framework with a stronger emphasis on the economic rationale of its rules" would better allow for differences between member states. A key passage of the new undertakings allowed for greater flexibility and "room for budgetary manoeuvre". The impact of an ageing population—with its far-reaching implications for pension provision—was a pervasive argument in favour of this.

France and Germany remained committed to reducing their budget deficits. Italy was a different case. In April the Italian government was warned that the Commission would start formal action under the revised Pact in light of the esca-

lation in its national deficit, which was forecast by the Commission to be 3.6 per cent of GDP in 2005 and 4.6 per cent in 2006. The Italian position was further weakened by the refusal of Eurostat—the institution charged with overseeing national budget statistics under economic and monetary union (EMU)—to certify Italy's budget data from 2003 and 2004, which it regarded as seriously understated (see p. 43). The results of the referendums on the European treaty in May and June introduced further political uncertainty. The euro fell to an eight-month low against the US dollar. It was all the more important to show that discipline still applied; in June, Monetary Affairs Commissioner Joaquín Almunia attacked Italy's profligacy. He accused the government of disguising its actual deficits through faulty statistics and predicted excessive deficits for 2005 and 2006. He also noted that Italy's public debt was 106 per cent of GDP compared with an EMU target of 60 per cent. To add to market uncertainty, Italian Welfare Minister Roberto Maroni proposed that his country should temporarily quit the eurozone, to which Commissioner Almunia responded that the euro was like an old-fashioned marriage, with no provision for divorce.

On the evening of 6 June, the twelve Finance Ministers from the euro-currency countries met over dinner in Luxembourg to discuss the crisis. The European Commission determined that Italy should reduce its deficit below 3 per cent by 2007. Portugal was also instructed to deal with its deficit, estimated at above 6 per cent of GDP (see p. 65). Pressure mounted on the European Central Bank to reduce interest rates in the light of poor economic growth in some member states, but the ECB resisted and kept rates unchanged at 2 per cent until 1 December, when a rise of one-quarter of 1 per cent was decided.

EXTERNAL RELATIONS. The electoral success of President Viktor Yushchenko in December 2004 (see AR 2004, pp. 113-15) opened the way for a new relationship between the EU and Ukraine. Commissioner for External Relations Benita Ferrero-Waldner attended Yushchenko's inauguration in January together with Javier Solana, the EU's foreign policy representative, and on 21 February the Ukrainian leader visited Brussels to plead the case for closer ties and agreement that his country could plan negotiations for EU membership. The EU was not willing to go so far, but did sign a three-year action plan, agreeing to some visa relaxation and efforts to give Ukraine market economy status, while setting out the main areas for reform which the EU would require. The European Commission gave its backing to Ukraine's bid to join the World Trade Organisation (WT).

A high priority of the UK presidency was to fulfil the commitment made twelve months earlier to begin negotiations with Turkey for EU membership. The meeting of Foreign Ministers in Luxembourg on 3-4 October was the key date. Austria was facing fierce popular opposition to Turkey's membership and continued, until late on the first day, to refuse to give its consent, arguing that some form of favoured nation status should be offered instead, an option which the Turkish government consistently refused. Austria was also pressing for the opening of membership negotiations with Croatia, frozen because of that country's failure to co-operate in the hunt for alleged war criminals. Late in the

evening Carla del Ponte, the chief prosecutor at the UN's International Criminal Tribunal for the Former Yugoslavia (ICTY), declared Croatia "in full co-operation" with the Tribunal. This meant that the Croatian application could go ahead, clearing the way for Austrian agreement to begin talks with Turkey (see pp. 72; 95). Abdullah Gul, Turkey's Foreign Minister, flew into Luxembourg to join his EU colleagues on the evening of 3 October. "This is an historic moment", he said. "Turkey is stepping into a new era".

The chill in relations between the USA and several European countries, including France and Germany, showed remarkably rapid warming in the first weeks of the new year, following the inauguration of US President George W. Bush for his second term. Decisions had clearly been taken in Washington DC that it was time to end the stand-off and try to establish stronger personal and working relationships. A feature of the new approach was the attention given by the USA to the EU and its institutions, as well as to individual governments. Early in February, US Secretary of State Condoleezza Rice visited Brussels to meet the European Commission and the Council in order to prepare for the President's visit later in the month. A meeting with UK Prime Minister Blair and a dinner with France's President Chirac were early appointments in Bush's Brussels visit. There were visits to the headquarters of NATO and the European institutions, and the visit concluded with a press conference flanked by Luxembourg Prime Minister Juncker and Commission President Barroso before the US President flew to Mainz for a meeting with the German Chancellor. "Europe and America have reconnected", was the comment of Barroso.

Transatlantic relations were relatively calm for most of the year following the Bush visit, although contentious trade issues continued to arise, including the question of subsidies to the aircraft manufacturer Airbus and the announced intention of the EU to allow exports of military equipment to China. The US refusal to join the Kyoto process on climate change remained a divisive issue. There was some souring of relations over the alleged "rendition" of terrorist suspects and rumours of the existence of secret detention camps across Europe. In December leaders of the European Parliament decided to launch an investigation, despite a statement by Condoleezza Rice, made just before travelling to Berlin and Brussels, that nothing had been done outside the knowledge of European governments and denying that the USA condoned the use of torture (see p. 121).

TRADE NEGOTIATIONS. Despite sending four ministers to a specially convened Foreign Ministers meeting in October, France failed to persuade EU ministers to withdraw the negotiating mandate of EU Trade Commissioner Peter Mandelson for the crucial December meeting of the Doha WTO round in Hong Kong. The German government supported Mandelson. The mandate gave the Commissioner scope to negotiate on agricultural matters within the limits of the reforms of the common agricultural policy. The Hong Kong meeting ended with a whimper, but the EU did commit itself to the elimination of export subsidies on agricultural goods by 2013, three years later than the USA had demanded (see p. xxx). EU Commissioners Mandelson and Fischer Boel called the agreement

"a genuine advance for the agriculture negotiations and for the development goals of the Doha round".

The looming shadow of world trade talks led to a partial reform of the subsidies paid to European sugar producers. Ministers agreed in November to a 36 per cent cut in the guaranteed price of sugar over four years—twice the time originally proposed by the Commission—and accompanied by substantial direct subsidies to soften the blow to producers.

EUROPEAN ORGANISATIONS

THE COUNCIL OF EUROPE

DATE OF FOUNDATION: 1949 HEADQUARTERS: Strasbourg, France
OBJECTIVES: To strengthen pluralist democracy, the rule of law and the maintenance of human rights in Europe and to further political, social and cultural co-operation between member states
MEMBERSHIP(END-'05): Albania, Andorra, Armenia, Austria, Azerbaijan, Belgium, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Russia, San Marino, Serbia & Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, UK (total 46)
SECRETARY GENERAL: Terry Davis (UK)

THE leaders of the member countries of the Council of Europe met in Warsaw, the capital of Poland, on 16-17 May for a rare summit. Three subjects dominated the agenda: the legal framework for dealing with terrorism; the problem of people-trafficking; and the relationship between the Strasbourg institution with its forty-six member countries and the newly enlarged European Union with twenty-five members, all of them in the Council of Europe. An action plan was approved in Warsaw which included a commitment to sustain the European Court of Human Rights, condemned terrorism, and undertook to combat corruption and organised crime. Three conventions were opened for signature: against traffic in human beings; on the prevention of terrorism; and on laundering, search, seizure, and confiscation of the proceeds of crime. Peter Hammarberg, formerly Secretary General of the human rights organisation, Amnesty International, was appointed human rights commissioner.

There was a growing feeling that the Council of Europe was losing ground to the EU in areas which were formerly its own preserve, raising long-term questions about its future. The Warsaw summit, therefore, called on the Council of Europe to strengthen its relations with the EU and appointed Luxembourg's Prime Minister Jean-Claude Juncker to prepare a political report on the issue to be delivered in 2006. Symbolic of the relationship between the two European organisations was the joint ceremony held in November to celebrate the 50th anniversary of the European flag—twelve gold stars on a blue background—a symbol of European unity first flown by the Council of Europe and formally adopted by the EU in 1985.

The need to protect civil liberties in the face of terrorist threats was an abiding theme of the year. In the words of the Council of Europe Secretary General, Terry

Davis, "We cannot allow our societies to find themselves under attack at the same time not only from terrorists but also from governments, however well motivated, restricting freedom and civil liberties for the sake of security."

Detention by the USA of so-called "enemy combatants" at the US military detention centre at Guantánamo Bay, Cuba, provoked a strong reaction in the Parliamentary Assembly of the Council of Europe, which adopted a resolution in April calling on the US government to cease torturing and maltreating detainees and challenging the administration either to try them or release them. This issue took on new force as reports multiplied of the alleged "rendition" of prisoners by the CIA (the US Central Intelligence Agency) to camps in Europe and Asia (see p. 121). On 7 November the legal affairs committee appointed its chairman, Dick Marty (Switzerland), as rapporteur to examine the allegations. Article 52 of the European Convention on Human Rights was invoked, authorising the Council formally to request information from member countries as part of a broader enquiry into reports of rendition and secret camps.

The Council entered other sensitive territory in observing elections in Chechnya, while its Venice commission of eminent lawyers (the Commission for Democracy through Law) was asked to give an opinion on the conditions under which part of a country could seek its own independence, with particular reference to Montenegro and its relationship with Serbia (see pp. 98-99).

ORGANIZATION FOR SECURITY AND CO-OPERATION IN EUROPE (OSCE)

DATE OF FOUNDATION: 1975 HEADQUARTERS: Vienna, Austria
OBJECTIVES: To promote security and co-operation among member states, particularly in respect of the resolution of internal and external conflicts
MEMBERSHIP(END-'05): Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia & Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Holy See (Vatican), Hungary, Iceland, Ireland, Italy, Kazakhstan, Kyrgyzstan, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, San Marino, Serbia & Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, UK, USA, Uzbekistan (total 55)
CHAIRMAN-IN-OFFICE (2005): Dimitrij Rupel (Slovenia)

THE Slovenian Foreign Minister, Dimitrij Rupel, the Chairman-in-Office, opened his year's term with a powerful call for the "revitalisation, reform and rebalancing" of the Organisation, responding to the criticism by Russia that it had favoured the interests of Western members and disadvantaged those of others (see AR 2004, pp. 400-01). Russia had particularly perceived OSCE criticism of elections in Georgia (2003) and Ukraine (2004) as contributing to public protests which had brought about changes of government deleterious to Russia's relations with those states. Consequentially, Russia blocked agreement on the Organisation's budget, complaining that it bore an inequitable share of contributions. The impasse was broken by an informal agreement reached in

Moscow in April, whereby reforms would be elaborated and members' contributions to budgets in 2007 would be kept in the 2004 proportions.

The review was conducted by a panel of eminent persons, chaired by Knut Vollbeaek, a former Norwegian Foreign Minister and OSCE Chairman. His report in June—*Common Purpose: Towards a More Effective OSCE*—comprised more than seventy recommendations. These included strengthening the role of the Secretary General without weakening that of the rotating Chairman, who should focus on creating consensus and the political handling of urgent crises. A new Secretary General, Marc Perrin de Brichambaud, who had been director for strategic affairs at the French Foreign Ministry since 1998, took office in the same month for a three-year term; his predecessor, Jan Kubis of Slovenia, had served two such terms.

At a ceremony commemorating the thirty years since the Helsinki Final Act (the Final Act of the Conference on Security and Co-operation in Europe of 1 August 1975 (see AR 1975, p. 319; for text see pp. 474-79), Rupel said that "the CSCE/Helsinki process was a key element in ending the Cold War and making Europe safer and more united". He looked forward to the OSCE's becoming "a fully-fledged international organisation with member states rather than participating states and with a legal personality". Such institutional strengthening was an objective of an agreement signed with the Council of Europe during the latter's Warsaw summit in May (see p. XXX). The two bodies pledged to co-operate, as Rupel observed, "in the protection of persons belonging to national minorities, combating trafficking in human beings, and in the fight against terrorism". Another agreement between the two agencies (17 November) underwrote their joint efforts to foster compliance with international standards by local governments in south-east Europe. A further stage in inter-agency collaboration was marked at the session of the OSCE's permanent council (Vienna, 3 November) addressed by NATO's Secretary General, Jaap de Hoop Scheffer.

By the end of his year in office (at a ministerial council in Ljubljana, Slovenia, on 5-6 December), Rupel could point to twenty important decisions. These included, notably, moves towards the resolution of conflicts in the southern Caucasus, specifically in Georgia and Nagorno-Karabakh. However, the anticipated progress on Kosovo had not been achieved, and Rupel perceived "back-pedalling on reforms in Uzbekistan". Specifically, he requested monitoring by the OSCE's office for democratic institutions and human rights (ODIHR) of the closed-court trials arising from the violence in Andijan in May (see pp. 267-68). Rupel was, however, optimistic for a resolution of disputes over the status of Kosovo and the Transdniester region in Moldova, and determined that the OSCE adapt to changes in the nature of conflict, notably in its counter-terrorism activities. That the latter should be conducted with due regard to protecting civil liberties was the topic of a joint declaration in December by special rapporteurs of the OSCE, the UN, and the Organisation of American States on freedom of expression on the Internet.

The annual ministerial council failed to agree a resolution approving the operations of the ODIHR in monitoring elections, once again because of Russia's complaints of pro-Western bias. Russia cited as evidence the report

on Kazakhstan's presidential election in December, the shortcomings of which included campaigning restrictions and outsiders' interference at polling stations (see p. 269).

Other elections monitored included presidential elections in Kyrgyzstan in June ("tangible progress. . . though not without flaws"), and Romania in December ("potential multiple voting addressed"). Legislative elections were also monitored in Tajikistan in February ("widespread irregularities"); Moldova in March ("generally complied with OSCE standards [but] unequal campaign conditions and constrained media coverage"); Kyrgyzstan in February and April ("undermined by vote-buying, de-registration of candidates, interference with media"); Bulgaria in June ("confirms credible progress"); Albania in July ("complied only partially with international commitments"); and Azerbaijan in November ("progress in the pre-election period was undermined by deficiencies in the count"). Missions were also sent to monitor local elections in Macedonia in March and April ("well-conducted generally [but] ballot-box stuffing . . . intimidation of voters and election-board members"); Moldova in July ("calm, but not without shortcomings"); Albania in October ("improvements . . . and . . shortcomings"); and Azerbaijan in December ("fell short of a number of international standards").

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)

DATE OF FOUNDATION: 1991 HEADQUARTERS: London, UK
OBJECTIVES: To promote the economic reconstruction of former Communist-ruled countries on the basis of the free-market system and pluralism
MEMBERSHIP(END-'05): Albania, Armenia, Australia, Austria, Azerbaijan, Belarus, Belgium, Bosnia-Herzegovina, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, European Investment Bank, European Union, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Kazakhstan, Kyrgyzstan, South Korea, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Mexico, Moldova, Mongolia, Morocco, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russia, Serbia & Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, UK, USA, Uzbekistan (total 62)
PRESIDENT: Jean Lemierre (France)

IT was a measure of the EBRD's "quiet diplomacy" that its 4,000th trade facilitation transaction was effected in August by the issue of a US$391,000 letter of credit by Ineximbank of Kyrgyzstan to Russia's Vneshtorgbank for the import of KAMAZ lorries. The EBRD's trade facilitation programme (TFP) freed banks' working capital by building track records of participating banks and guaranteeing their trade-finance instruments. It was an important contributor to the EBRD's initiative for early transition countries (ETC), launched in 2004 for its "seven neediest members" (see AR 2004, p. 402). Eleven of the high-income member-states joined ETC as donors, and each of the seven recipient states had projects funded by the initiative. To emphasise the initiative's significance in the EBRD's strategy, the Bank's President, Jean Lemierre, himself joined the Georgian investment council, which had been established in March to promote private-sector

development and investment in Georgia and which was expected to become self-financing in eighteen months.

High priority was accorded to lending to small and medium enterprises (SMEs) and to development schemes in rural areas. The Bank's medium-sized co-financing facility shared with local banks the risks of lending, and its operation was exemplified by a US$3 million co-financing facility provided to the Armenian Economy Development Bank, Arcomeconombank, in which it had had a stake since December 2004. Correspondingly, the Bank's Russia small business fund had advanced US$1.97 billion to more than 230,000 borrowers since inception in 1994. In April a majority of shares in KMB, a bank which had played a crucial role in expanding the fund, was taken over by Italy's Banca Intesa, thereby injecting new capital into Russia's leading small-business bank, with the largest regional network of any foreign-owned bank.

The EBRD's business advisory services and its turnaround management programme used more than €120 million of donor funding for 4,000 enterprises in twenty-seven of the Bank's countries. SMEs were not the only recipient, for the Bank supported mortgage lending where, as in Kazakhstan, long-term funding was not readily available: it was to lend US$10 million over ten years to BTA Ipoteka, with half earmarked for mortgages elsewhere than the major cities of Almaty and Astana. Lemierre underscored the importance of this sector by signing two innovative microfinance deals in Tajikistan in June, and bringing that country into the TFP.

New country strategies were formulated for Armenia ("partial isolation will continue to impede economic development"); Azerbaijan ("progress . . . has been slow and uneven and many challenges remain"); Bosnia & Herzegovina; Croatia ("despite strong GDP growth . . . much remains to be done"); the Czech Republic ("enhance the competitiveness of the economy"); Latvia ("broadly favourable, but rising inflation"); Moldova ("prosperity will depend on renewed efforts to implement structural reform"); Romania; Tajikistan ("macroeconomic conditions have improved"); Ukraine ("taking important steps towards integrating into the European and world economy"); and Uzbekistan ("prospects for quick political liberalisation remain remote").

The annual meeting and business forum (Belgrade, Serbia, 22-23 May) attracted 3,000 participants, with opening statements by Lemierre and UK Prime Minister, Tony Blair. Steven Kaempfer, vice-president, finance, reported a significant surpassing of operational and financial targets but warned that the policy of financing more projects in poorer countries would "almost certainly entail greater risk". When subsequently nine-months results were published, new commitments in 2005 were €2.02 billion, compared with €2.27 billion in the same period of 2004, reflecting a trend towards more and smaller projects. Good performance on the Bank's equity portfolio was reflected in a rise in profit, after provisions, to €822 million, against €267 million the previous year. The meeting had been preceded by more regional seminars: in Tirana, Albania, on energy in February; and in Skopje, Macedonia, on private-sector financing in March.

Personnel changes included the resignation of Willem Buiter as the Bank's chief economist, to return to the London School of Economics. He was replaced by Erik Berglof, director of the Stockholm Institute of Transition Economics. The Bank conceded most of the staff council's demands in a dispute over pensions, at an annual additional cost of €3.9 million, under 2 per cent of the operating budget.

OTHER EUROPEAN ORGANISATIONS

European Free Trade Association (EFTA)

DATE OF FOUNDATION: 1960 HEADQUARTERS: Geneva, Switzerland
OBJECTIVES: To eliminate barriers to non-agricultural trade between members
MEMBERSHIP (END-'05): Iceland, Liechtenstein, Norway, Switzerland (total 4)
SECRETARY GENERAL: William Rossier (Switzerland)

Visegrad Group

DATE OF FOUNDATION: 1991 HEADQUARTERS: rotating
OBJECTIVES: Reducing trade barriers between members with a view to their eventual membership of the European Union
MEMBERSHIP(END-'05): Czech Republic, Hungary, Poland, Slovakia (total 4)
ROTATING PRESIDENCY: 2004-05: Poland; 2005-06: Hungary

Central European Initiative (CEI)

DATE OF FOUNDATION: 1992 HEADQUARTERS: rotating
OBJECTIVES: To promote the harmonisation of economic and other policies of member states
MEMBERSHIP(END-'05): Albania, Armenia, Belarus, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Italy, Macedonia, Moldova, Poland, Romania, Slovakia, Slovenia, Ukraine, Serbia and Montenegro (total 17)
DIRECTOR GENERAL: Harald Kreid (Austria)

IN the course of a busy year the EUROPEAN FREE TRADE AREA (EFTA) steadily worked towards broadening the range of countries with which it held trade agreements. Successful negotiations with South Korea led to the signing of an agreement in Hong Kong in December. An agreement was also concluded with the Southern Africa Customs Union and negotiations were opened with Thailand. EFTA and Indonesia embarked on a feasibility study of the prospects for formal negotiations. Agreement was reached with the USA on conformity assessments, certificates, and markings. Moves were made towards closer trade relations with Japan, China, and Russia. Bulgaria and Romania applied to become contracting parties to the European Economic Area agreement.

The year also brought membership for EFTA countries of the European Network and Information Security Agency and the European Railway Agency. A recurring preoccupation was to find ways of improving participation in EU advisory committees. Among issues the Council of Ministers addressed, and on which they attempted to influence EU policy, were the organisation of European air space and the open skies policy. It opposed proposals for additional charges or taxes on air travel and energetically pressed its views on the EU's approach to the World Trade Organisation (WTO) negotiations (see pp. xxx; xxx). Ministers also discussed the

fight against terrorism and the reform process of the Organisation for Security and Co-operation in Europe (OSCE) (see p. xxx). Finally, they embarked on a review of the organisation's own committee structure and financing.

The Prime Ministers of the four VISEGRAD countries met in June at Kazimierz Dolny in Poland. The meeting was held in the immediate wake of the London suicide bombings and the French and Dutch referendums on the EU constitution (see pp. 14-18; 40; 48). While making an unqualified condemnation of the bombings, the meeting's main concern lay with the implications of the twin rejection of the EU treaty. While considering that the reasons lay more with extraneous factors than with any deficiencies in the treaty itself, they acknowledged this as a "very serious challenge" to the EU, one that called for the European dream to be "rediscovered and revitalised". It was the responsibility of the leaders of the EU to provide Europe's citizens with a positive vision. And the group endorsed the vain hope that the ratification process should proceed. It also reiterated its support for further EU enlargement.

The group welcomed the commitment of the new government of Ukraine to reform and closer relations with the EU. Ministers confirmed their commitment to the EU-Ukraine action plan and lent support to measures facilitating Ukraine's accession to the WTO and to negotiations for a free trade agreement between the EU and Ukraine (see p. xxx).

Meeting in Budapest at the opening of the Hungarian presidency in July, Foreign Ministers addressed the presidency's priorities: bringing Visegrad co-operation closer to the people, strengthening the Group's cohesion, and promoting modernisation. Underlying this was a desire to increase members' influence on EU policy. A particular concern was to win early and concrete results on the financial framework for 2007-13 (see pp. xxx-xx). Now tacitly accepting that early progress on a European constitution was unlikely, Visegrad ministers again insisted that further enlargement was a key factor in achieving a stable, secure and prosperous Europe.

The group extensively explored possible fields of co-operation with the Benelux countries, including a range of joint activities. In particular the V4 countries, as they termed themselves, hoped to draw on the Benelux experience in such fields as the Schengen agreement, implementation of EU regulations, structural funds, spatial planning, environmental policy, and labour market issues.

The CENTRAL EUROPEAN INITIATIVE claimed to be the oldest and largest of the European sub-regional groups. Under the presidency of Slovakia and, subsequently, Albania, 2005 was hailed as a record year for CEI activity. Much of this was detailed and technical, building up to the annual summit economic forum in the Slovak capital, Bratislava, in November. The conference focused on the reforms needed to become competitive, with particular reference to improving the business environment and the development of telecommunications and transport infrastructures. Also at Bratislava, the relatively little known Parliamentary Assembly concentrated on seeking ways in which the CEI's parliamentary dimension might be strengthened.

ARAB ORGANISATIONS

League of Arab States

DATE OF FOUNDATION: 1945 HEADQUARTERS: Cairo, Egypt
OBJECTIVES: To co-ordinate political, economic, social and cultural co-operation between member states and to mediate in disputes between them
MEMBERSHIP (END-'05): Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen (total 22)
SECRETARY GENERAL: Amre Moussa (Egypt)

Gulf Co-operation Council (GCC)

DATE OF FOUNDATION: 1981 HEADQUARTERS: Riyadh, Saudi Arabia
OBJECTIVES: To promote co-operation between member states in all fields with a view to achieving unity
MEMBERSHIP (END-'05): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates (total 6)
SECRETARY GENERAL: Abdulrahman al-Attiya (Qatar)

Arab Maghreb Union (AMU)

DATE OF FOUNDATION: 1989 HEADQUARTERS: Casablanca, Morocco
OBJECTIVES: To strengthen "the bonds of brotherhood" between member states, particularly in the area of economic development
MEMBERSHIP (END-'05): Algeria, Libya, Mauritania, Morocco, Tunisia (total 5)
SECRETARY GENERAL: Habib Boulares (Tunisia)

The LEAGUE OF ARAB STATES (ARAB LEAGUE) held its seventeenth summit meeting in Algiers, the capital of Algeria, on 22-23 March. The summit took place against a backdrop of dramatic changes in the Middle East. In Iraq, despite the bloody insurgency against US-led occupying forces, efforts were underway to build democracy after elections in January (see pp. 184-90). In Lebanon, prompted by the assassination in February of former Prime Minister Rafik al-Hariri, thousands of people were demonstrating for greater democracy and the withdrawal of Syrian troops after three decades (see pp. 182-83). And on the Israeli-Palestinian issue, both sides had reached an uneasy truce as peace efforts intensified following the election of the moderate Mahmoud Abbas as the successor to Palestinian leader Yassir Arafat (see pp. 173-77). Yet despite these significant developments, and increasingly vocal calls for Arab leaders to assume responsibility for their peoples' expectations, the summit achieved little. Only thirteen of the twenty-two Arab League leaders attended and few resolutions were passed. Jordan's King Abdullah II, Lebanese President Emile Lahoud, and Saudi Arabia's then de facto ruler Crown Prince Abdullah bin Abdul Aziz were among those absent.

The crisis in Lebanon was not mentioned in the summit's official communiqué, but support was given to Syria against "foreign intervention". In an address to the summit, UN Secretary-General Kofi Annan said that he was encouraged by a Syrian pledge to "comply fully" with UN Security Council res-

olutions demanding its withdrawal from Lebanon. Annan, who held talks with Syrian President Bashar al-Assad at the summit, said earlier that the latter had promised to draw up a precise timetable for withdrawal of all Syrian troops and intelligence agents during April. In his speech to the summit, Libya's leader Colonel Moamar Kadhafi defended Syria's role in Lebanon and launched an attack on the UN Security Council's double standards, calling it a "terrorist organisation". On the question of the Israeli-Palestinian peace process, Arab League Secretary General Amre Moussa said that "commitment should be only in return for commitment". Israel, Moussa said, "still imagines that rights will be forgotten . . . that the Arabs will normalise relations without any equivalent worth mentioning. It cannot happen."

The Arab League's interim parliament held its inaugural session in Cairo (the capital of Egypt) on 27 December. The eighty-eight-member body was made up of four delegates chosen from the legislatures or advisory councils of each Arab League member state. The interim parliament was to be based in Syria and would meet twice a year in order to draft the arrangements for a permanent Arab parliament by 2011. The interim parliament had no legislative powers and its inauguration provoked widespread scepticism, as analysts noted that many countries had sent deputies from un-elected bodies while others had excluded any opposition participation.

The creation of the Arab parliament was part of a package of institutional changes promoted by Secretary General Moussa as a way of modernising the sixty-year-old institution and improving its lacklustre image. Other recommendations from the Arab League, such as the establishment of a regional security council and court of justice, had not been endorsed by heads of state. The interim parliament elected Mohammad Jassim al-Saqr, a Kuwaiti liberal, as its Speaker.

The 26th summit meeting of the GULF CO-OPERATION COUNCIL (GCC) took place in Abu Dhabi, in the United Arab Emirates (UAE), on 18-19 December. The summit was named the "King Fahd summit" in honour of King Fahd ibn Abdul Aziz of Saudi Arabia who had died in August (for obituary see p. XXX). In a final communiqué, the GCC Supreme Council noted with "satisfaction" the efforts exerted and measures adopted by the member states to combat terrorism on both the regional and international levels. It welcomed the outcome of the international anti-terrorism conference hosted by Saudi Arabia in February. It was agreed to hold the 27th summit in Riyadh, the Saudi capital, in December 2006.

Abd al-Rahman Mohammed Shalgam, the Libyan Secretary for Foreign Liaison and International Co-operation, announced on 25 May that the seventh summit of the largely moribund ARAB MAGHREB UNION (AMU), scheduled to be held in Libya in late May, had been postponed for "objective reasons that convinced everybody". The sixth AMU summit had been held in Tunisia in 1994. The postponement came after King Mohammed VI of Morocco had announced

that he would not attend because of Algeria's recent "surprising stances" over the issue of Western Sahara (see p. 210). Algeria supported the pro-independence Polisario Front.

The first ARAB-SOUTH AMERICA SUMMIT was held in Brasilia, the capital of Brazil, on 10-11 May and was attended by sixteen heads of state and government, high-level ministers from another eighteen countries, and officials from sub-regional blocs. The unprecedented summit was attended by twenty-two Arab delegations (Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, the Palestine National Authority (PNA), Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the UAE, and Yemen); twelve South American delegations (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay, and Venezuela); and delegations from the Arab League, the GCC, Mercosur (the South American Common Market), and the Andean Community (CAN).

The Brasilia declaration, issued at the end of the summit, expressed "deep concern" over unilateral sanctions imposed on Syria by the USA in May 2004 (see AR 2004, pp. 191-92), saying that these violated principles of international law. The declaration reaffirmed the need to reach "a just, durable and comprehensive peace in the Middle East on the basis of the principle of land for peace". It also called on the UK and Argentina to resume negotiations to reach "a peaceful, fair and lasting solution" to the sovereignty dispute over the Falklands (Malvinas) Islands. The declaration also contained sections on cultural and economic co-operation, international trade, and sustainable development. It was agreed that a meeting of Foreign Ministers would be held in Argentina in 2007 and that a second summit would take place in Morocco in 2008.

AFRICAN ORGANISATIONS AND CONFERENCES

African Union (AU)

DATE OF FOUNDATION: 2001 HEADQUARTERS: Addis Ababa, Ethiopia
OBJECTIVES: To promote the unity, solidarity and co-operation of African states, to defend their sovereignty, to promote democratic principles, human rights and substainable development and to accelerate the political and socio-economic integration of the continent
MEMBERSHIP (END-'05): Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sahrawi, São Tomé & Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe (total 53)
CHAIRMAN: President Olusegun Obasanjo (Nigeria)

Economic Community of West African States (ECOWAS)

DATE OF FOUNDATION: 1975 HEADQUARTERS: Abuja, Nigeria
OBJECTIVES: To seek the creation of an economic union of member states
MEMBERSHIP (END-'05): Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo (total 15)
SECRETARY GENERAL: Executive Secretary: Mohamed ibn Chambas (Ghana)

Southern African Development Community (SADC)

DATE OF FOUNDATION: 1992 HEADQUARTERS: Gaboro, Botswana
OBJECTIVES: To work towards the creation of a regional common market
MEMBERSHIP (END-'05): Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe (total 14)
EXECUTIVE SECRETARY: Tomaz Augusto Salomão (Mozambique)

MEETINGS of African heads of state under the umbrella of the AFRICAN UNION (AU) became even more frequent in 2005. Because of the crisis in western Sudan (Darfur) the AU moved its July summit from Khartoum, the Sudanese capital, to Tripoli, the Libyan capital, and instead of the Sudanese President becoming the new chairman of the AU, Nigeria's President Olusegun Obasanjo remained in office for an extra six months until the next of what were becoming biannual summits.

A special summit was held in Addis Ababa, Ethiopia, in August to discuss the issue of African representation on an enlarged UN Security Council. Much time and lobbying was spent on this before the UN meeting in September (see p. xxx), especially by the three countries thought to be in contention for a seat on an enlarged council: Egypt, Nigeria, and South Africa. The AU insisted that at least two African countries should sit on the Security Council, that the AU should select which ones, and that the holders of the African seats should have all the prerogatives and privileges of permanent membership, including the power of veto. This latter precondition did not help the case for reform, and the year ended without any progress on the issue. Similarly, the AU's efforts to secure reform of other global multinational institutions, including the IMF and the World Trade Organisation (WTO), got nowhere.

President Thabo Mbeki of South Africa agreed at the request of the AU chairman to mediate on behalf of the AU in the conflict resolution process in Côte d'Ivoire, after the ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS) had failed to end the civil war there. After visits by the main political leaders of Côte d'Ivoire to South Africa, and by Mbeki to Côte d'Ivoire, eventually an agreement was reached on a new Prime Minister (see pp. 231-32).

The AU sent a multinational peacekeeping force of 7,000 to Darfur, although the bulk of the cost of the operation was borne by international donors, and the USA in particular wanted the AU force in Darfur to be brought under UN control. The Sudanese government, however, would not agree to an armed UN presence on its soil. At the beginning of the year it was one of the lesser-known regional organisations under the AU, the Intergovernmental Authority on Development (IGAD), which had long been a mediator in the conflict between the Sudanese government and the southern rebel Sudan People's Liberation Movement (SPLM), that successfully brokered a peace deal for southern Sudan (see pp. 201-03).

While the AU had a policy of not recognising governments that came to power as a result of a coup, it waived this in the cases of Mauritania and the Central African Republic in 2005 because the new governments in those two countries were clearly better than their ousted predecessors (see pp. 229-30; 236).

All AU operations suffered from funding constraints, but the Pan African Parliament (PAP) was particularly badly hit. Funded almost entirely by its host country, South Africa, its third session took place in April, and a fourth in a new building at Midrand, between Johannesburg and Pretoria, in September. The PAP sent missions to Côte d'Ivoire and the Democratic Republic of Congo, but largely remained an expensive talking-shop.

The AU's most critical intervention was the voluntary African Peer Review Mechanism (APRM) set up under the New Partnership for Africa's Development (NEPAD). The aim was to show foreign and local investors that countries were committed to good governance, accountability, and investor-friendly economic policies. A panel of eminent persons appointed by the AU was charged with the implementation and oversight of the process; the chairperson was Adebayo Adedeji of Nigeria, and other members included Graca Machel of Mozambique and individuals from Senegal, Kenya, Algeria, Cameroon, and South Africa. Though more countries signed up for peer review during the course of the year, by the end of 2005 fewer than half of Africa's fifty-three states had put themselves forward, and those that had not were the ones which most needed investigation. The first peer review reports—on Ghana and Rwanda—were completed, but not yet published. In late 2005, South Africa was preparing a self-assessment as part of the review that would take place in 2006. After complaints from civil society organisations in South Africa that they had not been sufficiently consulted, ten of the fifteen places on the APRM governing council set up by the South African government were given to them. However, critics of the APRM maintained that there was not the capacity to carry out any major in-depth investigation and pointed out that that there were no means to enforce any recommendations that came out of the APRM process

The AU's credibility was severely tested over its failure to condemn the gross example of poor governance in Zimbabwe and the anti-democratic practices of the absolute monarchy of Swaziland. A member of the eleven-person African Commission on Human and People's Rights (ACHPR, an agency of the AU) was sent to Zimbabwe in July to investigate the controversial urban clean-up campaign there, "operation murambatsvina" (see pp. 252-53); another ACHPR member went to Mauritania after the coup there. Though the Zimbabwe opposition demanded that its government comply with the SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) electoral guidelines, SADC did nothing to ensure that these were observed. At the end of 2005, the ACHPR did at last condemn Zimbabwean President Robert Mugabe's human rights record and found that the Zimbabwean government had violated the AU's charter, but it remained to be seen what impact the report would have; the one previous critical report from the Commission, in 2002, had been sidelined.

ASIA-PACIFIC ORGANISATIONS

Association of South-East Asian Nations (ASEAN)

DATE OF FOUNDATION: 1967 HEADQUARTERS: Jakarta, Indonesia
OBJECTIVES: To accelerate economic growth, social progress and cultural development in the region
MEMBERSHIP (END-'05): Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam (total 10)
SECRETARY GENERAL: Ong Keng Yong (Singapore)

Asia-Pacific Economic Co-operation (APEC)

DATE OF FOUNDATION: 1989 HEADQUARTERS: Singapore
OBJECTIVES: To promote market-oriented economic development and co-operation in the Pacific Rim countries
MEMBERSHIP (END-'05): Australia, Brunei, Canada, Chile, China, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, Russia, Singapore, Taiwan, Thailand, USA, Vietnam (total 21)
EXECUTIVE DIRECTOR: Choi Seok Young (South Korea)

South Asian Association for Regional Co-operation (SAARC)

DATE OF FOUNDATION: 1985 HEADQUARTERS: Kathmandu, Nepal
OBJECTIVES: To promote collaboration and mutual assistance in the economic, social, cultural and technical fields
MEMBERSHIP (END-'05): Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka (total 8)
OBSERVER MEMBERS: China, Japan (total 2)
SECRETARY GENERAL: Q.A.M.A Rahim (Bangladesh)

Pacific Islands Forum (PIF)

DATE OF FOUNDATION: 1971 (as South Pacific Forum) HEADQUARTERS: Suva, Fiji
OBJECTIVES: To enhance the economic and social well-being of the people of the Pacific, in support of the efforts of the members' governments
MEMBERSHIP (END-'05): Australia, Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu (total 16)
SECRETARY GENERAL: Greg Urwin (Australia)

Pacific Community (PC)

DATE OF FOUNDATION: 1947 (as South Pacific Commission) HEADQUARTERS: Noumea, New Caledonia
OBJECTIVES: To facilitate political and other co-operation between member states and territories
MEMBERSHIP (END-'05): American Samoa, Australia, Cook Islands, Fiji, France, French Polynesia, Guam, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, New Caledonia, New Zealand, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, UK, USA, Vanuatu, Wallis & Futuna Islands (total 27)
DIRECTOR GENERAL: Jimmie Rodgers (Solomon Islands)

Asian Development Bank (ADB)

DATE OF FOUNDATION: 1966 HEADQUARTERS: Manila, Philippines
OBJECTIVES: To improve the welfare of the people in Asia and the Pacific, particularly the 1.9 billion who live on less than $2 a day
MEMBERSHIP (END-'05): REGIONAL MEMBERS: Afghanistan, Armenia, Australia, Azerbaijan, Bangladesh, Bhutan, Burma (Myanmar), Cambodia, China, Cook Islands, East Timor, Fiji, Hong Kong, India, Indonesia, Japan, Kazakhstan, Kiribati, Kyrgyzstan, Laos, Malaysia, Maldives, Marshall Islands, Federated States of Micronesia, Mongolia, Nauru, Nepal, New Zealand, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Taiwan, Tajikistan, Thailand, Tonga, Turkmenistan, Tuvalu, Uzbekistan, Vanuatu, Vietnam (total 46); NON REGIONAL MEMBERS: Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, UK, USA (total 18)
PRESIDENT: Haruhiko Kuroda (Japan)

THE eleventh summit meeting of the ASSOCIATION OF SOUTH-EAST ASIAN NATIONS (ASEAN) was held on 12-14 December in Kuala Lumpur, the capital of Malaysia, along with the related ASEAN+3 (China, Japan, and South Korea) and meetings with India and Russia. The most significant act of the summit was a call by other ASEAN leaders for Burma to release political prisoners and to show that it was making progress towards restoring democracy. Such explicit criticism indicated increasing impatience by other ASEAN members towards Burma's ruling military junta. At a meeting of ASEAN Foreign Ministers in Vientiane (the capital of Laos), on 26 July, Burma had announced that it would forgo its scheduled 2006 chairmanship of ASEAN and would instead focus on democratisation and national reconciliation. On the eve of the meeting, both the EU and the USA had threatened to boycott meetings chaired by Burma, but it was thought that discreet pressure from fellow ASEAN members Thailand, Malaysia, and the Philippines had prompted Burma's withdrawal (see pp. 289-90).

The first EAST ASIA SUMMIT (EAS) was held in Kuala Lumpur on 14 December on the margins of the eleventh ASEAN summit. In addition to the ten ASEAN members, the summit was attended by representatives from Australia, China, India, Japan, South Korea, and New Zealand. The EAS was intended as a forum for the discussion of "broad strategic, political and economic issues of common interest" and was planned as an annual event. However, China and some ASEAN countries were believed to be uneasy with the inclusion of India and the "Western" influence of Australia and New Zealand within the grouping. Apart from a general commitment to the promotion of peace, stability, and prosperity, the summit's closing statement also pledged co-operation in preventing an avian influenza epidemic (see p. 289).

A summit meeting of leaders of the ASIA-PACIFIC ECONOMIC CO-OPERATION (APEC) forum was held on 18-19 November in Pusan, South Korea. The meeting produced two closing statements. One specifically concerned free trade, and called for a concerted effort at the ministerial meeting of the World Trade Organisation in Hong Kong in mid-December, to revive the stagnating Doha round of talks on multilateral trade liberalisation, due for completion in 2006 (see p. xxx). Australia, Canada, and the USA wanted to include specific criticism of the EU for its reluctance to cut agricultural subsidies, but this was diluted by other participants to a general call for all WTO members to show more flexibility. The summit's general communiqué covered a wide range of themes, including avian influenza, terrorism, corruption, and closer economic co-operation.

Leaders of the SOUTH ASIAN ASSOCIATION FOR REGIONAL CO-OPERATION (SAARC) held their thirteenth summit meeting on 12-13 November in Dhaka, the capital of Bangladesh. Whilst some leaders expressed frustration at the association's lack of concrete achievement since its formation in 1985, analysts noted that improving relations between India and Pakistan gave grounds for hope that this might change. The meeting's closing declaration called for a "decade of implementation" of aims and principles. This included a determination to make the planned South Asia Free Trade Area (SAFTA) operational by 1 January, 2006; directives to implement a SAARC action plan for poverty alleviation; the coming into force of an additional protocol to the SAARC convention on terrorism; and the adoption of Bangladesh's proposal for region-wide afforestation programmes. The summit decided to admit Afghanistan as the eighth SAARC member.

The 36th meeting of the PACIFIC ISLANDS FORUM (PIF) was held on 25-27 October in Port Moresby, the capital of Papua New Guinea, together with the retreat of Madang. The leaders endorsed the Kalibobo Road Map (KRM) for implementing the Pacific Plan regional co-operation accord which had been first agreed in 2004 (see AR 2004, p. 414). The KRM consisted of twenty-four initiatives under the four pillars of the plan. Under economic growth there were seven initiatives, including the expansion of trade in goods through the 1980 South Pacific regional trade and co-operation agreement (SPARTECA), the 2001 Pacific Island Countries trade agreement (PICTA), and the Pacific agreement on closer economic relations (PACER). Under sustainable development there were eight initiatives, largely concerning environmental protection and the harmonisation of health measures, including the implementation of a strategy to combat HIV/AIDS. There were five initiatives under good governance, such as the building of leadership codes, anti-corruption institutions, and judicial training. The four initiatives under security included the mitigation and management of natural disasters.

The fourth conference of the PACIFIC COMMUNITY (PC) was held in Koror, the capital of Palau, on 18 November. The conference appointed Jimmie Rodgers from the Solomon Islands as the new Director General in place of Lourdes Pangelinan.

At the conclusion on 6 May of the 38th annual meeting of the ASIAN DEVELOPMENT BANK (ADB) board of governors in Istanbul, Turkey, ADB President Haruhiko Kuroda confirmed the bank's commitment to institutional change and renewal. Kuroda said that the ADB was "firmly committed" to reducing poverty and achieving the UN's millennium development goals (MDGs) in the Asia and Pacific region.

AMERICAN AND CARIBBEAN ORGANISATIONS

Organisation of American States (OAS)

DATE OF FOUNDATION: 1951 HEADQUARTERS: Washington DC, USA
OBJECTIVES: To facilitate political, economic and other co-operation between member states and to defend their territorial integrity and independence
MEMBERSHIP (END-'05): Antigua & Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Cuba (suspended), Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Suriname, Trinidad & Tobago, United States of America, Uruguay, Venezuela (total 35)
SECRETARY GENERAL: José Miguel Insulza (Chile)

Rio Group

DATE OF FOUNDATION: 1987 HEADQUARTERS: rotating
OBJECTIVES: To provide a regional mechanism for joint political action
MEMBERSHIP (END-'05): Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela (total 19)

Association of Caribbean States (ACS)

DATE OF FOUNDATION: 1994 HEADQUARTERS: Port of Spain, Trinidad
OBJECTIVES: To foster economic, social and political co-operation with a view to building a distinctive bloc of Caribbean littoral states
MEMBERSHIP (END-'05): Caricom members plus Aruba, Colombia, Costa Rica, Cuba, Dominican Republic, El Salvador, France, Guatemala, Honduras, Mexico, Netherlands Antilles, Nicaragua, Panama, Venezuela; minus Montserrat (total 28)
SECRETARY GENERAL: Rubén Arturo Silié Valdez (Dominican Republic)

Southern Common Market (Mercosur)

DATE OF FOUNDATION: 1991 HEADQUARTERS: Montevideo, Uruguay
OBJECTIVES: To build a genuine common market between member states
MEMBERSHIP (END-'05): Argentina, Brazil, Paraguay, Uruguay. (total 4)
ASSOCIATE MEMBERS: Chile, Bolivia, Peru, Venezuela (total 4)
SECRETARY GENERAL: Administrative Secretary: Santiago Gonzalez Cravino (Argentina)

Andean Community of Nations (Ancom/CAN)

DATE OF FOUNDATION: 1969 HEADQUARTERS: Lima, Peru
OBJECTIVES: To promote the economic development and integration of member states
MEMBERSHIP(END-'05): Bolivia, Colombia, Ecuador, Peru, Venezuela (total 5)
ASSOCIATE MEMBERS: Argentina, Brazil, Paraguay, Uruguay. (total 4)
SECRETARY GENERAL: Allan Wagner Tizón (Peru)

Caribbean Community and Common Market (Caricom)

DATE OF FOUNDATION: 1973 HEADQUARTERS: Georgetown, Guyana
OBJECTIVES: To facilitate economic, political and other co-operation between member states and to operate certain regional services
MEMBERSHIP(END-'05): Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti (suspended), Jamaica, Montserrat, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines, Suriname, Trinidad & Tobago (total 15)
ASSOCIATE MEMBERS: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Turk & Caicos Islands (total 5)
SECRETARY GENERAL: Edwin Carrington (Trinidad & Tobago)

Organisation of Eastern Caribbean States (OECS)

DATE OF FOUNDATION: 1981 HEADQUARTERS: Castries, St Lucia
OBJECTIVES: To co-ordinate the external, defence, trade and monetary policies of member states
MEMBERSHIP (END-'05): Anguilla, Antigua & Barbuda, British Virgin Islands, Dominica, Grenada, Montserrat, St Lucia, St Kitts & Nevis, St Vincent & the Grenadines (total 9)
DIRECTOR GENERAL: Len Ishmael

INTERNAL divisions within the ORGANISATION OF AMERICAN STATES (OAS) came to the fore during the year over who should replace Miguel Rodríguez Echeverría as Secretary General (see AR 2004, p. 416). Two candidates stood for election on 11 April: Luis Ernesto Derbez, Foreign Minister of Mexico, and José Miguel Insulza, Interior Mminister of Chile. A third candidate, Francisco Flores—a former President of El Salvador, who had the support of the USA—withdrew prior to the vote. When the election was held, both Derbez and Insulza received seventeen votes and despite attempts to break the deadlock no resolution was possible. The pattern of voting seemed to indicate a division between North and Central American states on the one hand (supporting Derbez) and the South American and Caribbean states on the other (supporting Insulza). Because of the failure to choose a new Secretary General in April, a re-run election was organised for 2 May. However, in a surprise move prior to the vote, Derbez withdrew his candidacy "in order to prevent a breakdown of hemispheric relations". This left Insulza as the sole candidate for the post, and he was duly elected.

The nineteenth summit of the RIO GROUP was held on 25-26 August, but without the Presidents who were scheduled to attend. Rather the summit was downgraded to a meeting of Foreign Ministers and other officials. A spokesman for the Argentinian Foreign Ministry, which hosted the gathering, denied that the absence of heads of state indicated a lack of interest on the part of members. Nevertheless, little of substance was achieved at the summit. Of more interest were two meetings that the Rio Group held with Russia and the EU. On 17 February, counter-terrorism experts from the Rio Group and Russia met in Trinidad & Tobago and discussed their respective experiences in dealing with terrorist threats. They also agreed to strengthen their cooperation in this area. Subsequently, on 26-27 May, the twelfth ministerial meeting of the Rio Group and the EU was held in Luxembourg. Issues discussed included the progress made in deepening integration and co-operation between the two regions, the situation in Haiti, and the fight against poverty.

The ASSOCIATION OF CARIBBEAN STATES (ACS) celebrated its tenth anniversary in 2005, and held its fourth summit of heads of state and/or government in Panama at the end of July. In the "declaration of Panama", which was released at the end of the summit, a number of rather bland commitments and observations were made. Among the more interesting was a call to strengthen co-operation with the EU, an appeal to the US government to end its embargo against Cuba, a pledge to take the necessary measures to ensure that the Caribbean sea was recognised by the UN as a special area of sustainable development, and a promise to support greater economic and trade co-operation amongst ACS member states.

At a meeting of SOUTHERN COMMON MARKET (Mercosur) states on 8-9 December in Uruguay it was agreed that Venezuela would become the fifth full member of the organisation. However, no time frame was given for the country's accession, and questions were raised in some quarters about Venezuela's likely adherence to Mercosur's principles of open trade, private sector-led integration, and democracy. Later in December, Mercosur announced that Bolivia would be invited to join the organisation as a full member.

On 7 July the ANDEAN COMMUNITY OF NATIONS (ANCOM/CAN) granted associate membership status to Argentina, Brazil, Paraguay, and Uruguay (the member countries of Mercosur). Andean Community Secretary General Allan Wagner Tizon welcomed the move and stated that it was "highly symbolic and a matter of the greatest importance for the convergence of the two subregional blocs". In other news, it was announced that the volume of trade between CAN members reached a record high in 2004.

A summit meeting of CARIBBEAN COMMUNITY AND COMMON MARKET (CARICOM) heads of government took place on 3-6 July in St Lucia, and reviewed the state of readiness of Caricom members to participate fully in the Caribbean single market and economy (CSME) by the end of December. Despite firm assurances that all Caricom members—with the exception of the Bahamas, Haiti, and Montserrat—would join on time, only six states had become full members of the CSME by the end of the year: Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad & Tobago. It was expected that countries belonging to the ORGANISATION OF EASTERN CARIBBEAN STATES would join the CSME by March 2006. Membership of the CSME allowed for the free movement of goods, services and skilled workers.

In other developments, the long-planned Caribbean Court of Justice (CCJ) was launched on 16 April in Trinidad & Tobago. The CCJ operated as a court to deal with matters arising from the CSME, and as a final court of appeal for civil and criminal cases, thereby replacing the London-based Privy Council. Its first case was held on 7 November. In early December, the second Cuba-Caricom summit was held, and produced a call for greater regional integration and closer co-operation. Earlier in the year, Caricom Foreign Ministers had recom-

mended that the region's relationship with Brazil be formalised. The continued international pressure against the region's sugar and banana industries reinforced Caricom's desire for stronger links within the hemisphere.

The 41st meeting of the Authority of the ORGANISATION OF EASTERN CARIBBEAN STATES (OECS) was held in June. At the gathering, a range of issues was discussed including membership of the CSME, and the need to establish a regional development fund to enable the small states of the OECS to liberalise their markets without undue harm. An agreement was subsequently reached in December. In other developments the OECS established its technical mission to the World Trade Organisation in late June, and in September the sub-region jointly participated in the Grand Pavois Boat Show in France to secure new business opportunities for its yachting sector.

XII THE INTERNATIONAL ECONOMY IN 2005

THE growth of the world economy slowed sharply in 2005, from just over 5 per cent in 2004 to around 4.3 per cent, but the general picture was one of resilient growth which was only marginally affected by rising prices for oil and other commodities and by an exceptional series of natural disasters including two hurricanes that caused extensive damage to the infrastructure, including oil and refinery installations, of the south-eastern seaboard of the USA.

The USA continued to be the main driver of the world economy, but the continued rapid development of China and India was an increasingly important influence, not least on other developing countries. The growth of the developing countries slowed somewhat, to around 5.6 per cent in 2005, still more than twice as much as the developed countries although for many of them it remained below what was required if they were to meet the UN's millennium development goals.

A major concern in 2005 was the continued rise in the price of crude oil which reached a peak of around US$70 per barrel following Hurricane Katrina at the end of August. It then fell back to around US$60 by the end of the year. The growth of demand for oil was much smaller than in 2004, but the medium-term outlook was for continued pressure on available capacities, which left the price very sensitive to disruptions of supply, actual or threatened. Non-fuel commodity prices also rose in 2005, but by much less than in 2004 (roughly 10 per cent against 20 per cent) and they tended to decelerate through the year. Whether measured in current US dollars or SDRs (special drawing rights), these prices were still below their levels of the early 1980s.

Accompanying the slowdown in output growth, the volume of world trade grew by just 7 per cent compared with 11 percent in 2004. The growth of import demand fell sharply in the USA and China, and despite the appreciation of the euro it also weakened in the eurozone. There was some partial offset from increased import demand by oil exporters, but producers in the Middle East were reckoned to be saving more of their increased oil revenues than after the oil shocks of the 1970s. The total value of world trade rose by about 13 per cent (20 per cent in 2004), mainly reflecting higher commodity prices since those for manufactures were more or less flat.

The higher oil prices of 2004-05 led to some acceleration in worldwide inflation rates but this was limited and there was little sign of second-round effects on wage growth and core inflation. The latter was partly due to the offsetting price weakness of manufactured goods subject to intense international competition, exchange rate appreciation in some cases, and more generally to well-anchored expectations that monetary policy would react to any acceleration in prices. A worry for policy makers, however, was whether this benign prospect would survive a continued steady rise in oil prices or a severe supply-side shock to oil supplies.

Two weak features of the world economy in 2005 were investment and employment. Despite high levels of corporate profits, stronger balance sheets, and historically low, long-term interest rates, non-residential fixed investment across the globe showed little dynamism. There was no general agreement as to the causes of this. The second feature—partly related to the first—was the persistently limited impact even of high rates of economic growth in creating new jobs and absorbing high levels of both unemployment and underemployment.

One of the most pressing concerns in 2005 was the continued deterioration in the global distribution of current account balances and the lack of any consensus among political leaders on how to ensure an orderly adjustment, or on whether co-ordination was even needed. The current account deficit of the USA increased to more than US$800 billion—over 6 per cent of its GDP—and this was matched by larger surpluses in Europe, East Asia, and the oil-exporting countries. The largest surplus was that of the oil producers (OPEC, Norway, and Russia) which together reached some US$400 billion and was about double that of East Asia. There was disagreement over the origin of the imbalances. Some analysts and policy makers, especially in the USA, argued that they reflected a global, structural imbalance between savings and investment propensities, partly driven by demographic factors, and that therefore there was no need to worry about the continued financing of the US deficit. Outside the USA, and including the major international economic institutions, the imbalances were largely seen as the result of one-sided growth in the US economy where household expenditure had persistently run ahead of disposable income, thanks to a boom (or bubble) in house prices that supported rising levels of household indebtedness. Since household indebtedness must have a limit, the fear was that when the US consumer stopped borrowing and increased savings the fall in demand would not be offset elsewhere, thus risking a global recession. Against this background, the warnings of the governments of Japan and of several members of the eurozone to their central banks against a hasty move to higher interest rates had obvious implications for the global adjustment process.

WESTERN EUROPE was again the slowest growing region in the world economy in 2005. Although GDP growth and business confidence were improving for much of the year, there was a very sharp showdown in the last quarter, especially in France and Germany. The net result was an annual increase of 1.6 per cent, against some 2.25 per cent in 2004. In the eurozone growth was even weaker, at 1.3 per cent. The dampening effect of higher oil prices played a role, but the continuing caution of households towards spending and the moderate rate of fixed investment were also important; the main support to output thus continued to come from exports. Outside the eurozone growth slowed sharply in the UK, from 3.2 per cent in 2004 to 1.8 per cent and thus the offset that it had provided to the weakness of the eurozone in the previous four years was greatly reduced (see pp. 23-26). Denmark and Sweden continued to grow faster than the west European average, with household consumption and investment in both coun-

tries responding to lower interest rates. In Norway the mainland economy was booming on the back of surging oil revenues and strong domestic demand.

The new EU members in CENTRAL EUROPE AND THE BALTIC REGION maintained their dynamism in 2005, GDP growth averaging more than 4 per cent. This was less than in 2004 but most of the slowdown was due to Poland. The Baltic states retained their sobriquet of the "tigers" of central Europe with growth rates of 7 to 9 per cent. Growth was generally driven by external demand. Better than expected improvements in fiscal deficits and low inflationary pressures allowed interest rates to be cut, a move that was also intended to check currency appreciation. Improvements in the labour markets were marginal: employment rose slightly and unemployment fell a little. Unemployment rates of 17-18 per cent in Slovakia and Poland were by far the highest in the EU, although in the other new members they were below the average for the eurozone.

The economies of SOUTH-EAST EUROPE (THE BALKANS) grew rapidly in 2005, on average by some 5 per cent. Bulgaria, Croatia, and Romania benefited from their status as candidates for accession to the EU; investor and consumer confidence rose; foreign direct investment flowed in, contributing to restructuring and the expansion of export capacities. Elsewhere, post-conflict reconstruction together with macroeconomic stabilisation underpinned expansion. Growth was largely driven by private consumption and fixed investment and although exports increased considerably, import growth was even stronger. This pattern led to increases in already large current account deficits, and although normal for rapidly growing, emerging economies it left them vulnerable to external shocks. Inflation rates continued to fall under the influence of tight macroeconomic policies and increased competition in domestic markets. Unemployment rates fell in the three EU candidate countries but in the rest of the region (except Romania), they remained in double digits.

The COMMONWEALTH OF INDEPENDENT STATES (CIS) remained one of the most dynamic regions of the world economy in 2005 but after two years of exceptionally strong growth there was a deceleration to just over 6 per cent. The aggregate was heavily influenced by the two largest economies in the region: Russia, where oil production was affected by bottlenecks, and Ukraine, where the slowdown was particularly marked (from 12 to 4 per cent) partly because of a large deterioration in exports, especially of steel. Most of the smaller countries continued to grow rapidly despite many of them being net oil importers. Macroeconomic policies were generally expansionary, partly reflecting the attempts of commodity exporters to prevent an excessive appreciation of real exchange rates. Inflation rates in 2005 averaged around 12 per cent, higher than in 2004 and above government targets. There was little improvement in the labour markets: growth was relatively concentrated in capital-intensive sectors and there still appeared to be high levels of labour hoarding by enterprises. The current account surplus of the CIS as a whole rose from US$63 billion in 2004 to about US$105 billion.

In EAST ASIA AND THE PACIFIC GDP growth slowed somewhat from 8.3 per cent in 2004 to just under 8 per cent in 2005. Excluding China, the deceleration was from 6 to 5 per cent. The Chinese economy continued to expand rapidly, GDP

increasing by 9.6 per cent following 10 per cent growth in 2004. (In December the national economic census in China concluded that the economy was some 17 per cent larger than previously estimated, largely because of the systematic under-recording of private services. Consequently, annual growth rates from 1993 to 2004 were raised, on average by 0.5 percentage points). Domestic demand in China slowed considerably in 2005 following administrative controls on state-controlled investments, but the subsequent lifting of constraints on private investment and selective tax cuts led to a recovery from the third quarter: imports accelerated, export growth slowed, and the reduced contribution of net exports to growth suggested that the trade surplus (over US$100 billion for the year as a whole) would eventually start to level out.

Although the slowdown in China was relatively slight, it had—in combination with weaker global demand for electronic products—a major impact on the other economies in the region. The growth of China's imports from them was roughly half as much as in 2004. Higher oil prices led to large terms of trade losses for some of the oil importing countries, reducing GDP growth by 0.5 percentage points or more. Other negative factors included the slump in tourism following the December 2004 tsunami disaster (Hong Kong and Thailand especially) and the outbreaks of avian influenza. The latter were significant for countries such as Thailand, Vietnam, and the Philippines, where the poultry sector accounted for between 0.6 to 2 per cent of GDP.

Inflation picked up slightly in the second half of the year helped in part by currency appreciation against the US dollar. Higher oil prices led to some reduction in the region's large current account surplus. Although this partly reflected the weakness of investment, the role played by over-investment in the 1997 financial crises deterred governments from boosting it. Low interest rates led to a boom in property prices and this—also with echoes of 1997—was another reason for tightening monetary policy. Among the other worries of governments at the end of 2005 were fears of more protectionism in the EU and the USA against clothing and textiles, the possibility of further increases in oil prices, the risk of outbreaks of avian influenza causing considerable loss of life and economic damage, and concern that a disorderly adjustment of the global imbalances could have major consequences for East Asian exports and growth.

After years of deflation and virtual stagnation, the economy in JAPAN picked up strongly in the first half of 2005 following a slowdown in the second half of 2004 that had raised doubts about the sustainability of the recovery. But 2005 ended with unexpectedly strong output growth in the last quarter and for the year as a whole it was 2.8 per cent. The recovery was broadly based, with business investment, private consumption, and net exports all rising. There were still doubts as to whether deflation had been truly defeated and, for this reason, the government and a number of commentators were anxious that the Bank of Japan should not move too quickly to raise interest rates.

In SOUTH ASIA the average growth of GDP in 2005 was more or less the same as in 2004. The Indian economy—the largest in the region—grew by about 7 per cent, the expanding middle class sustaining the booming demand for con-

sumer goods which, in turn, supported the rapid growth of the manufacturing sector. Information technology services and tourism also grew strongly. Pakistan was the victim of a massive earthquake in October that caused huge loss of life but had little impact on national output. Pakistan's GDP actually accelerated in 2005, an important source of growth—as in Bangladesh, India, and Sri Lanka—being textiles and clothing which were less affected than feared by the ending of quotas in the main importing countries. Economic growth in the smaller countries of the region generally weakened under the impact of higher oil prices, the effects of the tsunami disaster (earnings from tourism fell in the Maldives and Sri Lanka), flooding (Bangladesh), and political instability (Bangladesh and Nepal). Unemployment and underemployment remained a major problem in the region where the growth of the population of working age was greater than the capacity of the formal sector to absorb them. Inflation rates increased and monetary policies were generally tightened, but fiscal policies tended to remain expansionary as a result of spending on infrastructure, health and education. Most countries had current account deficits, but these were easily financed, largely by workers' remittances, foreign portfolio capital, and foreign direct investment.

Most of WESTERN ASIA enjoyed boom conditions in 2005 as a result of surging oil prices, the oil exporting countries growing by around 6 per cent and the oil importers by around 4.5 per cent. The latter benefited from remittances from workers in the Arabian Gulf and from increased tourism. Growth was especially strong in the six members of the Gulf Co-operation Council, with consumption, investment, and trade surpluses all rising. Despite some debt relief for Iraq by the Paris Club of sovereign creditors, the dilapidated state of its infrastructure, energy shortages, violence, and a weak rule of law all contributed to maintaining high levels of unemployment and poverty and to undermining economic activity in general. The exodus of skilled Iraqis benefited Jordan and Syria. Unemployment continued to be a major problem throughout the region, with rates averaging around 15 per cent and youth unemployment well over 20 per cent. The average rate of inflation (excluding Iraq) picked up to 4 per cent, a modest acceleration due to the prevalence of exchange rates pegged to the US dollar and subsidised energy prices in the oil-importing countries. Oil export revenues were estimated to have reached some US$300 billion in 2005 and the IMF reckoned that governments were saving about 70 per cent of their extra revenues.

Estimates by the UN's economic commission for LATIN AMERICA AND THE CARIBBEAN at the end of 2005 put the region's growth at 4.3 per cent, somewhat down on 2004 (5.6 per cent). The slowdown was almost entirely due to the two largest economies: Brazil, where high interest rates, and Mexico, where weaker export growth, were responsible. There were large differences, however, among countries: in some of the oil and mineral exporters—Chile, Peru, Venezuela, for example—GDP grew by between 6 and 9 per cent. The countries of the Caribbean averaged some 4 per cent growth, with Haiti virtually stagnant at 1.5 per cent. The trend of export-led growth continued in 2005, with strong Asian

demand for primary commodities and the lagged effect of real exchange rate depreciations among the major influences. The region was in current account surplus for the third year running, most of it accruing to South America.

Many Latin American governments were able to strengthen their fiscal balances, reduce public debt burdens, and restructure their external debt. Argentina and Brazil announced at the end of the year that they would pre-pay their outstanding debts to the IMF. The extent to which inflationary pressures in the region were contained varied quite widely: in Brazil and Mexico fiscal policy was tightened and inflation targets set for monetary policy; in Central America and the Southern Cone countries, inflation rates were higher than in 2004. Two years of strong growth in Latin America led to some improvement in labour markets. Increases in employment, together with a weaker supply of labour, led to a fall in the average unemployment rate to 9.3 per cent, a percentage point lower than in 2004 and the lowest rate in eight years. There was also an increase in the share in the total of formal employment, and a reduction in the incidence of severe poverty to around 40 per cent. Among the issues worrying policy makers at the end of the year were the risks of a disorderly adjustment of global imbalances, the sustainability of China's demand for primary products, and the policy dilemmas presented by appreciating currencies.

Growth in AFRICA was relatively strong over the past five years and in both 2004 and 2005 averaged just over 5 per cent. Much the same factors were at work in both years: large production increases in the oil-exporting countries, improvements in agriculture, greater macro-economic stability, increased political stability, and commitment to reform (twenty-three countries had signed up to the African Union's African peer review mechanism (APRM) by November). GDP growth in the net fuel exporters was nearly 6 per cent, although there was some deceleration through the year as capacity limits were approached in some of them and as a result of local unrest disrupting Nigerian output. The slowdown in the oil-importing countries was surprisingly mild, from 4.8 to 4.5 per cent.

In contrast to oil and other primary producing sectors, Africa's manufacturing output fell sharply following the termination of the World Trade Organisation (WTO) agreement on textiles and clothing (ATC) in January and the exposure of textile and clothing exporters to fierce competition from Asian producers. There was a large fall in exports and considerable job losses in some half a dozen countries. Even in South Africa—the largest economy in the region with a growth rate of nearly 6 per cent—the opportunities for alternative employment were very limited.

Although macroeconomic stability had markedly improved, the average rate of growth still fell short of the 7 per cent that the World Bank and the UN economic commission for Africa (UNECA) judged to be the minimum required if poverty was to be halved by 2015. Growth tended to be relatively capital intensive with little impact on poverty reduction or employment. UNECA put unemployment at some 10-11 per cent of those actively seeking work, but this ignored all those who had simply given up hope of finding employment, as well as the millions of workers in the informal sector living on less than US$1 a day.

DISSATISFACTION WITH NEO-LIBERALISM IN 2005. Since the early 1980s the major thrust of economic policy, as promoted by the governments of the G-7 group of developed economies and the major international economic institutions, was to remove as far as possible all obstacles and restraints to the international movement of goods, services, and capital and to give the fullest possible play to market forces in determining the allocation of global resources. This neo-liberal agenda, which for many economists lay at the heart of what was meant by globalisation, has always been contested but there were a number of developments in 2005 which suggest that resistance to it had increased significantly.

One sign of this resistance was the resurgence of economic nationalism in many parts of the world, not least in the G-7 countries themselves. In Europe, the rejection of the European constitution in the spring was widely interpreted as a protest against neo-liberal policies. The opposition to the EU services directive, the refusal by twelve of the "old" member countries to allow unrestricted access to their labour markets to workers from the new member states, opposition by the European Parliament and street demonstrations against proposals to foster greater competition in European ports, the revival of the idea of "national champions" in some countries as a principle of industrial policy, and the growing hostility to cross-border take-overs, all testified in varying degrees to dissatisfaction with the globalisation model. This was not confined to Europe: resistance to cross-border takeovers, for example, was also evident in the USA, Japan, Russia, China, and several other East Asian economies. Attitudes and policies towards immigrants were almost everywhere ambiguous: controls were tightened in many of the rich countries but exceptions made for skilled personnel, particularly in areas such as healthcare where the rich countries had failed to invest sufficiently in the required human capital.

To some extent these developments reflected a general policy failure to deal effectively with the problems of adjustment and equity*:* the re-imposition of controls on imports of clothing from China by the EU and the USA in the first half of 2005 was one indication of this. More broadly, however, was the continuing weakness of most economies in combining output growth with adequate rates of job creation and reductions in inequality. In many developing and transition economies, high rates of structural unemployment (and underemployment) were left largely untouched by high rates of growth and unresolved by current policies. As a result, unemployment rates in 2005 were still generally higher than they were before the global downturn in 2001-02, implying limited reductions in poverty and increased numbers of marginalised people, especially among the young. In the rich, developed economies, unemployment remained high in many of them, income inequalities had risen sharply in some of them, and in most of them population ageing added to the sense of insecurity as a result of the fiscal pressures on social safety nets, the growing number of company pension funds in deficit in 2005, and the threatening prospect for many of poverty in old age.

Growing dissatisfaction with liberalisation, at least on the terms dictated by the EU and the USA, was also a major factor behind the limited progress in the Doha round of trade negotiations in 2005. Although the reluctance of the EU

and the USA to eliminate agricultural subsidies was widely seen as the major sticking point, the more fundamental issue was that in return for relatively small improvements in agricultural access, which would benefit only a limited number of countries, the rich countries were demanding major cuts in the developing countries' industrial tariffs and a significant opening of their service sectors to foreign companies. Just before the WTO ministerial meeting in Hong Kong, the World Bank published estimates of the benefits that were likely to result from significant cuts in agricultural and industrial tariffs: of the gain in global income of just US$96 billion in 2015, only 17 per cent would accrue to the developing countries. In December the developing countries surprisingly made significant concessions on the negotiating modalities for industrial tariffs and services, but the prospect of such meagre gains suggested that another large extension of market liberalisation might prove problematic (see pp. xxx-xx).

Developing countries were also resisting the globalisation agenda by reducing their financial dependence on the IMF, the World Bank, and the G-7 countries. The growing political strength of indigenous peoples' movements in Latin America reflected a backlash against the policies promoted by the international financial institutions. What emerged more clearly in 2005 was that a growing number of developing countries were becoming more confident about challenging the ruling international financial system and the governance structures of the multilateral institutions that were among the leading vectors for the diffusion of neo-liberal policies.

The NOBEL PRIZE FOR ECONOMICS in 2005 was awarded to Thomas C. Schelling of Harvard, and Robert J. Aumann of the Hebrew University of Jerusalem "for enhancing our understanding of conflict and co-operation through game-theory analysis".