

Grange Declaration

February 28th 2009

The perspectives of each delegation of the credit crunch WEF Meeting were marked by the need for domestic action to manage interest rates and toxic debt to encourage bank lending. The USA wanted 'to get on with it' and seemed keen on Quantitative Easing in order to increase money supply. The EU was more cautious. USA mentioned the option to fully nationalise their banks and this action together with Quantitative Easing alarmed the Chinese delegation who saw the possibility of their funds invested in the USA losing value.

On trade and exchange rates, there were constructive proposals from EU to offer tax incentives for investment in developing countries if their 'investment climate' could be made more attractive. African debt could be scrapped too.

India, China and Africa proposed to recognise each others comparative advantages in software, manufacturing and raw materials respectively to increase trade.

The afternoon sessions were about specific proposals raised by each delegation.

The EU proposed to use the Euro as the main reserve currency with the ERM used as a mechanism to welcome new countries into a Global Euro Zone. The proposal was welcomed as creative by the USA but unrealistic. Other delegations echoed this sentiment and felt the timing was not right for the proposal. The EU put up a spirited defence of the comments, offering to use PPP rate to link currencies to the Euro, suggesting that the move might save \$400 billion in currency transaction costs and hinting at huge gains in terms of the elimination of restrictive tariffs and subsidies. However the proposal was unanimously REJECTED.

India proposed strengthening the WTO adding FDI, labour migration to the WTO Agenda and abolishing consensus voting. The proposal was believed to be a 'good idea' in theory but there were doubts about the WTO's capability to influence FDI which is largely carried out by multinational private sector businesses. Developing countries thought the WTO might be able to regulate labour migration and provide a mechanism to control surges in commodity prices so they welcomed the proposal. The proposal was CAUTIOUSLY WELCOMED.

China proposed an Asian Customs Union with a common currency in time. This would allow the comparative advantages of the Asian countries to come together to attract more FDI and gradually move towards common tariff arrangements. Other countries such as Russia might be allowed to join in due course. The proposal was WELCOMED UNANIMOUSLY.

THE USA proposal for a three year standstill on all trade and regional agreements followed by an American Customs Union embracing all Latin American countries was UNANIMOUSLY REJECTED. Other delegations were not clear how this would affect existing trade arrangements with the US and were worried that the end of the World Bank's global trade role would be damaging.

Africa wanted trade not aid with all investments in Africa governed by WTO rules. This was CAUTIOUSLY WELCOMED by China and India, but EU was not in favour and USA abstained. The main concerns were about the relative attractiveness of Africa's investment climate and the level of corruption in Africa.

The spirit of the day was set by Confucius when he said 'Treat others as you would like to be treated'. Each delegation showed respect to other delegations and committed themselves to continue to explore solutions to the credit crunch that would be acceptable to all the participating countries. They also resolved to work together towards longer term innovative financial and economic instruments such as a strengthened WTO that would be a servant of one and all. The ultimate goal was to promote free trade in the interests of all bolstered by a universal single currency for the major trading countries.