LETTERS TO THE EDITOR

Female power

I agree with Mayra Buvinic and Elizabeth King's "Smart Economics" (June 2007) that much more should be done to promote the economic power of women. Given the significance women bring to all their endeavors, they are the driving force in families and even nations. Women are also highly skilled at dialogue and at fostering development.

The third Millennium Development Goal (aimed at empowering women) is to be encouraged, but the backward idea that "women are born to do housework" must first be eradicated. Otherwise, even our best efforts will be in vain.

Agonma Esaie
Student, economics and management
Benin

A moral obligation

"Making Remittances Work for Africa" (by Sanjeev Gupta, Catherine Pattillo, and Smita Wagh, June 2007) caught my attention, not because I live in the third world and still less because of my nationality, but because it objectively describes a striking reality in developing countries.

Niger is benefiting increasingly from remittances, which have the power to transform the lives of those who receive them. Used properly, these funds can really help reduce poverty. For example, although modest in comparison with the aid provided by development partners, the remittances sent by Niger's diaspora during the 2005 food crisis made a difference to those who were suffering.

My only grievance is with money-transfer companies, whose net profits are in the millions of dollars, thanks to remittances sent by emigrants from developing countries. These companies have a moral obligation to give something back by financing investment projects in developing countries.

Hassane Moussa Alkeirou
Niger

Make it a partnership of equals

While I greatly enjoyed Harry Broadman's "Connecting Africa and Asia" (June 2007), the author is missing an important point. Trade between the two continents is profitable provided African countries export commodities to Asia as inputs for industrial activity and consumption and, in return, import Asian manufactured products. But theirs is a one-sided partnership.

Many countries in Asia are enjoying strong economic growth, with China and India in the lead. This growth is driven by a new wealth-creating industry, a leading services sector, a modern financial system, improved allocation of resources, a sound economic and social strategy, and, last but not least, political stability. In contrast, African economic growth is driven by price increases in many commodities and raw materials. Oil is a particular case in point. The contribution of the industrial sector to GDP growth is modest in most African countries, financial systems are below par, and poor governance is a problem almost everywhere.

To make sure that African countries are not reduced to mere suppliers of commodities, policymakers need to make swift and judicious decisions. They should open up their financial systems to accommodate foreign direct investment, develop a strategy to encourage small and medium-sized companies, and encourage the adoption of new technology. They should also push for membership in the World Trade Organization. Finally, they should implement an effective anticorruption policy.

In return, Asian countries should eliminate the customs and trade barriers standing in the way of African exports. If both sides show true determination, the "dynamic duo" will enjoy a far more harmonious partnership.

Sofiane Abouderaz
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Chinese on the move

Ulrich Jacoby's "Getting Together" (June 2007) clearly sets out the basis for the partnership between China and Africa. But in describing the interdependence between the two economies, the author seems to have overlooked the issue of Chinese immigration in Africa. In addition to products "made in China," Africa is currently seeing a large influx of Chinese immigrants.

Cameroon, for instance, has become a destination country par excellence for middle-class Chinese. The problem is that the local population sees this immigration as a threat to its life aspirations because it pushes up unemployment, already at punishing levels. This situation is all the more alarming because any jobs created by the Chinese are also taken by them, with local labor being employed for translation purposes only.

Omgba Joseph Juvet
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The cost of tied aid

On reading "Getting Together," I had a strong sense of having seen it all before. Turnkey projects have a long history of failure in Africa. Worse, Chinese aid is apparently strongly tied to Chinese companies and Chinese products (70 percent of credit lines for Angola, according to the article). There is a great deal of research on the cost of tying, much of which demonstrates that its additional costs exceed the concessionality of the finance. The costs are higher if operations involving tied aid require countries to purchase expensive replacement spare parts from the same suppliers.

It may be that there is not yet any research on the cost of tied Chinese aid, but surely it is wrong to mention this tying without noting that it may have high costs, based on historical experience. One hopes that it does not, but it would be extraordinary given the opportunities created for overpricing by the tying of aid.

Charles Harvey
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Unlocking hidden treasures

Bob Traa and Alina Carare's "A Government's Net Worth" (June 2007) provides a timely discussion of hidden worth—and hidden problems—in public finance. India's ministry of finance has been meticulously compiling a list of public assets and liabilities dating back to 1947. This balance sheet reveals substantial liabilities over assets—the result of years of fiscal deficits. However, some of the assets are not correctly valued. For instance, the government's portfolio of state-owned companies is probably worth considerably more at market value than what is officially on the books. Unfortunately, the liability side reflects an undervaluation of foreign debt when the rupee's market exchange rate is taken into account. Overall, however, the balance sheet's hidden strengths probably outweigh its liabilities.

Despite all this, the balance sheet is not in the public eye at all. The media, analysts, and other commentators focus on the budget only in terms of its tax implications and other such conventional issues. But India's hidden assets represent a huge investment opportunity. If unlocked, they can support programs that would help India reach the Millennium Development Goals by 2015.

The tools identified in this article could also help ensure a more cohesive treatment of assets and liabilities at the state government level.

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Accounting for the environment

The article "A Government's Net Worth" led me to draw some conclusions regarding developing countries (particularly Argentina) and how they deal with the problem of replenishing environmental goods.

The Argentine government's net worth has been affected by a loss of investor confidence, exacerbated by the increase in debt denominated in foreign currency and the declining value of financial assets. But the depletion of nonrenewable *environmental* assets is also affecting the net worth of the public sector. This problem is compounded by the fact that governments in emerging market economies tend to overvalue returns on investments because they don't take environmental degradation into account.

When the net worth of the public sector in emerging market countries is calculated, funds for the renewal of environmental assets should be included in the calculations. As a preliminary step, these countries should include a self-financing reserve for the replenishment of environmental goods on the asset side of the balance sheet.

Setting aside funds for the environment would obviously impact the public sector balance sheet, affecting net worth through the cost of the depreciation of fixed investments and through real expenditures for the protection of the environment. But if nothing is done, the mismanagement of natural resources will continue to affect the government's operating capital and erode its net worth, ultimately affecting the financial markets and reducing investment in the public sector.

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