

## **GLOBALISATION: ITS IMPACT ON POVERTY AND DEVELOPMENT**

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Economic globalisation is sweeping through all countries of the world. The link between this phenomenon, the growing inequities within and among countries, and the persistence of poverty in the South, is very strong. It is thus crucial that consumers worldwide be aware of the impact of globalisation on poverty and development.

Poverty has many internal causes, such as unequal distribution of land, assets and income, lack of access to basic facilities, financial and economic mismanagement by a corrupt or incompetent political elite. Tackling these remain important and in many cases primary. With a given level of resources, a country can still cut wastage to a minimum and make the best of things, whilst striving to raise the resource level.

However, the external environment (and especially the globalisation process) has become much more significant in recent years and is equally or even more important compared to local factors, in influencing the level of available resources and in the way they are used.

Globalisation per se need not be necessarily bad. For example, we can envisage a system of international trade based on fair prices, where poor countries and people can benefit from selling products made in environmentally-sound ways. However, the kind of globalisation we now have is accompanied and indeed driven by liberalisation, privatisation, increasing rights and powers of big corporations, and the rollback of the rights, resources and role of the state nationally.

There has been a return to laissez-faire or the almost total dominance of market forces, as a ruling principle. The social, welfare, economic and developmental roles of the state in post-Independence Southern countries is greatly eroded. The shift of power to the private sector may lead to the growth of some indicators and minority-elite improvement but has marginalised large sections of people, and increased poverty and unemployment in many countries. This kind of globalisation makes inequities much more acute, strengthening a few and marginalising many.

The present form of globalisation is thus an unequalising force, making the rich richer whilst leaving the poor more hopeless. In its Human Development Report 1996, the UNDP contradicted the conventional wisdom that economic growth has been benefitting most of the world's people. Instead, over the past three decades, which is when the globalisation process intensified, only 15 countries have enjoyed high growth whilst 89 countries are worse off economically than they were ten or more years ago.

In 70 developing countries, today's income levels are less than in the 1960s and 1970s. And in 19 of them (including Ghana, Venezuela, Haiti, Nicaragua, Sudan), per capita income is less than in 1960 or before.

"Economic gains have benefitted greatly a few countries, at the expense of many," says the UNDP. In the past three decades, 1.6 billion people were left behind or became more poor. "And the very rich are getting richer," the UNDP report says. To illustrate, it estimates that the assets of the world's 358 billionaires exceed the combined annual incomes of countries accounting for nearly half (45 per cent) of the world's people. That's 2.3 billion people!

UNDP chief, Gus Speth, concludes that the world has become more economically polarised, and "if present trends continue, disparities between industrial and developing nations will move from inequitable to inhuman."

A commentary on these statistics in the London-based Guardian paper was even more frank and scathing. Noting in bold headlines that "358 people own as much wealth as half the world's population", the paper's journalist Victor Keegan called it "highway robbery by the super-rich." We might well conclude that globalisation leads to great wealth for a few, marginalisation of the many and polarisation (or inequality) between them.

Internationally, the rich nations have consolidated their already strong grip on global institutions and relations. Many key decisions of global significance are made by them acting alone or as a group. They have also empowered and made use of organisations which they control (such as the World Bank, IMF and the WTO) to shape global relations and the content of national policies, especially of the South.

Correspondingly, the fora and institutions that have a more

open or democratic character, and with a development or social orientation (such as the social and economic arms and agencies of the UN) have been gradually depleted of importance, function and power. The United States has even refused to pay its dues to the UN, thus squeezing the world body financially. Whilst UN agencies still provide a forum for discussions and for the South to voice their views in a North-South dialogue, and though they still provide policy and technical aid, their role has been eroded by the more powerful policy and aid clout of the Bretton Woods and WTO organisations, not only in finance, trade and macroeconomic policy but also increasingly in social policy (health, education), resources (water, forest, etc) and environment.

The South is losing hundreds of billions of dollars annually in resource outflows to the North on account of terms-of-trade losses, debt servicing, payments for technology use, foreign profit outflow, etc. Unequal trade is the most serious of these. Through the past few decades, unequal trade terms have continued to plague many poor Southern countries. Low commodity prices combined with higher manufactured imports have caused the South to lose a large percentage of their GNP in South-to-North resource transfer. The efforts of UNCTAD for commodity pacts and a General Commodity Fund have generally failed due to withdrawal of Northern interest.

The trade situation contributed to the debt problem of the 1980s and 90s which in turn worsened resource outflows and placed many Southern countries in balance of payments crisis. Inability to repay debt led to World Bank-IMF leverage to impose structural adjustment policies as condition for rescheduling and new loans. This became the conduit for changes in policy away from an active state role in development to liberalisation/privatisation. Rising share of state revenue went to service debt. The worldwide trend of switching from income or company taxes to consumption taxes or reduced taxes made governments even less able to fund development. Suppression of demand, and increased rechanneling of national resources to service debt, caused recession. Social development financing fell, reducing the poor's access to basic facilities including jobs, education, health.

The Uruguay Round negotiations (1986-94) were meant to improve the welfare of all through strengthened multilateral trade rules.

However, even according to establishment estimates, most of the trade gains will accrue to the North, and even the trade gains of the South will mainly accrue to a few major trading countries. There will be some losers, especially in Africa. Trade inequities among countries will widen. Most serious, the WTO principles (such as national treatment to foreign goods, services and investors and discouragement or banning of subsidies to local producers) go counter to development needs (of aiding the domestic

sector to withstand competition from larger companies/countries until it is able to compete on fairer terms).

Because of its integrated dispute settlement system (allowing not only retaliation but cross-sectoral retaliation), the WTO has the teeth to discipline developing countries. Whilst World Bank-IMF uses loan conditionality as leverage, the North can use the WTO's "trade disciplines" as an even more powerful instrument of leverage, as they apply permanently (almost) and to all countries (not only indebted ones).

The WTO has become the vehicle of choice to introduce "new issues" simply by linking them to trade through the term "trade-related." Thus, services, IPRs and investment measures were brought into the ambit of WTO. The effect will be to: (a) open further the markets of the South; (b) give more rights to TNCs whilst downgrading their obligations; (c) discourage the development of local enterprises in the South, thus preventing potential new rivals. The fight of the present and future is over world and national market shares and the tactic is to decrease the competitiveness of rivals whilst increasing one's own competitiveness.

The South is still recovering from the shocks of the Uruguay Round, and what it means in concrete national policy changes. Yet the North is pressing to introduce more "new issues" on the "trade agenda" which would bring the WTO out of the boundaries of trade to encroach on other areas. Trade and environment is already on the agenda. The newest issues being proposed are a multilateral investment regime, trade and labour standards, competition policy and government procurement.

Of these, the investment issue is being pressed hardest and has the most consequences. Besides being pursued at the WTO, a Multilateral Agreement of Investment is also currently being concluded at the OECD. Developing countries will also be invited (some may be pressurised) to join in. The MAI's aim is for international investors to have the right of entry, establishment, national treatment, free repatriation of funds and elimination of other policies unfriendly to foreigners. If accepted, this treaty would very severely constrain the future development of local enterprises in the South and can lead to their inability to survive. The potential implications for economic sovereignty, domestic development, employment, balance of payments and resource outflows would be extremely serious. It would have great significance for the larger "external environment" (which would also be internalised in national policy) within which Southern countries make policy which influence the aims of poverty eradication, equity, and access to basic needs.

To keep the South's development options open, the following measures should be considered:

1. The UN as a whole should be strengthened, with its role as development catalyst and formulator of international macroeconomic policy recaptured or reaffirmed. The UN should reaffirm its paradigm of aiding the South to become more equal in the international arena (which requires a redistributive role and a recognition of the need for handicaps for and capacity-building of the South), and not "surrender" to the new laissez-faire orthodoxy.

2. UN agencies should retain their commitment to development, but also reform in the light of new knowledge gained through the recent series of UN Conferences. The new paradigm of sustainable development and human-centred development should be further strengthened and given concrete manifestation in terms of policy and activity. Capacity-building or experience-building on these new areas should begin within the UN agencies so that there can be appropriate capacity development in the South. For instance, what kinds of technology to promote and to discourage in agriculture towards food security and what kinds of economic or social policies to adopt (or to fight against) in light of the prescriptions of structural adjustment and the new WTO agriculture agreement? How to reform out of the old and inappropriate frameworks, and into the new ones? Whilst doing so, they must be aware of the dangers of coming under threat of the financial and trade conditionalities, or of becoming part of these.

3. Developing countries' governments must also pay great attention and channel human and financial resources to following global developments (such as in the WTO and regional trade arrangements) and fight for their rights strongly in global negotiations. Southern countries need to strengthen their analytical, policy and negotiating capacity. Neglect of attention on on-going negotiations would be allowing the powerful actors to determine international and national policies by default.

4. Consumer organisations have a critical role to play, as part of civil society, whose capacity must also be strengthened. Consumer groups must build their awareness on global trends and the effects of globalisation, make conclusions and take positions on these critical issues of our times. They must join in the struggle against the present inequitable forms of globalisation and for alternative ways of international cooperation that can unite people to attain their rights, especially the right not to be poor.

(Article written in 1997.)