

Grim outlook for poverty alleviation

S/S social problems
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THE meeting of the World Economic Forum in New York in early February bore the marks of a world preoccupied with terrorism rather than social justice. This preoccupation originates from the overwhelming importance attached by the US to its war against terrorism after the trauma of September 11.

The public demonstrations that mark such economic moots duly materialized, drawing attention to the failure of the capitalist economic system to address the issues of equity and of growing poverty. However, the prevailing concerns were about addressing the global downturn and dealing with the roots of terrorism.

The G-7 meeting in Ottawa on February 8-9 also proved to be a tame affair, with stress again on overcoming the global recession, though the discussion of the economic crisis in Argentina did serve to highlight the problems of debt-plagued developing countries.

Next month, the UN Conference on Financing and Development, scheduled to be held from March 18 to 22 at Monterrey, Mexico, will provide another forum for taking up the basic problems of growing inequalities and poverty. However, the prevailing attitudes of the rich countries raise serious doubts whether the UN goal of halving world poverty by 2015, adopted at the millennium summit in 2000, would be achieved.

A major stumbling block to a concerted onslaught on poverty is the unilateralist approach of the US, the sole superpower. Though the terrorist out-

general of the UN, gave a clear message on the concluding day of the World Economic Forum in New York on February 4 that equity issues should not be ignored. He called upon the rich countries for a timely and important intervention into the state of economic affairs of a fast-changing world. The combined impact of globalization and liberalization in the last decade of the twentieth century was to confine free enterprise to motives of profit seeking, maximizing revenues and expanding markets. Clearly, the dimensions of equity and social justice had been sidelined.

The UN, it may be recalled, has remained steadfast in calling for rich countries to devote 0.7% of their GDP to overseas development assistance. In practice, however, the volume of foreign aid has shrunk to below 0.25% for most rich countries, and the current level of aid is around \$50 billion. Policies of liberal lending encouraged by the IMF and World Bank in the 1970s

British Prime Minister Tony Blair toured Africa recently, and committed his country to continuing involvement in helping the continent overcome poverty. France has also special plans in operation in the francophone countries, and EU has a relationship of interdependence with a group of developing countries in Africa and the Caribbean.

South Asia contains perhaps the highest percentage of the poor in the world. The number of person earning less than \$1 a day stands at 521.8 million, and those earning less than \$2 per day at 1,094.6 million. Around 40% of the population of India and Pakistan lives below the poverty line. As these countries are also following the broad liberalization policies encouraged by the World Bank and the IMF, the gap between the rich and the poor is widening. The debt burden has also been growing. Pakistan's debt grew from \$17.295 billion in 1991 to \$39.5 billion in 2001. Its annual debt-servicing liability accounts for

almost 60% of its budget and was the main cause of a fiscal deficit of \$3.2 billion in 2001-02.

With the debt burden hobbling growth, and the benefits of globalization going mainly to the rich countries, major initiatives are needed to halt the continuing slide towards poverty in the developing countries. The gap between the rich and the poor countries has been widening, and the prevailing economic system is likely to keep the outlook grim for the poor of the world. The major responsibility for remedying this situation lies on the shoulders of the US, which has the world's largest economy and which also has a dominating voice in multilateral institutions.

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Both the process of globalization and the operation of the free market have to be modified significantly if any progress is to be achieved in alleviating world poverty. Some belt-tightening and self-discipline is also required on the part of the developing countries themselves. Even heavily indebted countries keep spending disproportionately on armaments, though this adds to their problems of poverty.

the sole superpower. Though the terrorist outrage of September 11 led Washington to promote a global coalition against terrorism that is still in existence, the US is resuming its unilateralist ways that have already produced significant divergences with the European Union. The US remains opposed to a multilateral approach to addressing economic issues, preferring that they be managed through market forces. The EU, that includes a number of former colonial powers, notably Britain and France, having their own programmes of aid and investment, is seriously concerned about the trends that it finds deeply troubling.

The current situation is that the top 10% of its population controls 80% of the world's resources. According to the ILO, the current trends indicate that by the year 2050, 5% of the population will control 80% of the resources. Capitalist globalization is expected to produce greater disparities, with the rich getting richer and the poor getting poorer.

Already, many western economists and NGOs are beginning to worry that the advantage conferred in ideological terms on the capitalist countries through the collapse of the Soviet Union are leading to dangerous complacency. Henry Northover of the Catholic Agency for Overseas Development expressed the view that issues of global distribution and the interests of the poor are off the menu for the rich countries. The world's richest 50 million earn as much as the poorest three billion. The risk of another counter movement growing against capitalism needs to be taken seriously.

Mr. Kofi Annan, secretary-

resulted in a rapid accumulation of debts by the developing countries that reached a total of \$2,083 billion by the end of 1999. This was equal to 163% of their estimated receipts from exports. The sum represented 38% of their GDP and debt servicing accounted for 28% of their national income. During the year 2000, the developing countries received a total of \$292 billion in loans, but had to pay back \$269 billion for debt servicing, leaving a net inflow of only \$23 billion.

The external debt of the developing countries which stood at \$75 billion in 1970 grew to \$639 billion in 1980, to \$1341 in 1990 and to an estimated \$2,038 billion by 2000. An interesting statistic is that they paid back \$1,280 billion in debt servicing during the decade of the 1980s, but still their debt more than doubled by 1990. No wonder the poor countries have found it impossible, with some exceptions, to maintain a sustainable level of growth.

Africa is the continent where problems of poverty are emerging in their most acute form. Most countries are afflicted with a high debt burden, high incidence of AIDS, and endemic poverty. The British government, which has a special interest in Africa, nearly half of whose population lives in former colonies that are now members of the commonwealth, feels specially worried about the intractable problems of poverty and backwardness in the continent. As British Foreign Secretary Jack Straw put it, "you cannot have four continents going forward, with one going backwards".

globalization and the operation of the free market have to be modified significantly if any progress is to be achieved in alleviating world poverty. Some belt-tightening and self-discipline is also required on the part of the developing countries themselves. Even heavily indebted countries keep spending disproportionately on armaments, though this adds to their problems of poverty. The most effective debt relief would, however come from a write-off of debts by the rich countries or at least a freeze on them by making them interest-free. The benefits of globalization will then spread more evenly if the WTO's insistence on a tariff free world economy is accompanied by a visa-free world in which labour from the poor developing countries has as much freedom of access as the goods from the developed countries, so that a truly global economy can emerge.

The current priorities of the world's major powers do not show adequate recognition of the efforts needed for poverty alleviation. Both governments and business corporations have to take initiatives to improve the operation of the free-market system. Governments need to redefine institutions that enable the narrowing of inequalities. There will have to be efficient and credible institutions for social security. Industry, on its part, would have to cater to imperatives of social justice. The dark vistas of continuing injustice and increasing inequalities would persist, and generate unrest that may ultimately take the form even of terrorism, unless the G-7 and the multinational corporations take timely and resolute action.