

GLOBALIZATION:  
A CURSE OR A BLESSING ON  
THE ROAD TO  
THE MILLENNIUM  
DEVELOPMENT GOALS?

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documentos



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# **GLOBALIZATION: A CURSE OR A BLESSING ON THE ROAD TO THE MILLENNIUM DEVELOPMENT GOALS?**

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Two representative icons come to mind when considering causality between globalization and the Millennium Development Goals (MDGs). One is '*growth*', economic growth. The second is '*power*', political, economic power. Domestic growth is essential for countries afflicted by 'extreme poverty and hunger' and, more generally, by the universe of ignorance and dispossession of basic rights and human entitlements targeted by the MDGs.

The *growth* emblem underlies, at the same time, the globalization process the world is going through. Globalization gives rise to the creation, production, distribution, and consumption of goods and services on an unprecedented scale. That process is meant to increase economic activity for people, enterprises and countries through freer international trade, direct foreign investment, and capital market flows. The combination of all these factors would provide unambiguous growth for all.

The *power* emblem is also behind the dynamics of the globalization process and the political groundwork that led to the MDGs. Both the MDGs and globalization are relatively modern brands but in many respects they have solid precedents and political implications. At the end of the Second World War the submission to metropolitan powers by the now independent developing countries was equated with restrictions to trade – and with poverty. Getting rid of poverty and trade barriers was made an emblem of independence, a major inspiration in the resistance against colonialism which, among other effects, curtailed trade outlets with territories other than the metropolitan. Jawaharlal Nehru's resolve in 1946 (quoted in Bhagwati, 2004: 52) reflects a most popular mind-set of that time: "to insure an adequate standard of living for the masses; in other words, to get rid of the appalling poverty of the people ... [to] insure an irreducible minimum standard for everybody".

In fact, the anti-colonial struggle built into many of the ideals that have

now been highlighted by the international community: a wide aspiration for less poverty, less sickness and more health, culture, education, integrity – development, in short. In a sense, aspirations to independence were an anticipated cry for the 2000 Goals.

Globalization also has a strong flavour of dominant power. Globalization: increased international flows of goods, services, and finance, driven by new information technologies, transportation means and systems, corporate strategies, financial flows. And with all that goes new production and distribution systems commanding new rules of the game in the international economic relations and the emergence of new hegemonic powers. New rules enlarge the scope of use of new technologies which, in turn, contribute to the shaping of new rules. Globalization is for world powers both the result and the instrument of their hegemony.

This question belongs to a much larger field of complex interactions between trade, new technologies, information strategies, domination –and development or lack of it. I just wish to contribute to the debate with some comments on globalization and its contribution, positive, negative, or neutral, to the resources, financial and otherwise, required in order to achieve the MDGs. I thus concentrate on the incidence of domestic economic growth on the Millennium Development Goals (section 1), and the incidence of globalization on domestic economic growth (section 2).

“How will the world look in 2015 if the Goals are achieved? More than 500 million people will be lifted out of extreme poverty. More than 300 million will no longer suffer from hunger. There will also be dramatic progress in child health. Rather than die before reaching their fifth birthdays, 30 million children will be saved. So will the lives of more than 2 million mothers” [*Investing in Development. A Practical Plan to Achieve the MDGs*, 2005].

## **1. Economic Growth and the Millennium Development Goals**

“Sub-Saharan Africa, most dramatically, has been in a downward spiral of AIDS, resurgent malaria, falling food output per person, deteriorating shelter conditions, and environmental degradation, so that most countries in Africa are far off track to achieve most or all of the Goals. Climate change could worsen the situation by increasing food insecurity, spreading vector-borne diseases, and increasing the likelihood of natural disasters, while a prolonged decline in rainfall in parts of Africa has already wreaked havoc. Meanwhile, for some Goals, such as reducing maternal mortality and reversing the loss of environmental resources, most of the world is off track. The early target for gender parity in primary and secondary education—with a deadline of 2005—will be missed in many countries. The Millennium Development Goals are too important to fail. It is time to put them on the fast-track they require and deserve”. [Investing in Development. A Practical Plan to Achieve the MDGs, 2005]

### **Correlations: Growth Rates / Poverty Rates.**

Growth is rightly considered ‘at the center of any strategy to achieve the MDGs’ (Berg and Qureshi, 2005:21). However broadly the Goals are defined, there can be little doubt that their realization must be underpinned by robust growth (United Nations, 2000). This is particularly valid for some basic Goals, such as those aimed at the eradication of extreme poverty, the setting up educational institutions, the ensuring of safe drinking water for all, and others. Programmes set up for those purposes demand substantial financial resources which only economic growth can provide.

Countries with no GDP growth, or negative growth, are those where poverty rates persist or worsen. Sub-Saharan Africa is the epicentre of that poverty universe, with continuing food insecurity, a rise in extreme poverty, stunningly high child and maternal mortality rates, and large numbers of people living in slums - a widespread shortfall for most of the Development Goals (*Investing in Development...*, 2005).

At the other end of the spectrum are most of the East Asian countries, plus India, which are buoyant when compared with stagnant Africa. As quoted by Bhagwati (2004: 65): “The last three decades saw a reversal of roles between Africa and Asia: in the 1970s, 11 % of the world’s poor were in Africa and 76 % in Asia. By 1998, Africa hosted 66 % of the poor and Asia’s share had declined to 15 %. Clearly, this reversal was caused by the very different aggregate growth performance.”

Asian performance has been remarkable. And among Asian countries, China is paradigmatic. According to World Bank estimates, real income has grown at an annual average rate of 10 percent and, according to the Asian Development Bank, poverty has declined from an estimated 28 percent to 9 percent. Other sources practically concord. According to the United Nations Development Program’s (2005) ‘China’s Human Development Report 2005’, China succeeded in lifting 250 million people out of poverty over the past 25 years.

A causal relationship between growth and poverty eradication is well established. Contrary to the opinion that poverty increases notwithstanding increased growth rates, the world as a whole is becoming richer and the large group of people close to the poverty line has been shrinking since 1970, giving rise to a large middle class – according to Sala-i-Martin (2005). The \$1/day poverty rate has fallen from 20 per cent of the world’s population to 5 per cent over the last 25 years and the \$2/day poverty rate has fallen from 44 per cent of the world’s population to 18 per cent. There were between 300 and 500 million fewer poor people in 1988 than there were in the 1970s.



However, average data gloss over dramatic differences within and among developing countries. For all the recent achievements, poverty persists in Asia. Even in China and other fast-growing countries of South-East Asia hundreds of millions of people remain in extreme poverty, and these countries fail by far to achieve some of the other Goals, mainly the non-income ones. Mixed records are found, notably in Latin America, the transition economies, and the Middle East and North Africa, with slow or no progress on some of the Goals and persistent inequalities undermining progress on others.

### **From Growth to Goals: The Uncertain Itinerary**

Consideration of the growth effects on MDGs should not overlook, if only for the record, alternative, makeshift pro-poor measures and informal income transfers that would complement growth or make it less essential. The non-working poor, in particular, are expected to depend in the first place upon intra-family, primary networks and associative solidarity. Private transfers represent a sensible source of income for them. Begging is a common crude makeshift for alleviating hunger and providing a protecting roof. Helping the underclass is seen as a means for indoctrination. In exchange for their help, radical religious groups obtain a credibility and popularity that improve their scope and influence in poor populations. Islamism, Destremau (2001) points out, is seen as a viable alternative by dissatisfied popular masses and impoverished middle classes; it is recruiting on university campuses and developing palliative social services in deprived areas. These alternatives may pave the way to changes in the social and economic terrain that call for attention.

Other external private, non-profit charities and NGOs (Non-Governmental Organizations) are also in the forefront of poverty alleviation –basically, therefore, in line with the MDGs philosophy, and have recorded significant successes– although data on this and other

related subjects should be taken with caution: it generally is biased towards reporting success rather than failures.<sup>1</sup> However, for all the significant pro-poor actions and closeness to community of many of them, in many instances they lack a necessary level of credibility, programme stability, formal entitlement, and accountability (Joshi and Moore, 2002: 46). More often than not, their proliferation,<sup>2</sup> variety of purposes, operational methods, cultural contexts, and transparency patterns (or lack thereof), do not permit generalizations on their real contributions and can not be taken as a reliable and steady instrument to poverty alleviation.

The role of external aid also calls for some caution. For all the efforts and resources it mobilizes, its efficacy in poverty eradication has been challenged. In most instances, either the volume of resources does not correlate with poverty elimination or the correlation is negative (Rajan and Subramanian, 2005). Without causality being established, it is often found that more aid coincides with more poverty. Not only that,

1. The following opinion sounds all too familiar to me: "When interviewing officers at a UN organization I was told they were discouraged from reporting failures to headquarters; it would go on their personal files and reflect negatively on their future careers. Some avoided this difficult situation by not reporting at all on an unsuccessful intervention, while others would redefine the outcome and present an enhanced result." (Øyen, 2002:11). A display of positive results, she says, favorably increases the image of politicians and the bureaucracy and can be used to increase the flow of goodwill and money in many organizations.
2. "Writing in the aftermath of the Seattle riots that disrupted the WTO's ministerial meeting in November and December 1999, *The Economist* reported an estimate of the NGOs in India at a million and the NGOs worldwide at two million: a proportion that could not have been guessed at by the layman from the virtual monopoly of Western-dominated NGOs on the streets and in the corridors of the Seattle meetings" (Bhagwati, 2004:36-37).

it is claimed that financial aid flows would have systematic adverse effects on a country's competitiveness, as they push up the local exchange rate, hence hindering export activities and discouraging local manufactures. All in all, NGOs and aid flows are not denied positive outcomes in poverty eradication but their contribution to growth is more difficult to assess.

If growth is accepted to be almost the only major input to the MDGs, a first obvious consideration comes to mind: economic growth is expected, in turn, to be one of the Goals' major outcomes. Less poverty, higher employment rates, better health and educational facilities, fewer epidemics, the promotion of women in civil societies and other objectives embodied in the MDGs are no doubt going to mobilize idle resources and thus make relevant contributions to growth in amazing proportions. Causes and effects are blurred; growth is instrumental to poverty eradication and so is poverty eradication for growth. Most relevant in this respect are categories of Goals such as 'gender equality and empowerment of women', 'elimination of gender disparity in primary and secondary education', and other Goals that demand less of financial resources than of a new social and democratic perspective and a specific institutional framework.

In this respect, the question is not only the evaluation of the adequate volume of growth necessary to carry out the programmes and activities involved –but also the way growth and the resulting resources are translated into effective results in terms of MDGs. Beyond ideological or doctrinaire options, the question involves a time constraint and a distribution issue. MDGs, once achieved, will most likely pay for their initial cost, but only after a period of time that may be considerable and only if distributive issues have been fittingly dealt with. A popular argument linking growth and poverty eradication suggests that growth generates investments and from them it yields productive capacity, employment, higher salaries and personal incomes, fiscal revenues, and a budget leeway permitting public investments and pro-poor policy-

making. This means, so the argument goes, that income growth or increased GDP does not have to be necessarily directed to the lowest strata of the population and those in need of poverty reduction measures, because its benefits will eventually 'trickle down' to them, in one way or another, in a kind of automatic process: development at the national level would improve the well-being of all sections of the population.

When confronted with poverty, the initial reaction of the government seems inclined to make the scarce resources available with a priority public expenditure. Some official opinions have it right: "it is best to ameliorate poverty as far as possible while waiting for development to occur", as poverty breeds poverty. Then, because public resources are limited and globalization has changed the rules of the game and curtailed the decision margins of the national government (next section), donors, business, bureaucracy, academia, financial institutions, international organizations, step in: market development becomes the key word to poverty eradication. Liberalize market forces, take fiscal measures to favour new investments, add a few social safety-nets in order to allow the poorest to placate their irritation and, at best, catch the train of growth, and the economic machinery should, almost spontaneously, solve the problem of poverty.

In such a philosophy, growth makes not only the rich richer but it will also bring gains to all because they [rich people] have a much higher propensity to save and invest than the poor and because they are more likely to protect the moves towards greater openness which should bring growth dividends to all. The market works autonomously and takes care of distribution, according to the composition of national resources and relative endowments of labour, land, human capital and physical and financial capital.

In this argumentation, any explicit off-market redistributive policies are ruled out for other reasons as well. Specific direct pro-poor policies and public programmes (e.g. jobs, housing, food rations, transportation subsidies) often miss their objective as they dry up resources, financial and

otherwise, that would be essential for more investments in productive activities that would eventually mobilize idle resources and generate further employment and growth. A policy of distribution of resources only on the basis of poverty rates would lead to impoverishment for everyone. This may have at best one-off benefits for the poor (unless when they are appropriated by the non-poor), but they will eventually choke off any further progress, to the impoverishment of everyone. Growth should therefore fall into the hands of investors,<sup>3</sup> preferably private ones, as investments bring about employment and make room for better salaries, which would ensure a long-lasting prosperity for all.

In addition to the basic faith in the efficacy of the market to bring about the desired results and the idea that manipulating the market would distort its positive workings, there is also the fear that significant redistributive measures will scare away private investors, local and foreign. Actually, investors and potential providers of foreign direct investment (FDI) would assimilate anti-poverty measures and other redistributive policies to obstacles to the dynamics of market forces and thus contrary to their investment strategies (Mkandawire, 2004). An additional reason, as explained in the next section, stems from the fiscal and budgetary constraints and 'conditionality' norms imposed by external financial agencies in their programmes for financial assistance, which restrain national policy-making if contrary to the basic tenets of fiscal discipline.

More than that: any strategy implying resources aimed directly at reducing poverty without going through basic investments would eventually increase the importance of government and of its left-wing establishment parties. Accurate or not, this opinion has been very

3. Keynes: 'If the rich had spent their new wealth on their enjoyments [*in the 19th century system*] the world would long ago have found such a regime intolerable. But like bees (the rich) saved and accumulated, not least to the advantage of the whole community'.

popular in non-poor bureaucracy, official and private, which has traditionally chided very active poverty-reducing programmes. Some of these groups wield forces that have been likely responsible for keeping down the poor for centuries and there is little indication the picture has changed. As Øyen (2002: 13) says: “At no time have efficient poverty-reducing measures come about without resistance from vested interest groups”.

However, experience has shown here and there that, while admitting the market's primordial role in bringing about growth, and with growth to be the principal strategy for raising incomes and hence consumption and living standards of the marginalized poor, spontaneous income distribution is not forthcoming (Bhagwati, 2004: 54). It is seldom true that growth will pull up the poor into gainful employment through market mechanisms. In particular, increases in income do not automatically result in nutritional improvement even for very poor and malnourished populations (Bhagwati, 2004: 59). For still more reasons, automatisms are not forthcoming for projects that, like those embodied in the MDGs, entail public spending and investment to such a large extent.

These comments and analysis sound familiar to former colonies, where, as I pointed out above, poverty eradication and growth distribution have traditionally had a strong political component. “...conditions for market development (in Africa) are not fully in place”, and thus governments have to fill the gap. As Gray Mgonja, Deputy Permanent Secretary, Ministry of Finance, Tanzania, says (in Barbone, 1999: 141). “In the short run, market development is not expected to deliver the basic social services. And even if it could, social service delivery alone may not be sufficient to create the conditions for economic growth”. Brian Raftopoulos (2001), a research fellow at the University of Zimbabwe, highlights the tone of a more radical discourse, very common to the liberation movements, on a decisive state intervention in pro-poor policies –“often

punctuated by a general, populist and imprecise commitment to redistributive policies”— namely poverty eradication policies—in a vague socialist rhetoric. A more moderate argument is epitomized in Zimbabwe’s Bernard Chidzero, a friend and colleague of mine at UNCTAD who was later to become the first Minister of Economic Planning and Development in his country of origin: “Equity in the distribution of wealth and income is one of the cornerstones of our economic policy”.

Realities and idiosyncrasies dictate a complicated path towards the objectives of making economic growth directly aimed at poverty eradication. A peculiar feature of those different options is that the interested poor populations are generally politically weak as compared with public agencies, government bureaucracies, lobbies, and entrepreneurial classes. The result is that the poor are usually excluded from the discussion over pro-poor programmes and strategies. Especially in the countryside, they may be even detested by official and private groups in the capitals or, at least, not be given the attention they deserve.<sup>4</sup> “The image of the Moroccan ‘social poor’... matches classical definitions of idle, dependent, illiterate large families, in a rather stereotyped fashion...” (Destremau, 2001). Marginalization can also be observed in particular contexts, in relation to identities based on class, race, ethnicity and/or gender (Wilson et al., 2001: Introduction: 11).

Indeed, in many popular minds, public programmes directly aimed at the poor often are either seen as encouragements to laziness and dependency - or a leakage into the pockets of the non-poor, who are more organized, articulate and informed (World Bank 1997, ch.3).

4. For an excellent discussion about a necessary *concordant* relationship between groups of poor people and external agencies, see Joshi and Moore, in Øyen et al. (2002): ‘Enabling Environments and Effective Anti-Poverty Programmes’.

The issue is not a World Bank hoax, as many would believe, but a reality in many countries. A 'leakage' problem in public distribution programmes has been highlighted in different places. As Joshi and Moore (2002: 33) point out, even if economic growth allows sufficient margin for adopting efficient poverty eradication measures, "strategies to counteract those who fight for their vested interests may be just as necessary as actual poverty-reducing strategies". The description of the problem they offer lends credibility to their opinion:

"... in so far as jobs, houses, food rations, transport subsidies, school places and medical services formally intended for the poor are actually appropriated by the non-poor (the neo-liberal prediction), it is in the implementation stage that this is especially likely to occur. Poor people generally lack political resources. This is particularly true in poor countries, where they are likely to be physically dispersed and face high transport and communication costs; to be ill-educated; to be (partially) excluded from the public sphere because they cannot understand the language or dialect of elites and government; and to face government agencies and bureaucratic processes that are weakly institutionalised, informal and accessible mainly to those who have privileged personal or social connections. Those connections can most effectively be employed during implementation.

... especially in poor countries characterized by high degrees of income inequality and socio-political polarization, reformist regimes and politicians often use the implementation phase to redistribute income or assets to the poor in non-transparent ways, trying to avoid mobilizing the opposition of the wealthy and powerful by providing them with few specific targets or grievances."



Underlying the various political options on distribution strategies, the policy dilemma arises: Take the goal to ‘reducing by half the proportion of destitute, hungry people’. If it is to be given high and urgent priority and to be attained in time, the question is whether that urgency is compatible with a long-term elaboration and preparation, mainly made up of investment in human capital formation, public infrastructure, and other investments that are aimed at providing further and more sustainable growth. Development theories decades ago focused on growth through capital accumulation. There was a mistrust of the private sector and little mention of entrepreneurship or social inclusion. A theoretical shift occurred, with less asserted policy-making. Since there exists no scientifically based method to decide if one kind of intervention leads to comprehensive poverty reduction faster than another, the decision-making field is open to many interested players (Øyen, 2002: 22).

In fact, MDGs would require both a one-shot set of measures aimed at correcting the most glaring poverty situations and an unrelenting and consistent policy in a long-term perspective that is not going to pay off immediate returns. This is in essence the strategy that an independent advisory body headed by Professor Jeffrey Sachs (*Investing in Development...*, 2005) put forward. To the extent that investment performance is susceptible to policy influences, aiming at growth provides the opportunity to adopt tangible criteria for designing and assessing development strategies (Kozul-Wright and Rayment, 2004: 29), which implicitly include those directed at satisfying the Goals. Here again, the ‘investment’ component that the MDGs imply should not conflict with the ‘consumption’ component –hence, a variety of options and political choices that go beyond the question of growth as an immediate, almost automatic, outcome of the MDGs. “This requires a big push of basic investments between now and 2015 in public administration, human capital (nutrition, health, education), and key infrastructure (roads, electricity, ports, water and sanitation, accessible

land for affordable housing, environmental management)” (*Investing in Development...*, 2005). This opinion makes recent developments in Brazil be looked at with interest.

### **Geography and Economic Structures -> Irregular Spread of Growth -> Social and Gender Inequalities -> Poverty**

Poverty eradication and the MDGs in general do not only call for quantitative economic growth but also for its stability and steady strength. Growth in many developing countries depends to a large extent on international prices and on stable weather conditions for their main commodity export production. A widespread opinion (heard in a local radio) is that ‘when it rains and cotton prices are up, we live well’. The weather and the market: two erratic variables with uncorrelated moves, at a national scale, on which the economy and welfare exclusively depend. Mali’s public finance is indeed dependent largely on the foreign currency price of cotton, as well as on an adequate rainfall –one example among thousands of others. The same could be said of countries with sugar, coffee, and other commodity main crops for exports. Climate whims and unsteady prices are important factors to weigh what growth may do for the attainment of the Goals. Volatile growth rates cannot be relied upon to build up a sustainable and efficient education system, so as to ‘achieve universal education’, for instance, or to organize an efficient system of health security.

The nature and composition of economic growth are also relevant within the MDG perspective. Perhaps these factors are more important issues than growth itself and its volume in a poverty reduction perspective. Growth comes in different categories, which affect the poor differently. Growth stemming from micro-credit facilities, for instance, has rarely been shown as a superior element than many other and more glittering systems. On the other hand, economic development records are full of well-known projects turned into disasters (“white elephants

making gargantuan losses”, says Bhagwati (2004: 56)) that were described as fantastic engines of growth when they were launched. Among them, there have been import-substitution projects, capital intensity, heavy industries (such as steel and electrical machinery), and the proliferation of public enterprises.

National averages may be misleading. Generally, growth does not spread uniformly across a country; selected economic and social sectors are more privileged than others. Endowments and activities, generally those relating to primary commodities, minerals, labour-intensive manufactures, and tourism, are usually unevenly distributed across the country. They provide generally more employment and income than elsewhere, while at the same time poverty in rural and agricultural areas may still increase. Developing economies may be growing nationwide, while large sectors of the population, women in particular, continue to be malnourished or denied the basic necessities, like education or medical care. Irregular spread of growth may give way to income inequalities within a country or region, a factor that would be in itself a source of increased poverty for less privileged sectors of the population.

Botswana is a good example:<sup>5</sup> during the diamond boom, in the 1980s, when the national annual growth rate was 15 percent, agriculture grew at minus 0.6 percent. As the poorest population, caught up in a cycle of primitive accumulation, lives in rural areas often stricken by drought-related shocks, GDP growth is no indication of reining in national poverty. Similar considerations apply with still more pertinence to oil-rich Equatorial Guinea.

5. Information in this and the following paragraphs is taken from Charity Kerapeletswe and Tsholofelo Moremi: 'Poverty and Democratization: The Case of Botswana' and from Arnon Bar-On: 'Providing So Little for So Few: Botswana's Social Assistance Scheme', both in Wilson et al., 2001.

South Africa provides a good illustration of the rural poverty that contrasts with a relative affluence in the cities. Approximately half of the country's population can be categorized as poor. Most of the poor live in rural areas, with the poverty share of rural areas (i.e. the percentage of poor individuals that live in rural areas) being equal to 72 percent. The poverty rate in rural areas (i.e. the percentage of individuals classified as poor) is about 71 percent, compared with 29 percent in urban areas. The poverty rate among Africans is 61 per cent of the population, and a mere 1 per cent of the white population is poor. More recent data (mine is taken from an evaluation carried out in 1995 and included in May, 2001: 304) should provide a better assessment of a situation that may have been deteriorating.

Growth goes generally with income inequality. Inequality, particularly that giving rise to ostentatious spending, increases the feeling of dispossession and exclusion of the underclass. China is a case in point. As pointed out above, the country has grown in the last decades at an unprecedented rate, along with eradication of poverty. However, over the same period, income inequality has doubled. 'One percent of the population now controls 60 percent of the wealth (as compared with 5 percent in the U.S. controlling 60 percent of the wealth). The notion of growth with equity has been abandoned' (Roger Cohen, in *The International Herald Tribune*, May 27-28, 2006) .

More on this: a person living in a Chinese city earns \$1000 a year on average, as compared with just over \$300 in the countryside. An urban citizen can also expect to live over 5 years longer than a farmer. In Tibet, only half of the population can read and write, while over 97 percent of the Chinese living in Beijing, Shanghai or Tianjin are literate. At the national level, the illiteracy rate for women is more than double that of men. Thus, less than 1.5 percent of Tibetan children go to junior high schools, while more than 60 percent of children in Beijing, Shanghai or Tianjin pursue their secondary education. Obviously, inequality

stemming from growth “calls for more investment and legislation in public education to ensure compulsory primary education” –more MDGs, in short.

Growth could reinforce territorial inequalities by providing a false sense of progress to the central bureaucracies. Growth could also exacerbate gender inequalities. In the mid-1990s, it was estimated that, in Botswana’s rural areas, the earning power of male-headed households was eight times higher than that of female-headed households. Consequently, almost three-quarters of rural female-headed households were below the poverty line as compared with between a third and a half of male-headed households – according to Botswana’s Central Statistics Office (1996), quoted in Bar-On (2001: 250). To a point, a growing economy contributed to a dumping of the countryside and rural production by the male population, to leave women and children to cope with the vagaries of rural life. Statistical measurements in Morocco, according to Destremau (2001) quoting El-Ghonemy (1998: 189), suggest that parallel to a substantial reduction of poverty there has been a slight worsening of income distribution in the years following the launching of structural adjustment reforms. Women were the main victims. Other opinions confirm that income distribution was actually negatively correlated with growth and tended to work contrary to the growth effect – “the decline in poverty would have been larger if income redistribution had not occurred” Destremau (2001). By and large, women are shown as the disadvantaged gender and the main victims of those distributional shocks.

Women, who are by no means a homogeneous group, “are disproportionately represented among the poorest in our country. They are the majority of the homeless, the landless, the unemployed, the violated”. (Govender 1996: 1, cited in Budlender (2001: 330).

## **Assignment of Pro-Poor Resources: Socio-Political Priorities and Controversial Options**

MDGs and the policies and strategies they command may not always be a first priority in the very countries directly concerned, and still less in the countries in a position to provide effective help. Øyen rightly calls our attention to negative stereotypes about poverty which flourish and creep into our images on poor people (those lazy chaps!) and how their behaviour can be interpreted as asocial and deviant (Øyen, 2002). Begging, in particular, makes poverty visible in a fashion that disturbs public order in the street, or an intended image of public order (Destremau, 2001: 144).

This is particularly true with respect to poverty alleviation programmes (what I could call pro-MDGs public and private resources,) aimed at rural populations. Programmes carried out in several developing countries have rarely offered a lasting solution to make up for rural underdevelopment and increasing rural poverty (see above). Efforts towards land reform, rural credit institutions, investments and infrastructure and foreign trade negotiations better focused for agricultural and other commodities, were neglected, to put a premium instead on other development options.

Behind those priorities lies a complex issue involving divergent options arising from class interests, theoretical social and economic philosophies, political, religious, and social convictions, and academic theories. A main argument is: how can resources to alleviate poverty best be used? They are now the result of political, social and economic options and competing, often contradictory, criteria.

As suggested above, there is a separation between rural and urban poverty and societies, and a similar disconnection between rural and urban powers under a single economic and social central authority, which made pro-poor policies and social security concepts difficult to articulate. “Urban power spoke the language of civil society and civil rights, rural power of community and culture” (Wilson et al., 2001: Introduction). New forms

of tribalism contributed to distorting what could have been an effective system of income distribution.<sup>6</sup> That bifurcated society adds to the difficulties to build up a common, uniform culture of poverty eradication.

Rural society is not the only sector that distribution of resources often ignores. Informal sectors, which are also a particularly relevant feature to many developing countries, are also neglected. The scarce data available suggest that the incomes of the informal sector are largely market-determined and probably stagnating, while formal sector workers are highly organized into various trade unions, with increasing real wages, especially at the higher levels. (This is at least the case in Namibia, one of the countries with the highest income inequalities worldwide). To rural communities, land reform and management were expected to be a radical remedy for poverty eradication – something that was and still is beyond many of the ritual and stereotyped concepts of growth and income distribution. The result is that Northern concepts in those fields were and still are of difficult adaptation to Southern realities.

### **Growth? Sometimes, Not Always**

Growth is meant to be the starting point towards poverty eradication, but the road is sometimes rough and bumpy –and sometimes not even a road at all. There are even categories of growth which are detrimental to poverty reduction. “Immiserizing” growth, for instance, worsens a country’s terms of trade, so much that its welfare declines (for a lively explanation of this observable fact see Bhagwati, 2004: 55). A similar negative outcome of growth on welfare, poverty reduction and, generally,

6. Anthony Ngare: ‘Nobody is surprised when they hear of tribalism in the public sector. After all, many of the people at the policy-making level get there because they have (or benefit from) tribal political constituencies.’ Nairobi: East African Standard, January 2006.

on MDGs, is found in growth processes bringing about environmental damage and even catastrophes: Chernobyl, oil spills, and others.

Bhagwati explains that coastal shrimp farming in India, which led to substantial exports and was expected to contribute to enhancing India's growth and its fight against poverty, turned out to be damaging the surrounding mangroves because of discharge of chemicals and accumulation of uneaten feed, disrupting the livelihood of fishermen and others subsisting traditionally in the surrounding areas. Growth is not always relevant to welfare in its social and environmental dimension; therefore it could even be detrimental to the attainment of the Goals.

The above suggests that, whatever their importance, neither growth nor income distribution are reliable guarantees of poverty eradication and other achievements included in the MDGs. The issue of growth and its influence on employment is a disconcerting element that would also merit serious discussion. In a number of developing countries, employment is rightly equated with less poverty. For instance, in the Moroccan Social Development Programme, the issue of income poverty is essentially dealt with in the fashion of creating employment for the poor (Destremau, 2001: 140). However, growth does not necessarily increase employment opportunities, and hence it does not secure an essential factor towards poverty eradication. Here again, the results show wide regional variations. (International Labour Organization [ILO], 2005).

A possible conclusion is that real income growth and pro-poor distributive policies are not always efficient in increasing employment, enhancing productivity, providing good environmental conditions, and building up infrastructure, in short: achieving MDGs –but they help. A similar unpromising conclusion is arrived at when considering the influence of globalization on growth, which will be discussed in the next section.



## **2. Globalization Does Not Necessarily Fuel Growth – But it Often Helps**

«L'heure est à la “mondialisation”. C'est elle qui vide les usines, appauvrit les plus pauvres, nivelle les différences, procure le bonheur, contient le malheur, permet de voyager en low cost, est responsable du réchauffement climatique, déclenche la guerre économique et fournit à l'homme l'espoir d'un monde qui ressemblerait à une plate-bande. On l'aura compris, la “mondialisation” est bien le laminoir intellectuel de notre temps. ... Élevée au rang de vide-poche de la critique sociale contemporaine, elle sert sans distinction toutes les causes et tous les combats. Or ce vide-poches de la critique sociale en vient à fonctionner comme le cache sexe d'un capitalisme pudique. Réduisant la diversité et la complexité, il permet de voiler, dans le même temps qu'il en assure la reproduction, des rapports économiques et sociaux dissymétriques. Ainsi, la question reste celle de savoir à qui profite le flou? » (Laurent Matthey et Olivier Walther [2005], in [www.articulo.ch](http://www.articulo.ch)).

“Does globalization, in the specific form of freer trade (and inward direct foreign investment...) imply a close integration into the world economy, part of that poverty-reducing policy, or are wisdom and knowledge on the side of those who claim the contrary? As it happens, the proponents of globalization have it right... We can never forget also that a transition to more rewarding globalization requires careful steering and optimal speed of policy changes, not maximal speed à la the ‘shock therapy’ of excessively rapid reforms that devastated Russia” (Bhagwati, 2004: 32).

## Determining Factors

Globalization in its modern version, which allegedly coincides with China's beginning to liberalize its economy in 1980 (Murshed, 2004:68), is construed in various ways, often according to ideological convictions, political preferences, business strategies, and academic fads. It has often turned out to be a cliché camouflaging political or business failures and highlighting the doctrinaire radical left. Definitions are often rigid and dogmatic and they often overlook the fact that globalization is an everlasting man-made contraption and, as such, expected to respond to a cyclical and permanent evolution in line with growing and declining hegemonies, mentalities, ideologies, and cultures –all being liable to constant change.

For some, globalization is an indispensable growth instrument, to which all countries, rich and poor, participate on an equal footing. Globalization's chief elements, international trade in goods and services and capital flows, are the key to progress, so the larger their scope the better. Lessons from South-East Asia are compelling. Trade reforms contributed to the impressive economic growth and export performance over the past few decades. African trade regimes, on the other hand, for all the openness in recent years, have remained significantly more restrictive – hence, poverty remains. New means of communication, production patterns, and technological advances, make globalization an unstoppable drive that benefits all. This is the optimistic judgment, with a liberal, pro-market consensus (see below).

Other opinions challenge this rosy position. In this interpretation, the essence of globalization is a modern modality of hegemonic trade rules, which has not necessarily resulted from automatic, impersonal, inevitable forces; it has been shaped and controlled by an interaction between these forces and deliberate political options and institutional forms by the powers which wielded influence over the rest of the world.

There is indeed a close relationship between those new rules and growth –and from growth, as explained in section 1, to the old aspirations that are now translated into the Millennium Goals. But to the extent that growth has not spread uniformly all over the world, it can therefore be suspected that the new rules have been unfair to some. In a number of developing countries, liberalization policy recipes generated less welfare and employment. Extreme poverty and hunger subsist, and no progress in universal primary education, in gender equality and in reduction of child mortality has been recorded –the reverse is often true.

### **Underlying Forces and Powers: The Washington Consensus**

Globalization, i.e. the integration of national economies into the world exchanges “connote(s) powerlessness on the part of nations, societies and groups to shape their own destiny in the face of the ‘silent takeover’ by the forces of globalization”, says Murshed (2004), who, as so many other academics on social and political matters, definitely does not like the way globalization has unfolded and pervaded the political arena.

There is an explicit code for the globalization process: structural adjustments in the 1980s, later replaced by a Poverty Reduction Strategy, which was a Trojan horse for the eventual introduction of the John Williamson’s ‘Washington Consensus’. A primary goal of the code was to contain inflation, an objective that has called for fiscal restraint and cutbacks in social programmes – at least in the short term and in a number of developing countries. Other items of the Consensus include removal of distortionary policies regarding taxes, capital controls, subsidies – and open trade policies as a major component. Structural adjustment policies of that kind and the Washington Consensus are based on very basic mainstream premises of continuously clearing markets with flexible prices. The possibility of market imperfections or temporary price rigidities is ruled out (Murshed, 2004: 74). No demonstration is needed that these premises are hardly found in most developing countries.

Through the Washington Consensus, the hegemonic powers and the international financial institutions under their control rendered globalization a policy ‘choice’ on which access to external finance was contingent. Oil shocks in the 1970s and other macroeconomic difficulties confronted non-oil-producing developing countries with balance of payments problems (Murshed, 2004: 73). Assistance was compulsory, not an option –and it had to be obtained from those which were in a position to provide it, namely Washington-based, Bretton Wood institutions. However, their assistance has been ‘conditional’ to the adoption of, for all practical purposes, the tenants of the Washington Consensus, with which expenditure on a number of social programmes had to be curtailed, something that was to be detrimental to exactly what the Goals propound.

The influence of the hegemonic powers in shaping new rules to their own advantage, including through their grip on the Bretton Woods institutions, was bluntly acknowledged by former United States Secretary of State, Dr. Henry Kissinger, in 1999: “What is called globalization is really another name for the dominant role of the United States” (Lecture delivered at Trinity College, Dublin, 12 October, 1999). This description coincides to a large extent with that put forward by the radical left: globalization is an engine of domination by the hegemonic powers. (See box above, with a quotation of Matthey and Walther (box above), Department of Geography, Université de Lausanne.)

In more moderate tones, globalization is not necessarily seen as a direct outcome of or in association with the hegemony features that lie behind the Washington Consensus, the IMF, the World Bank, and the WTO. There are two different things. Nobel Prize winner, Joseph E. Stiglitz (2002), for his part, has not been particularly lenient on globalization, but his condemnation of the system is rather directed at the way it has been led to policy formulation, conduct and advice by the Washington set up. For all his criticism and reservations, he accepts that globalization, if more reliant on good economics and less on dogma or

politics, could be a positive development for the whole world. But it has unfolded, in his opinion, with a blind application of unabashed capitalistic ideology, politics and prescriptions for the problems of poor nations. These countries have been sacrificed on the altar of high finance, to serve global lenders, free trade agencies and large brokerage firms that maintain a worldwide presence through their location on New York's Wall Street.

On the claim that globalization undermines the society's most vulnerable, i.e. children and women, Stiglitz insists that this is mainly derived from the botched way globalization has been imposed on developing countries, not for globalization per se. Recurrence of wrong advice and prescriptions from its main practitioners (IMF, WB, WTO) to the developing countries, belt-tightening demanded by IMF, trade liberalization demanded by WTO without preparation, liberalization of capital markets that openly perpetuated the financial stranglehold on these countries, 'and privatization simply ceded the nations' assets and treasure to a coterie of individuals with strong elite connections at the expense of everybody else', says Stiglitz. Wrong advice to developing countries, lack of democratic practices and accountability in decision-making dismay Stiglitz. And he, a former official of the Washington institutions, must know what he is talking about.

Globalization and what comes with it has therefore been considered a poor engine for removing poverty –and for achieving MDGs at large– perhaps abusively and for the wrong reasons. Few countries adopted Washington's economic prescriptions more eagerly than Bolivia did in the 1980's and 90's. Yet despite considerable mineral and energy resources, it remains South America's poorest country, with 60 percent of its people living in poverty. The question to be asked is whether this is the outcome of globalization –or Washington prescriptions on the way to carry it out? In any case, the left-behind and angry poor have joined progressive forces in voting for Mr. Evo Morales in large numbers, as they had voted repeatedly for Mr. Hugo Chávez in

Venezuela some years before. Their poverty has surely been the main determining factor in their votes, a poverty that may be attributed more to the Washington institutions, their neo-liberal ideologies and their grip on the economy than to the globalization process itself.

But regardless of the responsibility of policies dictated under the emblem of the Washington Consensus and the way the hegemonic powers and their international institutions have managed to put it under their influence, the actual experience in many countries suggests that globalization unleashes market forces which exposes them to a dependent status and a control of their economic policy-making by the strong ones. Globalization carries with it a number of conditions widely regarded as essential for growth, but a deeper examination of its effects reveals a more complex and less encouraging picture. It is not at all sure in particular that outward trade orientation is enough to stimulate growth without a prior effort toward export incentives. With economies increasingly determined by transnational designs and dynamics, governments are less confident than ever that export incentives and national policy-making at large will substantially bear upon economic conditions. Under the circumstances, it is increasingly difficult to indulge in long-term planning or programmes on social spending and to build up investment projects for social purposes.

### **Globalization? Some Upbeat Outlooks**

As pointed out above, in East and South-East Asia domestic liberalization and outward orientation of their economies were associated with spectacular growth, poverty reduction and social progress (to a point). As a result, East Asia has already achieved the goal of halving poverty by 2015, and South Asia is on target (above section). That one third of humanity and 40 percent of the developing countries' population lives in that region is a fact to constantly bear in mind: the relationship between globalization and growth is not just a coincidence.

Pro-globalization arguments are clearly and constantly set out in current mainstream literature. One of the most fervent proponents is Jagdish Bhagwati (2004), read worldwide. The central question in his 'In Defense of Globalization' is this: Trade (as the main component of globalization for that matter) enhances growth (and growth reduces poverty: above section). However, free trade is indeed not optimal in the presence of distortions in the economy, which are to be corrected by the appropriate policy instrument prior to adopting a free trade policy –an implicit support for the Washington Consensus. Some highlights of the argumentation (Bhagwati, 2004:60ss.) are given in the following box:

Contrary to what is usually purported ('protectionism went with economic growth and expansion of trade; liberalism went with stagnation in both', at least from 1875 to 1914) this positive association has recently been broken. Rapidly growing countries, like Canada and Argentina, for instance, were in fact examples of outward-oriented countries that built prosperity on their pro-trade orientation.

There are scale economies in production that can be exploited when trade expands markets. This is particularly the case for small countries. The East African Common Market built successfully upon this assumption.

There are the gains from increased competition. Protectionism is the chief cause of domestic monopolies and, hence, stagnating economies.

In order to maintain outward orientation, countries must create macroeconomic stability. Inflation-prone economies with fixed exchange rate regimes would soon find that their currency had become overvalued.

Direct foreign investment would also be lower in the presence of trade restrictions.

A close link between increased openness and faster growth is not only a general experience but also a confirmation of the standard argument of free trade: by specializing according to their comparative advantage, countries reap efficiency gains from moving to a better allocation of existing resources, with the optimal reallocation brought about by the stimulus of increased competition to domestic enterprises.

Take the Doha Round of the WTO negotiations and the last Hong Kong meeting: for all practical purposes they have not achieved a substantial expansion of trade, their alleged objective. The main victims of the stalled talks will primordially be the poorest. 'Neither developed nor developing countries have been ambitious enough to seek the degree of trade liberalization needed to help the poorest', says *The Economist* (December 10<sup>th</sup>, 2005), along with a quotation from the World Bank's trade model that estimates that if trade in industrial and farm products had been fully freed, the one-off gains from reallocating resources more efficiently could have boosted income in developing countries by \$86 billion by 2015 and pull an extra 30m people out of extreme poverty. Two-thirds of these would be in Africa.

In this line of thinking, external trade would be the most efficient engine for growth, at least in sub-Saharan Africa, were it not that internal constraints and external barriers to its exports subsist. Section 1 points out that the region would attain much of the Goals if only its aggregate per capita income (in terms of purchasing power parity) rose to Latin America's current level. Calculations carried out by Mayer and Fajarnes (2005) contend that for the region to attain that growth rate it would be necessary that its primary exports be roughly three times their level in 2000 and its manufactured exports be about 7 times their level in 2000.

There is no fantasy in these speculations. Growing world demand for primary commodities from rapidly growing natural-resource-poor Asian countries, particularly large ones such as China and India, has sharply increased Africa's potential for exports. But by all accounts two obstacles should be overcome beforehand. First, failures should be



addressed in the supply side, stemming from low agricultural productivity, weak macroeconomic management and physical infrastructure, absence of collective research services, little technological capabilities, and others (Mayer and Fajarnes, 2005: 10). Second, market access and entry barriers are particularly high for agricultural products of export interest to African countries. The two constraints feed each other. Low productivity may stem from the absence of large, mainly export, markets that do not permit extensive cultivations, and absence of large export markets stems from low productivity. In a sense, therefore, what Africa would need to increase its per capita income would be less protectionism and more open markets outside the continent, i.e. more globalization, not less.

An additional observation must be made regarding mining. According to data in Mayer and Fajarnes (2005: 11), with respect to Africa's potential for exports, 'Africa is a major producer of the world's most important minerals and metals... Improvements in physical infrastructure, particularly rail and road transport facilities, will be crucial to allow such opportunities to be seized beyond high-value products (such as gold and diamonds) and countries with long coastlines... According to media reports, Africa presently accounts for less than 5 per cent of proven global oil reserves but hosts about 20 per cent of new worldwide production capacity. Successful exploitation of these reserves could lead to a rapid and very substantial increase in these countries' primary exports'.

Globalization and other liberal policies that WTO inflicts (for some) or negotiates on a multilateral basis (for others) would be better understood and accepted if they applied to all. This is not the case. First, exporters in developing economies face a number of constraints which do not conform to the globalization paradigm. Exports are restrained by significant trade barriers in the developed countries, including quotas, tariff peaks (i.e. rates above 15 per cent for imports defined at the 6-digit level of the Harmonized System), high rates of tariff escalation or

effective protection, anti-dumping actions and other forms of contingent protection, as well as a variety of new barriers relating to labour and environmental standards (Kozul-Wright and Rayment, 2004:9). The products most affected by such restrictions include textiles, clothing, footwear, leather and leather goods, and travel goods –clearly those in which developing countries enjoy comparative advantages.

Not only do external obstacles to exportation hinder higher incomes, but internal obstacles to importation does so as well. Sachs and Warner (1995) estimate that African countries would have grown 1.4 percent more had they implemented similar open-trade system and other trade policy features as those adopted in South-East Asia, with the same adverse geographic and structural conditions (climate, transport and being landlocked).

And even though the theoretical foundation for a positive relationship between trade liberalization and growth is still debatable, dynamic gains are said to be forthcoming from economies of scale, from an expansion of learning-by-doing and from an increasingly fine division of labour, which are made possible by an enlargement of the potential market. In this way, it is expected that an investment-friendly climate be created, which in turn attracts foreign direct investments (FDI) (Kozul-Wright and Rayment, 2004).

There is no doubt that trade liberalization has static income effects (a one-off increase in income level). Different estimates are given in the relevant literature, but they are generally assumed to be in the range of between 2 and 10 per cent of GDP. The scarcest factor of production loses, while the abundant factor gains. Other non-negligible effects stem from encouragement of foreign direct investment and investor confidence. Such credibility or confidence of private investors is vital, as has been experienced by the Asian new industrialized economies. Indeed, a globalized country is known to be the best environment for foreign investors. However, foreign direct investment does not automatically result in growth acceleration (it could in fact be

detrimental to it) in the absence of specific ad-hoc economic policies: infrastructure, including banking and financial institutions; stable political and economic environments, associated with the quality of the legal and regulatory framework; and a strong overall institutional framework. When these conditions are met, FDI is considered one of the major stimulants of growth. (And that helps explain in part why investors are not going to Africa, as pointed out by Dabeesh [1999], with an explicit reference to Mauritius).

The above does not necessarily imply, however, that there is a causality effect between a globalized economy, FDI, and poverty alleviation. The ad-hoc conditions mentioned above (infrastructure, stability, legal, institutional and regulatory framework), may well be not only pre-conditions to FDI, but inputs to growth in their own right, a growth that FDI would only contribute to accelerating. No doubt this question has been elicited somewhere else or it merits further clarification.

### **Benefits of Globalization Irregularly Spread**

So, why is it that countries in East Asia and elsewhere have fared so well in a globalization context? One explanation is that these countries had not been as subject to the Washington Consensus orthodoxy as many others were, at least not until recently. Indeed, high growth occurred precisely where the policy prescriptions of the Washington Consensus had been resisted. This was the case until the 1997-98 crisis, where those economies hardly qualified as star pupils of the Consensus and the Bretton Woods institutions (Murshed, 2004). But I am not absolutely sure. A more convincing argument is that manufacturing exports in resource-based or unskilled labour-intensive products concentrated in South-East Asia because of the existing reserves of surplus labour to be absorbed, the basis for the rapid development of manufacturing capacity (Kozul-Wright and Rayment, 2004: 9). Specific regional cultural and educational factors provide additional explanations.

Just another basic factor: Freer trade promoted total factor productivity (TFP) growth, and vice-versa. That growth stems from changes of technology and institutions, among other factors, which have been clearly inadequate in the sub-Saharan African and other low-income countries of the world, while they have been important in Asia. This could also partly explain the difference in the globalization outcome between those groups of countries. (See, for instance, Tahari et al., 2004).

The relentless focus on education in East Asia belongs to the same category of issues. “It makes sense”, says Fareed Zakaria, in *Newsweek*, January 7, 2006. “Many of these countries have no natural resources, other than their people; making them smarter is the only path for development” – a path which would not have been forthcoming had the borders remained closed. “China, as always, appears to be moving fastest. When officials there talk about their plans for future growth, they point out that they have increased spending on colleges and universities *almost tenfold* in the past 10 years”. The question is whether that huge investment can be taken as part of the measures aimed at the Millennium Goals. Time-horizon considerations are here unavoidable.

The free trade drive brings about many problems of various kinds and categories. Some emerging and middle-sized economies are affected in a particular way –it is not surprising that they are those for which globalization has the gloomiest reputation, particularly in the left and ultra-left sectors of the population. The so-called ‘fallacy of composition’ is responsible for much of the difficulties: potential exporters of low-technology, labour-intensive products may be stunted by the competition of larger emerging economies (e.g. India and China). Chinese textiles in Cairo stores, while Egyptian textile industries are languishing or bankrupt, are an illustrative example. Egyptian textiles face constraints in their domestic and other developed countries’ markets because these markets are oversupplied

by Chinese manufactures; life for local manufacturers is very arduous indeed, many plants have had to close and unions have spread the popularity of anti-globalizing campaigns. According to ECLAC, Central America is also affected: it is a net oil importer and the victim of strong Chinese competition in the US textile market. The region faces a deterioration of terms of trade (12 percent between the 1990s and 2005) and a significant reduction of export growth rates.

Other negative results of globalization: More competition resulting from globalization has negative effects on innovation and growth, to the extent that it reduces the monopoly rents that reward successful innovation (Acemoglu et al., 2002). In addition, while it may be true that more globalized trade results, in general, in higher output growth rates, it is also true that those rates are afflicted with higher output volatility and are particularly detrimental to some specific regions or social classes.

The problem appears to be more severe where countries are caught between relatively high wages and low productivity (Latin America would be particularly vulnerable). The structure of international trade adds to the difficulties. Most commercial transactions are conducted with transnational concerns or systems of governance that link firms together in a variety of sourcing and contracting arrangements. The so-called 'value chains' assumptions look at those problems with important insights. Progress stemming from globalization, according to classical economics, is based on trade transactions among arm's length firms.<sup>7</sup> However, the way in which much of this trade is

7. A variety of texts on value chains are found in IDS bulletin vol.32, number 3, July 2001 ("The Value of Value Chains: Spreading the Gains from Globalization"), with contributors of the significance of Gary Gereffi, John Humphrey, Raphael Kaplinski, Timothy J. Sturgeon, and others. I was particularly attracted by Adrian Wood's (2001) 'An Economist's Perspective'.

organized by importers introduces doubts on the validity of the classical model. Access to the developed countries' markets depends, on a large scale, on entering into the global production networks of lead firms situated in importing countries. Distribution and marketing, flows of information between the stages of activity in the supply chain, with costs that often account for a larger share of the final price of a good than the costs of its manufacture, are not accounted for in classical economics and make its models somewhat unreliable.

### **No Good Governance, No Adequate Infrastructure? No Successful Globalization**

The key to a successful globalization and growth of South-East Asian and other emerging economies is often attributed to their political stability, a great deal of good governance and the social capital those countries enjoyed. The contrast with many other countries, particularly in Africa and Latin America, is often highlighted. Wars, civil wars and swinging basic constitutional systems are not good omens for investments and for attracting foreign capital. Crime is also a deterrent of growth and, hence, contributes to poverty, so that fighting crime would be a sure path to benefiting from globalization.

'The rise in violence is having a serious impact on Central American economies. According to a study by the UNDP, the cost of violence to El Salvador in 2003 was \$1.7 billion, equivalent to 11.5 % of GDP. The Inter-American Development Bank is even more pessimistic, estimating that the per capita GDP of the region would be 25% higher if the rates of violence were no worse than the world average...' (The Economist, January 7th, 2006)

But stability and good governance (which, in the IMF's terminology, includes 'a good environment for the private sector by ensuring the conditions for the fair and efficient functioning of markets') are tricky concepts full of different and often biased interpretations. Some opinions argue that the true meaning of 'good governance' is a strict submission to a given model that asserts that the best government is the tiniest possible government. Along this line of thinking, an IMF staff member suggested reforming the civil service from within, or moving certain functions outside the core civil service and entrusting them to quasi-autonomous bodies (Barbone, 1999). His argument was corroborated by the Zambian Minister of Finance and Economic Development (Mr. Godfrey Simsiku), who pointed out that revenues had tripled after the revenue authority was separated from the government. A similar success story was the now independent export board, helping non-traditional exports to triple in a short period of time (Barbone, 1999: 129). Unfortunately, though, these comments could not be confirmed by any credible analysis.

On the other hand, the insistence on making local governments responsible for their own plights on account of 'bad governance' implies a very inconsistent and contradictory policy prescription on the part of the Northern 'donors' and 'benefactors'. The argument of governance is often a fallacy, a way of deflecting attention from the structure and constraints imposed by globalization (Schulz, 2001: 105). "The joke about the new development economics is that when something is difficult to explain, one can always try 'governance' or 'social capital'. Often, they have become a sort of factor *x* to conveniently 'explain' what cannot be explained by other methods. (Jomo, 2005).

Sometimes, however, the governance issue is no joke at all. Congo's Mobutu, Idi Amin Dada of Uganda, Peru's Fujimori, Malawi's minister of education stealing millions of dollars from the education budget in 2000, the Zambian president stealing from the treasury, Nigeria squandering its oil wealth, Marcos holding up the Philippines ... these

are no legends at all but depressing realities, which have intensified the poverty condition and denied the true meaning of the Goals. Globalization has often been made the scapegoat. Indeed, improving good governance, eradicating corruption, ensuring the rule of law, and other measures aimed at a more efficient policy-making are crucial for reaping the benefits of globalization. (In fact, the issue is recognized as one of the MDGs: Develop a global partnership for development). The paradox is that, as Schulz (2001: 105) highlights, globalization demands good governance to reap its benefits and mitigate its costs, while it usually weakens at the same time the state's influence over its traditional policy margin of decision. State-building under conditions of extreme poverty and lack of resources is surely an impossible task.

It would be wrong, in addition, to equate globalization-induced growth with a 'good' governance style. Ever-larger numbers of people in developed countries, where this style generally prevails and adequate physical and institutional infrastructure co-exist with a globalization environment, are also becoming economically marginalized. Workers and the marginalized poor are particularly vulnerable. "If the richest countries in the world have largely failed at finding a solution for overcoming the deindustrialization of their economies and the growing marginalization of their workforces, how can the poorest countries be expected to do this successfully?" asks Schulz (2001: 104), citing Manuel Castells.

More than a governance issue, important as it is, low levels of material infrastructure available to the poorest countries do not permit them to play on a level playing field with the forces of foreign trade unleashed by globalization. The UNDP's figures in its Human Development Reports speak for themselves: telephone lines, power production, public postal and transportation services, tax collection and codes, statistical compilation and use cannot compare with those of the richest part of the world. "While in 1994 each person in the industrial countries used 7,514 kilowatt-hours of electricity, in the developing countries as a



whole that figure was 763 per capita. In the poorest countries, the figure was 74 kilowatt-hours per capita.” Among other returns, material infrastructure of this kind would permit and promote the integration of foreign direct investments into the national economic systems along with the participation of local highly trained human capital. Absence of it makes globalization prescriptions seem cynical at best, as asserted by the so-called alter-globalizers, particularly as, in the absence of adequate physical and institutional infrastructure, an increasing proportion of national academics, trained personnel and research staff emigrate to developed countries, in a most suffocating brain drain that deprives the local societies of the best elements for their development (Ripoll, 2005).

## **A final note**

I examined the Millennium Development Declaration and its Goals through the lens of the present globalization process. Was globalization going to hinder or enhance the attainment of the MDGs? The question could have been largely academic and even futile, as there is no discernible alternative to globalization and if alternatives ever arise, they will likely be dominated by national interests that will not necessarily be conducive to the Millennium Development Goals either. I venture the conclusion that countries facing the longest and bumpiest road to the MDGs are those for which globalization has done less to achieve enough internal growth to attain the objectives –or, still worse, globalization has had a negative influence. The question would be then to make development strategies in these countries more compatible with existing globalized economic structures –or how to commit these structures to make them provide the necessary resources called for by MDGs.

The Goals are huge and ambitious, and they do indeed call for vast resources. Assignment of resources is primordiallly a matter to be dealt with within the framework of internal policy-making. Policy-making depends in large part on whether or not adequate institutional frameworks and productive capacities permit outward orientation and integration in global economies, i.e. globalization. This integration condition has been and can be met in emerging and middle-sized countries, which by and large have derived sizable profits from it - but it is definitely out of reach for the poorest countries, particularly in sub-Saharan Africa and some Latin American countries.

This paper puts forward a few hypotheses to explain the differences between these groups of countries. First, differences in physical structures and human capital, financial institutions and credit systems, educational and health facilities –partly stemming from different political environments and cultural mindsets. Secondly, differences in priorities and pro-poor internal policy-making. Thirdly, production structures yielding inadequate total factor productivity. Fourth, excessive reliance on

external official financing with corresponding limitations on social pro-poor programmes. And also, differences in the field of governance, a responsibility that is often a legacy of the former colonial powers.

The international community is left with the duty of helping to fix these differences, out of its alleged humanitarian values and generosity or self-interest – or both. Globalization may be an ostracized concept in populist views, but it is indeed a mechanism whose pro-poor efficiency is corroborated by formal analysis and empirical evidence, provided important conditions are met.

First of all, the Millennium Development Goals have to be given high priority by the countries concerned and the international community at large. Such a common priority can neither systematically be taken for granted, nor does the way it should be implemented meet general agreement. In a number of countries, a variety of political, social, economic and industrial structures have all different perceptions on how to make use of resources in the MDG perspective and also have different strategies on how to carry them out. Complexities arise over the arbitration and trade-offs between direct short-term poverty reduction measures and the medium- and long-term build up of human capital, infrastructures, and other investments that would ensure the sustainability of the Millennium Development Goals. Most existing development plans and strategies are stuck in the short run, and the key processes for international partnership are also short-term in their orientation, while development is a long-term process (*Investing in Development....*, 2005).

The majority of texts consider countries as single entities with homogeneous aspirations and unanimous political voices. The truth is that, when it comes to issues like those dealt with in the MDGs, there are a myriad of distinct, sometimes contradictory solutions fiercely expressed and challenged by the national sectors and interests. Government, political parties, social groups, unions, churches, lobbies, the UNDP and NGOs, you name it, each of them claiming to have the best answer as to how and where and for whom resources should be best assigned. However, “The

right to judge what is 'best' for millions of poor people carries with it ethical dilemmas and problems that so far have not been well expose." (Øyen, 2002: 18). Policy-makers are often involved in a principal/agent issue or a conflict of roles, where political strategies, patronage politics, party commitments and allegiances, academic fads on development economics, caste or class solidarity, personal ambitions, selfishness (not to speak of forthright lack of integrity and greed), often prevail over more noble attitudes.

Secondly, this paper assumes that, under certain conditions, increase in trade through market forces fuels investments, employment and productivity, with a resulting increase of global economic output, which in turn is meant to help millions of people to leave their poverty condition. The problem is that market forces are shaped and controlled by policy choices and institutional frameworks that do not conform to the classic economics model (Kozul-Wright and Rayment, 2004: 1). In other words, the World Trade Organization in the area of trade, and the Bretton Woods institutions and their iron fist of conditionality in the area of external financing, have an agenda that marginally coincides with that of the Millennium Development Goals. To meet the demands of what these Goals imply, new rules of the game are due in the area of trade, so that developing countries' potential and competitive advantages in agricultural, industrial and service products can be better exploited, and in the area of finance, where 'conditionality' should be shaped under new criteria. Without that, the outcome of globalization is unpredictable and as likely to lead to stagnation as to growth, rising incomes and poverty reduction in developing countries. Now, not much has come out in this direction from recent developments in trade (Geneva-based institutions) and international finance (Washington-based). Expectations are poor, for all the soothing rhetoric that is presiding over the official discourse of these bodies.

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In September 2000, 189 Heads of State and of Government defined a set of objectives aimed at poverty elimination and at substantially improving the lives of the poorest by the year 2015. This was a righteous ambition and a microcosm of a larger truth: they recognized that achieving the Millennium Development Goals requires a global partnership suitable for an interconnected, globalized world. In the globalization drive that we see today, the world truly shares more than ever a common fate and thus it demands efforts and contributions from everyone. These efforts raise hopes that a more civilized, human, decent world would eventually come into being. Everyone is agreed that poverty in the proportion that it is presently seen in many countries (if not all) is an insult to the human kind; so its eradication is overly due. But one can suspect that in each of the Great Powers signatories' minds there were concealed misgivings and mental reservations as to how, how much, and to whom, economies should be open. This is the mind-set stemming from a fabric of political allegiances, internal commitments and personal interests to be expected when those grand projects are negotiated. All the same, it does not bode well for 2015, the year when most of the Millennium Development Goals were due to be attained. Alas, we should be prepared for unpleasant frustrations.

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