

## **Poverty & Development – The Global Context**

### **Dr Mira Shiva**

I shall be speaking about the present global context so that discussion about the situation of poor is seen against this background. I am going to start with the meaning of development, what has been done in the name of development, and how exploitation has taken place in the name of development.

#### **What do we mean by Development?**

**Does it mean Progress, well-being, better living standards of the disadvantaged populations, social security, meeting of the basic needs of all,**

Or

**Does it mean Modernisation, western paradigm of economic growth, used by First World interests to reshape politics, economies, of poor countries?**

When we talk about development we imagine, we think and we believe that we are talking about progress, we are talking about well being, we are talking about better living standards of the disadvantaged populations. We are talking not just about people who are in remote areas and from poorer countries, but also in more specific terms of women, disabled persons, elderly persons and the minorities. When we talk about development, we imagine that people should have social security and their basic needs should be met.

Unfortunately the major development paradigm emerging from the rich countries, which is guiding a lot of the work in development and other sectors, is about increasing profits and economic growth. This is the western paradigm of development and it is reshaping the politics and economies of the poorer countries. It tends to be manipulative, and this is what we are calling the new colonialism (**neo-colonialism**). This is the economic growth-oriented model of development.

#### **Growth Oriented Development**

It perpetuates and imposes **domination of the North** on the South and is synonymous with economic growth. It's goal is to improve poor country's **market potential** by increasing Gross National Product and so economic growth is pursued through industrialisation, agribusiness & trade.

However, there is another model of development – the equity oriented development.

### Equity Oriented Development

It places **basic needs of people before** predatory pursuit of economic growth. It recognises that health, well being, security of people depend upon **fair** distribution of resources and power. It promotes **people's participation** on a large scale in making decisions effecting their lives

Equity-oriented growth also involves issues of sustainability and the sphere of democratic norms. For this paradigm of development we need to talk about economic equity, and also about social equity and gender equity.

Among these two development paradigms, it is the economic growth model that is dominating the entire international and national policy-making. It's influence is not limited only on governmental and international policies and programmes but it is also influencing the development philosophies of many non-governmental organisations. Why did this happen? To understand this, we need to look at the genesis of globalisation and the debt trap.

### Genesis of Globalisation – The Debt Trap

- Post world war II (1945 – 1970) – golden age of capitalism
- Nov 1973 – Hike in oil prices by OPEC – Profits deposited in banks in rich countries
- Illicit incomes of Third World dictators also put in western banks
- Money from drug smuggling also put in western banks
- Banks with surplus money – “easy” loans to developing countries in late seventies
- Loans given easily but with conditions for loans repayment
- Rise in interest rates and devaluation of currencies, forcing loan-receiving countries to increasingly adjust allocation of funds for servicing these debts
- Newly independent Countries have been economically colonised
- A sharp decline in commodities exported by developing countries
- Increasing imports from developed countries, worsening economic crisis

Understanding the genesis of globalisation and debt trap is important to understand how globalisation process influences our work and why so many countries are in increasing debt. To understand, it is important to go back and look at the history.

In the post World War II, there was the golden age of capitalism. Many of the international financial institutions were set-up after World War II, like International Monetary Fund (IMF), World Bank and Global Agreement on Trades & Tariffs (GATT). The UN system was also set-up in the same period.

There were some big changes in November 1973 when the oil prices were raised by OPEC, resulting in huge profits for some oil-producing countries. These profits were put in the western

banks in North America and Europe. These banks also received funds from the illicit incomes of the third world dictators. In Philippines, in Panama, in some other countries across the world, the dictators were supported by those western governments, who love to talk about democracy, liberty and freedom. Money from drugs smuggling , arms trading, and similar activities was collected in the Swiss Banks and western banks.

These banks had surplus of deposit money, which was used for the loans offered to the developing countries at very low interest rates. This was also in the interest of developed countries because they realised that to make more profits, they needed more markets as the markets in the western world were not enough. So big loans were given easily to the developing countries for big projects with little verification. Many of those projects were mega projects, with a top-down approach and no local participation, without any consideration about the local social and cultural contexts. Most of this money given irresponsibly by western banks was thus wasted.

In eighties, the interest rates for these loans were suddenly increased. So now, those countries were asked to pay back huge amounts as interests, calculated all in foreign currency like US dollars, while their local currency were devalued. Considering the huge amounts of interests paid on the loans, many countries have already repaid many times the original amounts that they had received. This is the debt trap. In spite of all the money that has been repaid, the original capital remains untouched. Normally, banks are responsible for any bad loans they give but in this case, these loans have been taken over by the western governments, which continue to put pressure on poor countries for repayment. The western governments and institutions like IMF are bailing out their banks by giving more loans to poorer countries for payment of interests and are forcing new conditions on the governments of indebted countries asking them to cut social sector spending, etc. These are the structural readjustment programmes.

The newly independent countries of the South, were supposed to be independent, but are actually economically colonised. There is a sharp decline in commodity exports from the developing countries. If you look at the prices of coffee, rubber, pepper, coconut, etc. - all these commodity prices have surprisingly gone down over the last decades.

At the same time, imports from developed countries are increasing. These have been achieved through forced lifting of import controls as part of structural readjustment programmes. The debt trap is being used by western countries to open the local markets of poor countries, to the products from industrialised countries. Poor countries are forced to import unnecessary products and luxury goods, which leads to the further worsening of their economic situation. Thus precious foreign exchange wasted on import of excess goods kills local industry systematically.

### **The Financial Dimension of Globalisation**

**Flow of finances from South to North:** in 1985, it was 50 Billion US Dollars; in 1990, it increased to 156 Billion US Dollars

**Trans-national corporations mergers:** Creating bigger and stronger Transnational corporations. In 1996 – there were mergers for 0.9 Trillion USD; In 1999 – there were

### mergers for 3.4 Trillion USD

Globalisation has a financial dimension. Increasing net flow of resources from the developing South to the developed North and the increasing mergers of trans-national corporations are two sides of this financial dimension of globalisation. This explains how the exploitative system creates increasing poverty in which, institutions like IMF are used to further the hegemony of developed world.

To illustrate the active role played by Western governments in this process of impoverishment of the poor countries, it is useful to listen to a speech made by Mr. Lawrence Summers at a bankers' meeting. He had worked with World Bank and at the time of this speech worked for the USA Government. He said, "Since we're enjoying influence of the international financial institutions (World Bank and IMF), which support our values and policy goals. They provide a powerful way for us to leverage resources." He gave an example about India saying that this support in India has forced a revolution in economic policy and has reduced their tax rate from 87% to 27%, which is more reduction than what is asked in GATT (General Agreement on Tariffs and Trade).

By forcing developing countries to reduce the tariffs and import duties, their income from these import duties is reduced and there are more profits for the transnational corporations. On the other hand, the governments of these countries are looking at other possibilities for their revenue. For example, in India many state governments are setting up liquors shops for collecting revenue, while food and essential items are taxed and public spending is drastically cut. The power of the international financial institutions is very strong as they have uncontrolled decision making powers about the third world debt.

Since 1947, World Bank has made lot of profit. It has never gone into a loss. At the same time the international financial institutions are considered as "development agencies". About 44% of the decision-making control of the World Bank is with only 5 countries - USA, UK, Germany, France and Japan. Some decision-making countries definitely benefit from these agencies. The multinational corporations play a major role in influencing them.

All the local level decisions depend upon decision making by the national governments and even if these are democratically elected governments, we can imagine the kind of health policies, economic policies and agricultural policies these governments can promote under the pressure of the international financial institutions through the Structural Adjustment Programmes (SAPS).

#### Common Features of Structural Adjustment Programmes (SAPS)

- Economic policies are imposed on Third World countries by IMF & World Bank to ensure that servicing of debts and interests takes place, irrespective of their devastating impact on the poor
- They are asked to cut government spending for "non-productive" services like health care, education, food subsidies, etc.

- They are asked to privatise state owned industries & services like transport, power, health care, education, etc.
- They are asked to devalue local currency for increasing exports, paying back interests and loans
- Farmers & local industry get less resources and import prices go up; farmers are asked to shift to cash crops for export
- Countries must open up to foreign multinational corporations like – Enron, Coca cola, Nike, KFC, Cargill, Monsanto, Shell, Dupont, Pizza Hut
- Countries are asked to reduce duties and tariffs on imports - import liberalisation; killing local industry, provide markets to multinational products

The SAPS are something about which, people in Latin America and Africa have experienced long before we in Asia came to know about it. For us the new economic policies of the Structural Adjustment Programmes came up only in the nineties - in India in 1991.

Through SAPS, the economic policies are imposed by IMF and World Bank to “adjust” the economic structures of poor countries, to ensure that they can continue to pay the interest for their debt and have a devastating impact on the poor. These policies include measures like cuts in the social spending, cuts for activities linked to education, health, social services for elderly persons, disabled persons, persons needing shelter, for housing for the poor, etc. These also include removing of the subsidies, like food subsidies for the poor, which are essential for the survival of the people living below the poverty line.

There are countries where 60% of the population lives below the poverty line. Even in countries like India, between 26 to 40% of persons are below the poverty line. Feminisation of poverty has taken place and large number of poor are women. Poor also include the “low caste” and tribal persons. They include people living along the coastal areas of India, who are the traditional fishermen and who are no longer able to fish.

The numbers of persons living below the poverty line is increasing. So much so that the **World Health Organisation (WHO)** has created a new category for **extreme poverty** in the International Classification of Diseases called “Z 59.5”. WHO in its World Health Report recognises that the disparities are increasing, that extreme poverty is increasing worldwide, and because of that, all the diseases of poverty are increasing. Human development report which, measures poverty and well being through human development indexes, confirms this finding.

SAPS ask for removal of price controls by the national governments including for essential items and medicines. These controls ensure that producers do not make excessive profits and that poor persons can afford these essential items and medicines.

**Deregulation, liberalisation and privatisation** are key pillars of SAPS and are closely linked with globalisation. All state managed services and industries like transport, power, health care, education, must all be privatised. So in reality, SAPS mean that any concerns about the poor people have no place in the policy making – such concerns must be left only to the private ownership!

SAPS ask for the devaluation of the local currency for increasing exports. It means devaluation of the labour. So when you have to buy essential items from other countries and pay for it in US dollars, it costs more and your own products cost less. The financial experts say that devaluation of currencies will make you more competitive. It will be good for your exports and then you can earn more foreign exchange, etc. These are just illusions to sell their ideas and products.

There has been a shift to cash crops for export, so farmers instead of producing food, have moved into cash crops like growing flowers, growing cotton, etc. They use more pesticides while farming is capital intensive. At the same time, increasingly seeds are coming under the control of the multinationals.

### Impact of SAPS on Health Sector

- Cuts in health sector budget – dismantling of public health services
- Introduction of user charges for basic health services
- Handing over health services to private sector – maximising profits, attention on curative medicine
- Vertical health programs funded by World Bank loans are being promoted
- Voluntary sector is forced to concentrate on internationally prioritised & funded health interventions

SAPS have a clear impact on health services. The cuts in the health sector budgets and the dismantling of public health is taking place across the world. Public health is being replaced by pharmaceutical-based curative care. The private sector is not interested in providing public health because public health does not provide profits while the curative care is profitable. Giving importance to curative care means emphasising the **biomedical model** of medical care. This means that you look for technological fixes for every health problem.

However, **complex health issues** cannot be addressed by simple technological fixes. Air pollution can not be solved only by face-masks. In the same way, the causes of HIV-AIDS and sexually transmitted diseases are more complex and can not be solved by only condoms. Families in the rural areas, that migrate to cities to look for work for survival. For them, the conditions of sickness and malnutrition are increasing. Poor women are forced into prostitution for survival. Thus the real

causes and determinants of illness and ill-health are ignored systematically and there is limited focus on finding technological solutions by reducing the issues to the bio-medical context.

The **vertical programs** based on the World Bank loans have all “magic bullet” solutions for every thing. For tuberculosis (TB) the programme is based on DOTs, for malaria they focus on impregnated bed-nets, etc. No one can say that TB, malaria, HIV should not get a priority, but the control of these diseases has to be comprehensive. It has to ensure optimisation of resources and it has to look at possible role of other **traditional healing systems**. Instead, they work for systematic asphyxiation of all other systems of medicines with a pathological zeal.

This is the direction taken by international health policy making. The national policy making is also in this direction, promoting vertical programs with the help of international loans. So they are asking for introduction of user charges, which is already happening in many countries. If people have no money to eat, how are they going to be able to buy health care? This is why infant mortality rates and maternal mortality rates are increasing once again. World Bank has emerged as the largest international player in health services promoting the vertical health programmes while the role of WHO has been completely and systematically marginalised.

**World Trade Organisation's** (WTO's) Trade related intellectual property rights agreement (**TRIPs**), is also part of the globalisation. Since knowledge has become a property of those who can control the world markets while property rights of people and collectives are forgotten, it has a serious impact on the indigenous knowledge. To explain this, I can tell you the story of 'Neem' tree. Its scientific name 'Azadirachtin' is derived from *Azad Darakhte Hind* (the Free Tree of India) and is very common in India. It has bio-pesticide properties. The leaves of this tree are put in the woollen clothes to safeguard them from insects. You can crush the same leaves and use it for treating scabies and some other skin infections. It is something that has been used in Indian homes for thousands of years, and its description is written in our traditional text books of *Ayurveda* medicine. It has been patented in USA. If something like this can be patented, what is the level of **biopiracy** going on the world for other lesser-known traditional knowledge?

The voluntary organisation sector in our countries has been forced to concentrate on international priorities and vertical health interventions because funds are available only for these. And this is a tragedy because it means ignoring much wider concerns of public health. Look at the large number of organisations working on AIDS. Again I am not saying that AIDS is not a concern but can you separate it from the question of reproductive health? Can reproductive health of women be limited mainly to a question of contraceptives?

If they are concerned about HIV and population control, why are they cutting down the budgets for health services and primary education? Education of the mothers is closely linked to the health of the families. Many studies have clearly shown that whenever a mother has some education, it has a positive impact on the infant mortality and maternal mortality rates, especially when women have access to some resources.

- Increasing loss of livelihoods leading to increasing poverty
- Loss of women's livelihoods leading to increasing poverty
- Increased prostitution and trafficking of women – leading to increasing HIV/AIDS
- There is resurgence of diseases like tuberculosis and increase in sexual violence and exploitation
- The drugs cost are increasing
- There is increasing Toxic trade leading to increasing chemicals in body & environment

With this model of globalisation, **lifestyle diseases** are increasing. Alcoholic drinks, tobacco and smoking are being promoted. Any attempt to regulate the advertising for such products is considered as “interference with trade”. National budgets are made in a way that the prices of music systems, computers, TVs, washing machines, etc. are decreasing but those of rice, wheat and cooking oil are increasing, affecting mainly the poor.

Till now the large corporations have been concentrating on their profits from sales of luxury goods like cosmetics and alcoholic drinks but now they are planning to enter the **“market” of basic needs** like food and water. The market of basic needs is much bigger and will exist forever. So big corporations are entering the food sector and they are asking for privatisation of water supply. When a large number of people can not afford minimum basic health care and the 80% of all health problems among the poor are water and food related diseases, what is going to happen to those poor? What will happen when the large corporations will control the supply of water? These are some of the things about which, we had never thought about before. We could never imagine that our rivers and the lakes, our forests and the villages be the next targets of the multinational corporations. Now if the tribal persons take some wood from the forests, they are blamed for deforestation. They talk about each poor person cutting so many trees from the forest, but they do not talk about big corporations who have the contracts to cut and sell hundreds of thousand of trees from those same forests. For producing disposable chopsticks and for producing toilet paper how many of the Indonesian trees have been cut?

These changes have put enormous strain on the social fabric and traditional lives. Ethnic **violence** and communal violence, along with **violence against women** are all increasing. The impact is especially grave on the women. In 1995 the Women and Child Development report said that one third of the households in India are women headed. So if you see increase in prostitution and trafficking of women and minors, this problem is not confined only to India, Nepal and Bangladesh, but it extends to whole of South East Asia. At the same time, in India clinics for pre-natal sex determination are flourishing along with female feticide and infanticide. People who do not have economic value have no reason to exist and thus women are increasingly seen as a liability. Their labour in the home has no value in terms of money for the economists, because for them work has a

value only if you sell your services. So in the last national census in India in 2001, female to male ratio shows a dramatic fall in 0-6 years age group.

There is an **increase in drug costs** over the last years. For some drugs the prices have increased 100% while for some others, increases of even 200% have taken place. The recent examples of drug companies pressurising poor countries as in South Africa and Brazil show the risks.

The trade in toxins and chemicals, along with the “chemicalisation” of the body and environment are on the increase. Toxic dumping is an established practice. As the Northern countries are becoming more environmentally aware, much of the toxic waste is passed on to the South and the **trade in toxic waste** is increasing.

The **disparities** between the rich and the poor countries are increasing. In 1960, 70% of the poor received 20% of the global income, in 1990 they got only 1.3% of the global income. Over 60% in developing countries do not have sanitation and hygiene services. More than one third do not get drinkable water. One fourth do not have shelter and one fifth do not even finish the primary education. One third of new-borns in developing countries are low weight babies, 52% under-five children are malnourished and 55% pregnant women are anaemic. I believe that when food is going to be seen as a commodity for profit gain and not as nutrition provider, the entire situation of food security for the poor is going to get worse.

### Fighting Diseases in the Developing World?

- Between 1975 & 1996, 1223 new drug molecules were developed – only 11 of these are for treating tropical diseases
- Last major new anti-tuberculosis drug was 30 years ago
- Drugs for diseases of poverty are not developed for lack of market & profit

Fighting diseases in developing world is increasingly more difficult. Drugs for diseases of poverty are not developed for lack of market and lack of profits. The big pharmaceutical companies are interested in developing new drugs like Viagra, appetite stimulants, mood elevators, weight-losing drugs, etc. as these earn more profits.

**TRIPS** has provisions like compulsory licensing, which allows other countries to produce their own drugs in case of grave public health needs, but industrialised countries and drug companies do not want to allow such possibilities. When South Africa wanted to make anti-retrovirus drugs for AIDS, 39 companies took them to court. Had it not been a global campaign by the health activists and drug activists, those drug companies would not have withdrawn the case. They were forced to comply because their image was damaged due to campaigns by health movements and people’s movements.

### Rise of People's Movements To Counteract These Changes

- They have an Advocacy role – to inform and to interpret the information in favour of the poor
- They have a Training role – by equipping trainers, communities, social activists with knowledge & capacity to fight oppression
- They have a Networking role – to develop a critical mass to fight for social justice

As can be seen from this very broad overview of different issues in the global context, the role of people's movements is very crucial. As People's movements, we have to play an advocacy role, to analyse how the proposed changes are going to affect the poor and create awareness about the adverse effects of the changes connected with globalisation. People's movements for health also have an important training role and they need to network with all other movements linked to development and other issues. **People's Health Assembly** and **People's Charter of Health** are examples of this role of People's Movements.

Finally let me finish this presentation about the global context in which, we need to look at poverty with a comment on the importance of **non-governmental organisations**. NGOs must refuse to accept unjust laws and policies and network with each other and people's movements to create awareness and pressure against such policies. They must challenge the common thinking "There Is No Alternative" or the TINA syndrome. Alternatives are there and the economic development paradigm proposed by international financial institutions must be challenged. We have to be particularly aware of the impact of policies on the lives of the poor, marginalised population groups, especially women. Support those that are equity oriented and resist those that deny people their rights to live with dignity. Thank you.