

# Making Globalisation **Work** for the World's Poor



The world is **smaller** than it has ever been... Its six billion citizens are **closer** to each other than ever before in history.

thousands of miles away – perhaps those people are laughing at a dubbed version of one of ‘our’ sit-coms. The fuel in our cars, the microprocessors in our computers, the coffee in our cup – so many of the products we buy in our high street have journeyed half way around the world. And we’re connected in other ways too. For example, jobs in the UK depend on trade

Each one of us is increasingly connected to people we will never meet, from places we’ll never visit. Many of our clothes or shoes will have been made by people



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with, or investment from, faraway countries. People travel more, but so do pollution and diseases.

**CONNECTED WORLD**

As the world’s population becomes more and more connected the process has been recognised and given a name: globalisation.

And yet, while living standards rise for many as a result of globalisation, more than a billion people on our planet live in extreme poverty, forced to make ends meet on a tiny

The International **Development Targets**

- ➔ A reduction by one half in the proportion of people living in extreme poverty by 2015.
- ➔ Universal primary education in all countries by 2015.
- ➔ Demonstrated progress towards gender equality and the empowerment of women by eliminating gender disparity in primary and secondary education by 2005.
- ➔ A reduction by two-thirds in the mortality rates for infants and children under age 5 and a reduction by three-fourths in maternal mortality – all by 2015.
- ➔ Access through the primary healthcare system to reproductive health services for all individuals of appropriate ages as soon as possible, and no later than the year 2015.
- ➔ The implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015.

income and very few basic services. These are the people for whom the shrinking of the planet has delivered no progress.

Eliminating such extreme poverty is the greatest moral challenge the world now faces. In its first White Paper on International Development, published in 1997, the UK Government committed itself firmly to the International Development Targets (see box on page 3) through which the world's governments have agreed to work to halve extreme poverty by 2015.

But reducing poverty is not just a moral issue. The closer we are connected across the continents, the more we become dependent on each other.

And, if we don't take action now to reduce global inequality, there's a real danger that life for all of us – wherever we live –

will become unsustainable.

The UK government believes that globalisation creates unprecedented new opportunities for sustainable development and poverty reduction. It offers an opportunity for faster progress in achieving the International Development Targets.

But – so far – the benefits of globalisation have been unevenly spread – for example while the peoples of East Asia have experienced benefits, millions of people in rural Africa have yet to see any change.

Progress is not inevitable. It depends on political will. And this depends on governments and people across the world.

The challenge is to connect more people from the world's poorest countries with the benefits of the new global

economy. And that means globalisation must be managed properly – to benefit everyone.

In publishing its new White Paper on International Development, in December 2000, the Government is setting out an agenda for managing the process of globalisation in a way that works for the world's poor. This booklet introduces the issues and the Government's key proposals for tackling them.

#### THE UK GOVERNMENT WILL

- Work to manage globalisation in the interests of poor people, creating faster progress towards the International Development Targets.

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It's not enough for people in developing countries to simply say, "Yes please, I'd like to take advantage of the benefits of globalisation."

They need governments that **listen** and that **work**.

Governments in poorer countries have to create conditions at home that will help the poorest people in their communities find work or a market for their goods that will sustain their families.

While the market fundamentalism of the eighties and early nineties has been discredited, it's now widely accepted that efficient markets are indispensable for effective development.

Developing countries must attract foreign investors. But that's not enough. If the only people who benefit from a new

factory or the export of agricultural produce are the rich elite, nothing much has changed.

### Policies for People

For globalisation to work for the poorest people, governments must introduce policies that allow companies to conduct their business safely and with a reasonable return. Otherwise they will take their investment elsewhere. So there has to be a stable legal system, where theft is punished, where bribery and corruption are outlawed, where people's human rights are respected and working

conditions safeguarded.

Developing countries with effective governments – healthy democracies, with proper management of public finances, effective health and education services, fair law enforcement and a free media – are far more likely to deliver economic



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growth for their citizens.

States which invest in basic infrastructure such as water and sanitation, transport, electricity and telecommunications can play a major part in giving poor communities access to global markets.

One of the biggest barriers to development is armed conflict. Its threat to investment, stability and security destroys the conditions for growth. The UK government will step up international efforts to regulate the trade in small arms.

Effective and inclusive states – where all people have a stake in the well-being of the country – are much less likely to suffer the tragic human and economic consequences of violent conflict.

### Strengthening the Vulnerable

The rights of the poor and their influence on government policy

must be strengthened – for example by supporting the groups which are helping the poor speak with a stronger voice: religious organisations are particularly close to the poor; co-operatives, women's organisations, human rights groups, development NGOs and trade unions could all help.

But globalisation itself can also work here. New information technologies offer news and information from all over the world which can help the poor to be heard. The

increased access to information can also be used to bring to a wider audience the plight of a particular people – thus bringing the weight of international public opinion on those who are abusing or exploiting vulnerable people.

The UK Government believes that creating a sound balance between good social policy and good economic policy will provide the surest way to prosperity for developing countries.

### THE UK GOVERNMENT WILL

- Work to promote effective systems of government and efficient markets in developing countries.
- Introduce a licensing system to control UK arms brokers and traffickers, and work for tighter controls internationally at the UN conference on small arms.
- legislate to give UK courts jurisdiction over UK nationals who engage in bribery overseas.

The **gap** between rich and poor arises more than anything from the knowledge and education **available to each.**

**S**peeding the spread of education and skills will make the single greatest difference to the way the world's poorest countries can harness globalisation to eradicate poverty.

When young children learn to read, write and work with numbers they not only build the foundation for further learning, but also learn how to work together, solve problems and assimilate new ideas.

At present, an estimated 113 million children of primary

school age have never gone to school. A further 150 million have dropped out before achieving basic literacy and numeracy skills.

### Education – the Way Out

The causes of poverty are many and complex but it's now accepted that education is the quickest route out of it. Research suggests that investing in girls is the single best strategy for development any country can make. Countries which

Education makes globalisation work.

invest in primary education – especially for girls – develop much more quickly.

International businesses invest more in better educated countries, because there they find an adaptable, more skilled workforce.



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### The Digital Divide

There is a real risk in poor countries that the existing educational divide will be compounded by a digital divide. Around 80% of the world's population has no access to reliable telecommunications. There are more computers in New York than in the whole of the African continent. More than half the people in Africa have never used a phone.

International business is increasingly built on the rapid movement of information around the world. New communications



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technologies can be harnessed to boost traditional industries – witness the way Indian handicrafts are now marketed through the internet.

Therefore, in

tandem with investing in education, we must find imaginative ways of providing telecommunications access to poor communities – at a price they can afford. For example, in Bangladesh poor people in remote villages can get a loan to buy a mobile phone and set up a tiny telecentre for communal use.

### THE UK GOVERNMENT WILL

- Work to ensure that no government committed to universal primary education is unable to achieve this goal for lack of resources.
- Work towards a development perspective within international rules on telecommunications and ICT, and a stronger voice for poorer countries in setting these rules.

A simple statistical comparison can sometimes encapsulate the **divide** between the richest and poorest countries on the planet.

In **India**, for example, more women **die** in pregnancy each **week** than in Europe each **year**.

**G**ood health care is essential to a country if it's to lift its people out of poverty.

In the developing world, general ill health – not to mention life-threatening diseases – is a constant fear. The knock-on effects of illness can be devastating. For example, if a family member falls sick, someone will have to look after them and medicines will cost extra money.

Good health is a vital

component to development.

Children, who are at most risk from sickness and disease, need alert minds and healthy bodies if they're to get the most out of

learning. Multiply this and you can see how important good health is for the growth of a developing country.

Globalisation, and the

shrinking of our world, promise benefits in sharing medical knowledge and positive effects on the

#### THE UK GOVERNMENT WILL

- ◆ Work with developing countries and international organisations to help strengthen the international effort to tackle HIV/AIDS.
- ◆ Seek to increase public and private expenditure on research for development, including by providing new public incentives for private research to benefit poor people.

health of poor communities. The spread of primary healthcare practices such as the use of clean water, hygienic sanitation and the practice of simple rehydration therapy for diarrhoea has saved hundreds of thousands of lives.

But globalisation also poses risks – increased travel has had a dramatic effect on the spread of killer diseases such as HIV/AIDS and TB. World-wide there are 16,000 new HIV infections every day – 70% in sub-Saharan Africa alone.

This is not only a human tragedy but a developmental catastrophe. For instance, in just 10 months in 1998, Zambia lost 1,300 teachers to AIDS.

At present there is not enough medical research that benefits the poor. Only 10% of international research on health is focused on diseases which affect 90% of the world's population.

Good health makes globalisation work.

more likely to harness the opportunities of globalisation.



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If our interconnected world is to **work** for **everyone**, the international rules countries play by must be **fair**.

**G**lobalisation may mean that the fish on our plate has travelled half way round the world to reach our table – but it can also mean that the people in the region where it was fished find stocks so depleted that there's not enough left for their own families, and the long-term sustainability of the resource is threatened. Globalisation can bring consumers in richer countries more choice than ever – but if their own subsidised surpluses are then 'dumped' on poorer countries, hundreds of local businesses in those countries will simply go bust.

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Globalisation cuts both ways: for a worker producing green beans in Kenya or Zimbabwe new markets have been a boon.

But if you're an African garment worker your prices may have been undercut by competition from elsewhere.

Globalisation must be managed properly so that it does not become merely the survival of the biggest, and the most powerful. The means of management is via global trade rules and if these are fair and transparent for all – not just the most vociferous or historically influential – then globalisation can become a road to prosperity for many.

The fastest-growing developing countries in recent decades have been those promoting exports. In these countries, mainly in east Asia, poverty has fallen most rapidly.

**Open Trade is not Unregulated Trade**

Effective multilateral trade rules must be applied for open trade

## Globalisation cuts both ways

For a worker producing green beans in Kenya new markets have been a **boon**.

For an African garment worker prices may have been **undercut** by competition from elsewhere.

The answer is not to try to **prevent** change, but to look for reform that will **improve** life in the country and provide support for those who are losing out, so that they can adapt and go **forward**.

to work for the world's poor. This is what the World Trade Organisation (WTO) does.

But while developing countries are a majority of the WTO's members, its discussions can be dominated by the concerns of older, richer members. Not surprising perhaps, when half the least-developed countries have no representation at its headquarters in Geneva.

Poorer countries can be frustrated by a feeling that their voices are not being heard.

Campaigners demanding the end of the WTO – such as those in Seattle in 1999 and Prague in 2000 – grab headlines. But without a rules-based trading system the powerful countries can bully the rest – not least by striking mutual deals which exclude poorer countries.

The answer to trade rules which are not working is not to scrap the WTO – but to ensure that the trade rules work for all.

The WTO needs reform and as a first step the UK Government will work for more effective participation in the WTO and international trading system by developing countries. We also want to see the WTO commit itself, with the rest of the international community, to achieving the International Development Targets – a powerful signal

of its commitment to poverty reduction and sustainable development, acknowledging that trade is not an end in itself.



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The UK will also press for a pro-development European Union (EU) negotiating position in a new Trade Round – including substantial cuts in high tariffs and in trade-distorting subsidies, especially to sectors which are important to developing countries, such as agriculture and fisheries.

We will also press for implementation of a recent European Commission proposal which would allow all exports from least developed countries into the EU duty free, except for arms.

And we recognise that the EU's Common Agricultural Policy (CAP) is an unfair barrier to the access of developing countries to our markets – a barrier that the United Nations has estimated costs developing countries £13.7bn a year. And through

the Common Fisheries Policy (CFP), some of the EU's fishing industry gets the chance to fish in developing countries' waters, making competition

harder and sometimes leading to over-fishing. The UK government will lobby for changes to both.

### Trade Standards Must Serve Development

As consumers reasonably press for more information and higher standards to protect labour and the environment, developing country exporters find it hard to keep up with the proliferation of regulations and standards. They fear the 'process standards' – on labour, animal welfare or the

- Support an open and rules-based international trading system, and work to promote equitable trade rules and an effective voice for developing countries.
- Support continuing reductions in barriers to trade, both in developed and developing countries, and work to improve the capacity of developing countries to take advantage of new trade opportunities.

environment – may be used to keep their products out of developed country markets. The UK Government is committed to promoting core labour, environmental, social and health standards, but believes that we must provide adequate information and quality to consumers while still enabling developing countries to export and grow their way out of poverty. Standards must not be used to lock developing countries' products out of our markets.



Alongside a **fair** and **accessible** global trading environment, developing countries also require the ability to **harness** international financial **investment**.

**M**any poor countries see their own wealth kept in banks outside their country. For example it is estimated that 40% of African private wealth is held overseas, compared with only 4% in Asia. The reforms needed to prevent capital flight also attract inward investment.

In recent years more and more money has been invested in poor countries, increasing private capital levels from £25 billion in 1990 to £137 billion in 1998 – more than four times the level of development aid. But much of this was

invested in only a very few countries.

While transnational companies want to invest in new markets – they also want to know that it's a safe proposition. And when the right domestic policies are established, the money follows – look at Mozambique, which has seen a six-fold increase in Foreign Direct Investment since 1994.

Business can also play a greater role in reducing poverty and creating sustainable development. By applying best practice in



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relation to child labour, corruption, corporate governance, human rights, health and safety, environment and conflict, business can make a real contribution to poverty reduction. Many companies have also realised important commercial benefits, in terms of reputation, managing risk and enhanced productivity.

We will work to improve the monitoring of countries' performances, boosting information to potential investors – and helping avoid sudden shocks and outflows of

Mozambique has seen a **six-fold** increase in Foreign Direct Investment since 1994.

#### THE UK GOVERNMENT WILL

- ◆ Work to support developing countries to put in place conditions that will allow them to attract private financial flows and deal with the problem of capital flight.
- ◆ Work to strengthen the global financial system to manage the risks associated with the scale, speed and volatility of global financial flows, and promote international co-operation on tax, competition and investment issues.
- ◆ Work to encourage corporate social responsibility by national and transnational companies, and more investment by them in poor countries.

investors' funds. We will also work to strengthen the international system's capacity to resolve financial crises and improve the stability of global financial markets.

If we are to **enhance** the way that key international institutions **contribute** to the reduction in poverty, we must give poor people and countries a more effective **voice** within these institutions.

**W**e also need national and global civil society to demand policies which will deliver on the International Development Targets. Progress is greatest when ordinary people are demanding political, economic and social change.

#### Agents of Change

Governments in developing countries are more likely to prioritise the needs of the

poor if there is an active civil society insisting that they do. Governments will act when they feel the heat from their people, from religious groups, trade unions, human rights organisations, women's groups, the professions and academia.

The voice of civil society in

developed countries is also vital; and in the UK, for example, the revised national curriculum in England incorporates a commitment to sustainable development and the global dimension.

#### THE UK GOVERNMENT WILL

- Work with others to build an effective, open and accountable international system, in which poor people and countries have a more effective voice.

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are demanding political, economic and social change.

Existing patterns of production and consumption are placing **enormous** strains on the eco-systems of the **planet**.

**P**ollution in one part of the world has knock-on effects in another.

The release of greenhouse gases into the atmosphere from our burning of fossil fuels and the destruction of forests threaten to change the weather patterns across the world and put at risk coastal areas.

Poor countries contribute least to these environmental problems, but they are most likely to be the victims of environmental disasters. The Red Cross estimates that in 1998, for

the first time, the number of refugees displaced by 'natural' disasters, caused by floods, storms and droughts, outnumbered

those who had the leave their homes because of war.

People in developed countries consume more per head than those in developing countries and often actively contribute to the environmental challenges we must solve. For example, our demands for timber, minerals, cheap food and tourism can result in deforestation, water pollution, erosion, loss of traditional land use patterns and the destruction of fragile habitats.

Developed countries should



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**ENVIRONMENTAL DISASTER**

do more to reduce their contribution to climate change, pollution and the depletion of natural resources. They should lead by example and work closely with developing countries to enable them to manage environmental assets sustainably.

Developing countries will need help to make their emerging industries conform to global environmental agreements

and objectives (such as on emissions of greenhouse gases) as well as their own national priorities for sustainable development.

Protecting the fragile resources of the planet, and the people who depend on them, makes globalisation work.

**THE UK GOVERNMENT WILL**

- ◆ Meet our global environmental responsibilities, including our goal of reducing our CO<sub>2</sub> emissions by 20% by 2010.
- ◆ Work with developing countries to integrate environmental sustainability into their poverty reduction strategies and increase assistance for them to benefit from multilateral environmental agreements.

Globalisation must become a force for **good** for poor countries.

But it's an **enormous** challenge for developing countries to turn this into a **reality**.

**R**icher countries cannot expect them to do this alone.

Over the years, immense sums of money have been handed or lent to developing countries in the name of aid, but it's not always been wisely given or wisely used. We have to make sure that aid does what it's supposed to do – reduce poverty by strengthening the arm of the poor, but also create conditions to attract inward investment and boost economic growth.

In the past too much aid has been:

- used as a sweetener to win lucrative contracts.
- tied to the purchase of goods from the donor country.
- given as part of a donor-led project which is not necessarily in the best interests of the country.

Research indicates that the best results come when aid is focused on the poorest people in countries where the government has good policies of pro-poor reform.

Aid from developed nations needs to dovetail with realistic strategies to reduce poverty,

designed and led by developing countries themselves. This is also true in the case of debt relief – on which the UK has led international efforts for faster and more substantial progress.

World Bank research suggests that aid given in this way would be as valuable as increasing the aid budget by 50%.

The right kind of aid makes globalisation work.

#### THE UK GOVERNMENT WILL

- ◆ Provide more money in development aid – rising to 0.33% of GNP by 2003/4 and continuing our progress to 0.7% thereafter.
- ◆ Allocate more of our aid to low income countries.
- ◆ Stop tying UK aid only to UK suppliers and work to get all other donors to act similarly.
- ◆ Work to ensure that EC aid is more effective and is focused on low income countries.

## GLOBALISATION can WORK for the world's poorest PEOPLE

While aid, effectively targeted, can make a **significant** difference to the lives and prospects of poor people, it's **not** a solution by **itself**.

If globalisation is to work for poor people then all the issues we've mentioned in this publication will need to be tackled.

This involves all the players, right across the board – governments at home and abroad, business, international institutions (such as the World Bank and the World Trade Organisation) and NGOs. It also demands reform and fresh thinking across a broad swathe of policy areas, including trade, economics and foreign policy.

This is not something the UK

Government can do on its own. We can make sure we pull our own weight by getting our own policies right, but poverty is such an enormous, global challenge, that it demands a

unified, global approach.

We must combine our efforts with a wider international commitment to improve the lot of the poor. It's also in all of our interests to do so. Therefore, we believe we have an unrivalled opportunity at the beginning of the 21st century to harness the benefits of globalisation to give people living in some of the poorest countries the chance to build a viable future for themselves and their families.

- Want to know more about globalisation?
- Want to find out about what this government is doing to encourage development around the world?
- Want a copy of the full text of the White Paper?
- Want to have your say?

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## DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the UK government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the first White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the

research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, United Nations agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Dhaka, Kathmandu, Nairobi, Dar-es-Salaam, Kampala, Harare, Abuja, Pretoria, Maputo, Lilongwe, Lusaka, Beijing, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

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