

JustComment

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The School of Education, Australian Catholic University

Aid and trade – globalisation continues and the gap widens

'Development' is an umbrella term

for policies and programs aimed at alleviating the conditions of poverty in economically struggling countries or regions within countries. In 2000 The United Nation's Development Project released the 'Millennium Development Goals' – eight goals aimed at poverty reduction, which all 191 member states have agreed to try to achieve by the year 2015. These goals and the related human development index are now the accepted benchmark for development work. However, according to the U.N. development report progress is not going as expected, we are well behind achieving our aims.

In 2003, 18 countries with a combined population of 460 million people registered lower scores on the human development indexes than in 1990. This is an unheard of reversal. The disparity between rich and poor countries is increasing in such poverty indicators as life expectancy and child mortality. In 1990 the average American was 38 times richer than the average Tanzanian. Today the average American is 61 times richer.

There are problems with both aid and trade in terms of addressing the Millennium Development Goals. Aid, generally aimed at helping meet development goals, has increasingly been associated with the national interests of the country providing the aid. Trade liberalisation often prioritises the needs of wealthy countries.

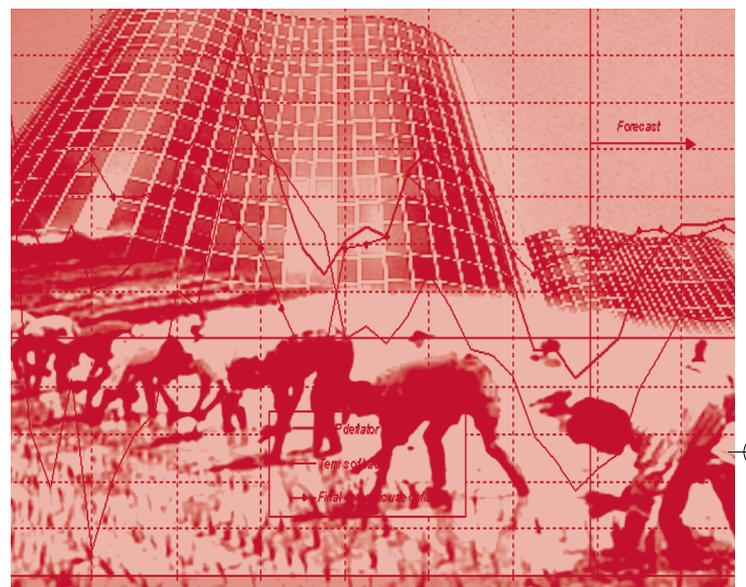
Moves towards trade liberalisation

Trade liberalisation is the opening up of economies to market forces, with a

corresponding decrease of government controls, such as tariffs, over markets.

Liberalisation can have complex effects, depending on what is liberalised, by whom and how. Deregulation of agricultural markets in developing countries has led to the disruption of food production within the countries, making them far more vulnerable to changes in exchange rates. Likewise, the rapid liberalisation in Eastern Europe after the collapse of communism led to a decrease in agricultural output. Former World Bank economist, Nobel Prize winner and liberalisation advocate Joseph Stiglitz has since criticised this process arguing a slower more consensual process was needed. Alternatively, a lack of liberalisation in the developed world, particularly in agriculture, has undermined development efforts.

Two emerging issues in trade negotiations are the privatisation of public services and the regulation of Intellectual Property Rights (IPRs). Some trade agreements leave essential services, like water, open to privatisation, and in the hands of large corporations who prioritise profits over access for the poor. IPRs cover things like patents and copyrights, and are designed to encourage creativity and innovation. Members of the World Trade Organisation must adhere to TRIPS, the Trade-Related Aspects of Intellectual Property Rights. Yet the effect of IPRs is often to work against free trade in



that they create new restrictions on the free movement of ideas, making the use of these ideas subservient to profit. IPR is overwhelmingly created by rich countries, and often paid for by developing countries. For example, when Brazil challenged patent laws through providing free HIV/AIDS medication to its people, it faced a legal challenge from the United States, who sought to defend their intellectual property.

Often it is the wealthy, developed countries that set what is free trade and what is not.

Australia and trade

The Australian government views global trade liberalisation and free trade agreements as the most effective ways to encourage development and eradicate poverty. Australia helped to establish the Cairns group, which works with developed and developing countries for agricultural trade reform. Unlike most wealthy countries, Australia's economy

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tends to benefit from liberalisation of agricultural trade, making us allies with developing countries.

Australia and Papua New Guinea - aid

According to AusAID, Australia's overseas aid program, aid to Papua New Guinea aims to support "broad-based sustainable economic growth...by working with PNG...to ensure better use of PNG's own resources to strengthen economic management, deliver essential services, and improve law and order." Another key aim of Australian aid is good governance, and aid must be "in line with Australia's national interest." In order to achieve these goals, Australia is providing PNG with \$332.2 million dollars of Official Development Assistance between 2006 -2007. AusAID has also shifted the focus of its Pacific Regional Aid Strategy, claiming "Governance is at the heart of development issues in the South Pacific."

AID/WATCH, a not for profit organisation which monitors Australia's aid and trade programs, questions the government's shift of priorities towards governance and the focus on Australia's national interest. It notes that there has been a decrease of funding for health, education and infrastructure in favour of 'good governance.' Concern about this issue falls into the 'national interest' category, and there is some danger that Australia's increasingly "hands on" approach, which fails to take specific "societies, social structures and infrastructure" into account could be seen as not focussing enough on problems such as poverty.

Boomerang aid

The practical implementation of aid policy in the Pacific also raises questions about whose interests are being served. AID/WATCH has noted that up to 46% of Australian aid to

Papua New Guinea is actually being used to pay Australians. As a result, the technical skills and knowledge of these people leave the country once the project is over. The flowing back of the benefits of aid to Australia is known as 'boomerang aid.' Local people employed by aid donors are often paid lower rates than Australians. AID/WATCH recommends that more support be given to PNG companies so that they can apply for and carry out tenders, thus reducing boomerang aid and aiding longer term development.

Working together for change

The World Trade Organisation Doha Declaration aims at a reform program to cut agricultural subsidies and protection. During these trade talks larger developing countries, led by India, Brazil, China and South Africa, challenged the agenda set by the USA, ending talks before this more radical agenda could be adopted.

The negotiations, if brought to the desired first-world conclusion, could have proved disadvantageous to the Global South – possibly resulting in the slashing of poor countries' farm tariffs and disrupting food supply. The deal could have also harmed fledgling industries by opening up their industrial markets. The collapse of the Doha round opens up an exciting new space to renegotiate the rules of the global trade, prioritising equality and sustainability over neo-liberal economics.

However, these countries have been criticised for ignoring the needs of the least developed countries. More attention needs to be paid to sub-Saharan Africa, which stands to lose the most from the liberalisation promoted by Doha.

Integration in Latin America: The Creation of ALBA

The North American Free Trade Agreement (NAFTA) is an agreement

between the USA, Canada and Mexico. It aims at phasing out duties, tariffs and restrictions. According to the United Nations, NAFTA appears to have exacerbated poverty in the poorer partner, Mexico.

A more radical alternative has emerged in Latin America. Venezuela's president, Hugo Chavez, led the critique of trade inequalities, accusing NAFTA of bias in favour of the United States and multinational corporations. Chavez developed an alternative model of free trade entitled 'The Bolivarian Alternative for Latin America and Caribbean' or ALBA. Cuba and Bolivia are currently the only signatories to this agreement.

ALBA is one of the first socially oriented trade blocs, and its healthcare and education programs stand in contrast to NAFTA's emphasis on free trade and profit maximization. ALBA pushes for solidarity with the economically weakest countries. The "Compensatory Fund for Structural Convergence" has been set up to distribute financial aid to those countries.

One innovation introduced by ALBA is a barter system to supplement conventional trade in commodities. For example: Bolivia, one of the poorest countries in Latin America, has benefited from Cuba and Venezuela's offer to buy or barter all of its soy products. Cuba has also offered to send doctors and teachers to the country in exchange for some of its products.

Just Action

- Check out the AidWatch website – www.aidwatch.org.au – for more information about Australia's aid policies.
- Look out for 'No Sweat' and 'Fair Trade' labels when you're shopping.

Full references on the ERC website. Thanks to Johanna Somerville for her work on this edition.


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