WHY GLOBAL CAPITALISM HAS FAILED THE WORLD'S POOR

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The images appear thick and fast: a spaceship, a starving child, a computer, a barefoot peasant. The opening shots of a community TV documentary? No. The "Flash" intro sequence on an activist group's web site? No. This was the welcoming slide show on the first morning of the annual meeting of the World Economic Forum in Davos.

The world's corporate elite have discovered that there's poverty in the world - and, they assure us, they don't like it one little bit. "Yes indeed", they ruminated, furrowing their brows and pulling on their chins in the huge purpose-built, high-tech Convention Center in the Swiss ski resort town, "we will have to do something about this."

The facts are beyond doubt: even by the World Bank's conservative measure of US$1 a day, there are 1.2 billion people living in extreme poverty, roughly one-fifth of the world's population.

So too is the lack of progress on reducing that staggering figure. The gap between the poorest fifth and the richest fifth is growing - 74:1 today, compared to 60:1 in 1990 - according to the UN Development Program.

The official target, set by the United Nations Millennium Summit in September, is to halve the numbers of poor by 2015. But most agencies and analysts admit that that is extremely unlikely, the latest being the Rome-based International Fund for Agricultural Development, whose Rural Poverty Report 2001, released on February 5, quotes the latest figures projecting that the total number of the world's poor will increase to 1.9 billion by 2015.

These facts can't be swept under Davos' ornate carpets, especially not when there are protesters outside chanting them. So the corporate chieftains and their wholly-owned subsidiaries - the politicians and mainstream newspaper editors - have ended the policy of denial and embarked on a policy of misinformation.

The poor are poor, they now argue, not because they are suffering the ravages of corporate globalization - but because they aren't globalized enough. They're being left out in the cold, excluded, when they should be allowed into the warm, cozy room of the world capitalist market.

The poorest fifth of humanity certainly does lack access to capital, whether through export earnings or foreign direct investment or credit: just under 1% of exports, 0.8% of foreign direct investment, a negative inflow of credit.

So, the corporate say: the poorest countries must "globalize" quicker, open up to more foreign investment, privatize, liberalize their capital accounts, export more, cut their budget deficits, compete harder, so as to partake in the fruits of globalization.

There's only one problem with this argument: this is exactly what the poorest countries have been doing for more than 20 years, with little, no or negative result. Rates of growth between 1980-2000 were significantly lower than those between 1960-1980 in 77% of countries for which data is available, according to one study by the US-based Center for Economic and Policy Research.

DIVISION OF LABOR

The marginalization, and thus structural impoverishment, of the poorest countries is not the result of their lack of integration into the world capitalist economy. Quite the reverse: it's the result of the role assigned them within that very economy, their part in the international capitalist division of labor.

Speaking on the opening panel of Davos 2001, on January 25, Benjamin Mkapa, the president of the poor east African country of Tanzania, scoffed at the idea that his country could win in the global marketplace if it just competed harder. "Sure, globalization could deliver for Tanzania", he told the assembled bigwigs, "just as Tanzania could, at least theoretically, play in and win the World Cup."

Tanzania's annual gross national product per capita is only US$220, 70% of people live on less than US$1 a day, life expectancy is 48 years and falling, more than 40% of under-fives are malnourished and half the population has no access to clean water. Its case is typical of the poorest countries – the 48 least developed countries (LDCs) - and of much of the Third World as a whole.

The country's problem is not that it doesn't trade enough with other countries or that its exports aren't growing: in 1998, exports accounted for 18.4% of its gross domestic product, up from 12.1% in 1990, a higher proportion than in the United States or Japan. The same holds for LDCs as a group: exports accounted for 20.2% of GDP in 1998, up from 16% in 1990, only slightly lower than those of the industrially developed capitalist countries grouped in the Organization for Economic Cooperation and Development (21.7% in 1998, 17.4% in 1990).

Nor has Tanzania lacked commitment to attracting foreign direct investment. One of the world's largest gold mines has just gone on stream, worth US$165 million. In 1999, its flow of foreign direct investment was US$172 million, nine times what it averaged between 1985-95. The investment flows into all 48 least developed countries have quadrupled between 1992 and 1998.

Nor does Tanzania stand in need of a closer relationship with Western bankers. Since its first structural adjustment program began in 1985, the country has been on an International Monetary Fund (IMF) drip and the fund all but runs the country's economy. Since the 1980s, 89 other Third World economies, including nearly all the LDCs, have received similar credit arrangements and structural adjustment "assistance". This is hardly a cosseted economy cut off from the world.

NEO-COLONY

The reason for Tanzania's poverty is its enforced place in the global capitalist market: as a super-exploited neo-colony relegated to the role of primary commodity provider, entirely dependent on and subordinate to the imperialist powers and transnational corporations for investment funds and technology. This relationship serves to suck the wealth created out of the country and into the coffers of the rich companies and countries.

A colony until 1961, Britain's legacy to Tanzania was an economy dependent for revenue on a few agricultural goods, particularly coffee, sisal, tea and cotton. Maintaining this dependence on a few export crops has likewise been the centerpiece of the IMF's economic directives since 1985 - agriculture still accounts for 85% of its export earnings.

But the prices for primary commodities, which are the backbone of most poor country economies, are highly volatile - coffee's value in 1999 was 40% lower than in 1997, for example. They are also in long-term decline against the finished manufactures and services sold to them by the industrialized powers. This imbalance is worsened by World Trade Organization enforcement of lowered protection levels for local growers and its simultaneous sanctioning of enormous rich country restrictions on market access for Third World exports.

As a result, the terms of trade of the LDCs have worsened considerably: between 1988 and 1993, they fell by 12% on average, recovered by 6.0% in 1994-97 and then declined sharply, by 28.5% and 23.2%, in 1998 and 1999, according to the UN's Least Developed Countries Report, 2000.

As a result, Tanzania runs a chronic trade imbalance, 6.6% of GDP in 1998, as do LDCs as a whole (8.6% of GDP in 1998). The very process of importing and exporting goods and services transfers wealth out of these countries, to those where industrial development and productivity are higher.

The results of investment run likewise. In order to attract the multinational corporations (and to comply with IMF dictates and the terms of its membership of the World Trade Organization), Tanzania has had to loosen regulatory controls, lessen requirements for certain degrees of technology transfer, remove investment licensing fees, privatize state enterprises (295 out of a target list of 395 have already been sold) and lower tax rates on corporations. To get the investment, it has had to surrender control over the direction and nature of its industrial development.

The US$165 million Geita gold mine project is a case in point. Besides the attraction of 450,000 ounces of gold per annum, worth US$135 million, the Tanzanian government had to offer considerable additional incentives to the joint owners, South Africa's Anglo-American Corporation, the world's largest gold producer, and Ghanaian company Ashanti Goldfields. These incentives appear to include looking the other way if and when the sodium cyanide to be used in production leeches into nearby Lake Victoria.

As for access to foreign credit, this is the cruelest joke of all.Tanzania's credit lines are restricted to periodic IMF assistance to meet repayments on its massive debt burden: US$7.17 billion, 106% of its GDP (the LDCs' total debt is $138.37 billion, 82.2% of GDP). In 1999, Tanzania paid back US$209 million of debt; in the same year, it spent US$154 million on education and just US$87 million on health.

The country has been promised some relief under the Heavily Indebted Poor Countries scheme: a 28.6% cut on future debt payments, meaning it will "only" have to pay $150 million a year. For all 22 countries which have been approved relief under the HIPC initiative, the reduction in annual debt service repayments is 30.7%, to US$2.06 billion.

As a condition for even this, however, the Tanzanian government in April signed an IMF-drafted Poverty Reduction Strategy Paper, which included 157 investor - and market-friendly changes to Tanzanian laws and policies, including the removal of food subsidies, the imposition of a value-added tax, the reduction of public spending and the introduction of user fees for health and education.

Tanzania, and nearly all the world's poorest countries, are "linked" to the global capitalist economy, all right - in fact, they're chained to it. If they follow the advice of the burghers of Davos, they'll be bound all the tighter.

THE END