

OECD FORUM 2005

FUELLING THE FUTURE: Security, Stability, Development

Sharing the Benefits of Globalisation

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Introduction

Thank you for inviting Oxfam International to address this forum on such an important topic and at such a crucial moment in the fight against poverty.

In his welcome message to this Forum, the OECD Secretary General Don Johnson states that because of globalisation, millions have been lifted out of poverty and that we are on track to reaching the MDGs in 2015, and halving the number of people living on less than a dollar a day.

This is a very optimistic view: given the current lack of progress on the Millennium Development Goals and the Doha negotiations, both of which are at critical stages of decision making.

There is no chance of substantial, sustained reduction of global poverty without real movement in these two areas - commitments on ODA and a breakthrough on the trade discussions, particularly in agriculture.

Sharing the Benefits

It is obvious that the benefits of globalisation are not shared fairly and that there are more losers than winners. Rising tides have not lifted all boats equally – inequality between countries and within many countries has increased. Some boats are very leaky, others barely afloat.

While millions have been lifted out of poverty, notably in East Asia, sub-Saharan Africa has gone backwards and the results in Latin America and South Asia have been very mixed. Poverty still kills more people each week than did the Asian Tsunami and the reasons for this are as complex as they are bleak. There is no quick fix from globalisation.

Despite sustained growth and increasing wealth in the developed world, ODA is stuck at \$US 50 billion; half of what has been promised and half of what northern protectionism costs the developing world. Political commitments to ODA has been undermined by a history of poor quality aid, due to narrow national donor interests and to recipient government corruption among other things, but with the result that there is deep scepticism about its effectiveness.

The real blockage is not a lack of aid but the structural unfavourable of the global economy, in particular the rigged rules and double standards of trade.

In the case of agriculture, ninety six percent of the world's farmers are in developing countries and they constitute the bulk of the world's people living on less than a dollar a day. Yet the EU's highly subsidised, highly protected sugar regime exports 12 times more than it imports from developing countries. This costs Brazil nearly half a billion

dollars, Thailand 170m, South Africa \$60m. Tariff peaks in both the EU and US target products where developing countries have a comparative advantage. Cotton farmers in the US receive nearly US\$ 4 billion – greater than the GDP of many LDCs. Meanwhile the livelihoods of some 10 million efficient low-cost West African farmers are threatened by low cotton prices because of US dumping. Overall, agricultural commodities have seen massive declines in prices over the last 10 years, coffee being a good example. The main losers are poor farmers.

Even in industries where globalisation has brought millions of new jobs there are deep inequities and injustices. This week a number of the major clothing TNCs are conducting an investigation of the Bangladeshi factory fire that killed nearly one hundred workers. Jobs need to be decent and safe – not just cheap labour.

These are some of the reasons why this week's Ministerial meeting is so important. We really are at five minutes to midnight, with the G8 finance ministers needing to conclude agreements on ODA by mid-June ahead of Gleneagles and the trade ministers by the end of July, if the Hong Kong ministerial is not going to go the same way as Cancun.

Financing development - ODA and debt

While criticised by many as the minimum development goals, the commitment to the MDGs in 2000 was an extraordinarily important recognition of our collective will and acceptance of the responsibility to end poverty. We know that it is not impossible for countries to build a public support for increasing aid - the ODA nordic heroes have been joined by the UK, Spanish, Belgium, France and Ireland in recent times. It can be done and without negative political consequences, what has been fascinating in the current UK elections is the way Blair's leadership – and Brown's has forced cross party support. ODA is not an election issue – competition to be the best leadership really counts.

Key G8 Countries that need to make an effort are the US, Japan, Germany, and Italy which is on a miserable 0.17%. But countries such as Austria and Greece should not block the bold European package announced by President Barosso. Progress on the targets for 2005 are not on track, and if we don't reach them we will not achieve the Millennium Development Goals set for 2015.

The Statement on Aid

The spring meetings of the Bank and the IMF were pretty disappointing with no big breakthroughs and a setback on debt. We have a long way to go – let's hope that the G8 comes up with a workable solution. Oxfam wants to see more money on the table – not just cancellation.

The agreement that the economy is not in good enough shape to increase Aid doesn't stand up – it never is as the EU Commissioner for Development Louis Michel said, after 35 years since the 0.7% was agreed, there can be no more excuses.

Increased ODA levels must be matched by greater AID quality, building in greater mutual accountability, targeting the poorest and untying aid. It is not good enough that only one euro in 15 of Greek ODA goes to the poorest, or that 92% of Italian aid is tied to Italian goods and services.

Trade round In crisis

Last week in Geneva was very discouraging. There is no agreement on Ad Valorem Equivalent conversions, no progress on Special and Differential Treatment, and no progress on non-agricultural market access (NAMA.). Time for Hong Kong is now very short.

The failure to reach agreement on AVEs heightens suspicions that the EU wants to maintain continued high protection, while demanding that larger developing economies to open up on NAMA. Nor do we think the EU will stand up to pressure from the US on opening of developing country agricultural markets. But our understanding is that the G20 remains a solidly united group and in its recent meeting in Delhi affirmed its responsibility for ensuring a fair deal for LDCs.

Dumping

There is not enough on the table on elimination of export, subsidies, trade distorting domestic subsidies and dumping to warrant concessions on special and differential treatment in agriculture or on NAMA by the larger developing countries in the G20. We will produce a study shortly, that shows that the current CAP reform does not appear likely to reduce overproduction and dumping, and without a timetable on elimination of export subsidies and greater discipline on the boxes we cannot see an agreement emerging in Hong Kong.

One important test will be the US reaction to the WTO ruling on cotton and the EU reaction to the ruling on sugar, both of which we applaud. But we are concerned by signals that these rulings may be ignored – this would be very negative for the multilateral trading system.

Power to decide

Last week I was in South Africa, one of the developing countries which is regarded as capable of making 'more effort' on trade liberalisation by developed countries. South Africa has in fact made a lot of effort in unilateral tariff reduction and has paid quite a price – for example losing over 100,000 jobs in the textiles and garments industry over the last few years. This is against a backdrop of 40% unemployment, high levels of poverty and the tragedy of around 650 deaths from HIV Aids every day.

In the case of India, there are still over 400 million rural poor and some states are poorer than some LDCs. Brazil also has huge poverty problems.

Developing countries and LDCs deserve the same right to decide the pace and scale of their liberalisation that was enjoyed by developed countries, especially where it affects food security and development. As our paper Kicking Down the Door demonstrates, forced rapid liberalisation can have very negative consequences – put simply the human cost is just too high.

The East Asian scenarios do have some lessons – the higher economies reformed, built themselves up before throwing open the doors: agrarian reform, legal reform, heavy investment in health and education, investment in infrastructure and strategy protection

of nascent industries much of the development supported by Japanese ODA and FDI. Africa is a very different story.

Conclusions

Despite some pessimism, there is political momentum for change in 2005. The Global Call to Action against Poverty is a civil society movement in 50 so countries, with a focus on the G8, UN Summit and the Hong Kong Ministerial. The UK has provided important leadership and is chairing the G8 and the EU in the second half of the year.

But we need break-throughs – agreements on agriculture and to keep the promises made on MDGs – and we need them very soon if the benefits of globalisation are to be properly shared. This week is critical to advancing the agenda.

The members of the OECD need the political courage to Make Poverty History.