



TRÓCAIRE

DEVELOPMENT REVIEW 1996

Comment

Neo-liberal Adjustment and
Globalization: A Southern Perspective
Marcos Arruda

Trade and Globalization

The Drugs Trade as a Development
Issue: Proposals for an EU Response
Andy Atkins

Trade with Developing Countries:
Does it increase Income Inequality in
the North?
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The Chilean Economic Miracle: A
Model for Latin America?
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Reforming Global Governance -
Challenges ahead for the UN
Erskine Childers

Irish Development NGOs and
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Ian Smillie

RECENT REPORTS

BOOK REVIEWS



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Editorial Statement

Trócaire, the Irish Catholic Agency for World Development, produces the *Development Review* as part of its programme of research and development education. This programme aims to raise awareness in Ireland and elsewhere of the scale, dimensions and causes of world poverty and to promote individual and official action to overcome it.

Trócaire in producing this *Development Review* is responding to the need in Ireland for a publication concentrating on policy analysis and research findings on development issues. *Review* articles are on economic, social and political themes related to poverty in the developing world. A particular focus is the impact on developing countries of aid, trade, financial and other policies adopted by the industrialised countries. Ireland's policies, including in the context of the European Union, are of special interest.

The Editorial Board invites articles that fall within the remit outlined above. Articles, while analytical, should not be overly technical in presentation. In general, individual country case studies should be used only to illustrate a general argument. Research findings on pertinent issues would be particularly welcome. Articles should not exceed 5,000 words. All articles will be refereed. Short Notes and Comments are also welcome.

Trócaire Development Review is published annually in November. Contributions should be submitted by the preceding May 31 and should be addressed to:

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Preface

1996 has seen a number of significant events in relation to development at Irish, EU and international levels. 1996 saw the publication of the first ever Irish Government White Paper on Foreign Policy and Ireland's assumption, for the fifth time, of the EU presidency. Globally the trend against aid continued with OECD statistics revealing that for 1995 ODA at 0.27% of combined OECD development assistance committee members' GNP, hit its lowest level ever since the UN 0.7% target was first devised in 1970. Not a fitting tribute to the efficacy of the series of UN global summits, which ended last year, in generating new and additional as opposed to even maintaining existing resources for development. In this year's *Review* Trócaire is pleased to co-publish with the OECD Development Centre a case study of the co-operation and challenges facing Irish Development NGOs and Government. This allows us to better assess how Ireland compares with its OECD counterparts in this regard.

While this summer G7 leaders reiterated their conviction that the process of globalisation is a source of hope for the future providing great opportunities for all countries both rich and poor, others North and South, believe this to be untrue. Given the debates around this subject this year's journal has the special theme "Trade and Globalization". Brazilian economist Marcos Arruda introduces this theme from a Southern perspective.

Trade and globalisation issues, while critical in a developing country context, have significant resonance and meaning here in Ireland as Atkins' piece on the drugs trade shows. While reducing the demand and arrival of drugs in Ireland is a primary objective of government it is also essential that the drugs trade is viewed as a development issue. Poverty, denial of basic rights and lack of economic alternatives coupled with unequal North-South relations are the primary cause of much of the drugs trade and must be tackled if an effective solution is to be reached. The drugs trade also brings home to us that while acute poverty and injustice may have geographical boundaries, their impact knows no such constraints.

The contribution by Erskine Childers, who sadly died this summer, coincides with the UN emerging from its 50th anniversary commemorations and challenges us all as world citizens and civil society organisations – the "we" in "We the peoples..." – to demand that our voice be heard in this the most criticised yet essential of global organisations. Childers concurs with the concerns and ideals expressed in Arruda's piece, particularly the call to place improvements in human well-being rather than the expansion of markets and transnational finance at the heart of global policymaking agendas.

This year's journal poses questions, suggests some answers and hopefully will encourage its readership to debate and reflect further on the issues of global governance and globalisation. The fact that globalisation has increased the power of the big corporations but has eroded the authority of elected politicians and the public sector is a message coming through on which politicians and decision-makers would do well to reflect.

Justin Kilcullen
Director, Trócaire
30 October 1996

Editor's Introduction

Global trade is growing at more than twice the rate of global output, speeding the integration of the world economy. But does the persistence of global poverty as highlighted in this year's UNDP Human Development Report prove that the world trading system is unfair? The UNDP Report describes this as globalization with polarisation. Is great wealth for the few, marginalisation of the many and polarisation between them an inevitable outcome of globalization? If not how then can the benefits of trade and global integration be more evenly distributed?

Four of the articles in this year's *Trócaire Development Review* are on the theme "Trade and Globalization". NGOs, like others, are operating in an increasingly globalized world and are seeing its impact on the ground. Clarity on trade and globalization issues is often hard to find as the known gains from trade and making global connections cannot easily be separated from its more negative manifestations.

The focus of the 1996 *Review* is timely as the first ministerial meeting of the World Trade Organisation (WTO) takes place this December. The WTO has equal standing with the World Bank and the IMF. However, unlike these two bodies voting is unweighted, with each member getting one vote. That said it is only as powerful as its larger members allow it to be. While NGOs lobby around the fringes, the world's transnational corporations (TNCs) are among the most active lobbyists. Not surprising when one considers that about one third of all trade now consists of intra-company trade, as TNCs transfer components and profits between different factories worldwide.

International trade is certain to grow but whether it helps or obstructs the broader social and environmental objectives of global civilisation will depend to an important degree on WTO policy; this is a function of the political resolve of its members, some of whom are more equal than others. The US has been ambivalent in its attitude to the WTO, threatening various bilateral actions and pulling out of a deal on telecommunications in April 1996. Just as the US has undermined the credibility of the UN by its failure to pay its dues so too it could weaken the WTO.

With an open, rules-based global trading system being put in place what are the other major issues for the WTO? Two which are being keenly debated at present are whether there should be a coherent set of global rules for foreign investment to replace over 900 bilateral deals, and how to ensure open regionalism develops rather than protectionist trading blocs.

Trade and globalization is a topic which is also at the core of much of the work of international groupings and organisations be it the EU, the G7, the G77, the World Bank or the UNDP. EU Commissioner Manuel Pinheiro has stated that “this trend of globalization, whatever its positive effects on the world economy in general, risks marginalising certain areas in the world, in particular the least developed countries. They will not only face the erosion of their trade preferences, but in addition, will not be able to adjust their economy in time to benefit immediately from the potential advantages of liberalisation. The globalization of markets, supported by the revolution of information and communication systems, could therefore easily lead to the emergence of a new international order from which the poorest are excluded.”¹

The 9th session of the UN Conference on Trade and Development (UNCTAD) concluded in May. Its final text was entitled: ‘A partnership for growth and development’. Summing up the high level debate at the conference opening, UN Secretary-General Boutros Boutros Ghali said: “There is a real apprehension that globalization without international control may create more disequilibrium and more discrimination, within member states and among member states. This creates a feeling of insecurity and a feeling of frustration at the level of the poor within the member states and at the level of the poor member states.... There is a consensus that certain rules, certain guidelines, ought to be adopted by the multilateral system and by the different international organisations – playing a role of co-ordination (and) a role of protection”.

Marcos Arruda in his Comment piece entitled “*Neo-liberal adjustment and globalization: A Southern Perspective*” examines the contradictions within the present model of globalization and sets out the goals and targets which would inspire a different form of global adjustment. This alternative form of globalization is people centred and supportive of benefits going to the poorest. While democracy is undoubtedly gaining strength in many countries it will remain a mere formality if, as Arruda notes, it does not give citizens the opportunity of improving their living conditions.

The dominance of transnational corporations (TNCs) and the lack of codes of conduct to monitor their activities and to protect the majority poor against their huge wealth is a topic on which Arruda writes eloquently. He calls for democratising and strengthening local, national, regional and global institutions which are capable of guaranteeing the implementation of codes of conduct, regulation and sanctions on individual economic agents, in particular TNCs, so they respect a global social contract at a level above them. This social contract is centred on the well-being and the sustainable development of peoples. The

substitution of speculation for enterprise which is a common occurrence on global financial markets is another concern which Arruda highlights.

He concludes that the growth in complex emergencies in the 1990s, while often diagnosed as rooted in local/national ethnic and other conflicts, should instead be assessed in terms of the impact of global economic and other policies on the societies affected. Thus the negative impacts of globalization as well as the structural problems within nations need to be tackled in tandem in order to overcome poverty and recurrent conflicts in some of the poorest nations in our increasingly polarised world.

The most insidious trade issue apart from the arms trade is the drugs trade. In Europe alone according to the first report of the European Drugs Observatory, between half a million and a million people take the addictive drug heroin. Some 1.5% of the EU's adult population have consumed heroin and 0.5% are addicts. In Ireland 82% of drug addicts being treated were addicted mainly to opiates such as heroin. At 23.8 years the average age of drug Ireland is almost 5 years below the EU average.² In October 1996 the European Monitoring Centre for Drugs and Drug Addiction in its first report entitled "State of the Drugs Problem in the European Union" suggests that Ireland has one of the sternest regimes in terms of anti-drug laws among EU member states, even before the latest batch of legislation passed by the government in summer 1996. The report highlighted that most member states of the Union are trying to deal with the drug problem using a similar mix of law enforcement, education and treatment programmes.

However, as *Atkins'* contribution highlights there is an urgent need for the EU to view the drugs trade as a development issue and thus ensure coherence between its policies on drugs and development. Atkins examines six drugs supply control instruments used, supported or contemplated by the EU member states under headings which include crop eradication, alternative development, trade preferences and political dialogue. Reducing the drugs trade is enormously difficult. This is partly because while it is a cause of problems it is a symptom of others – be it poverty, conflict etc. Thus it cannot be tackled in isolation from other issues if one policy is not to undermine others.

In this year's Raul Prebisch Lecture, "The Global Age: Peril or Opportunity", Prof. Jagdish Bhagwati, noted the turnaround on international economic relations. Many developing countries traditionally opposed to integration into the world economy for fear of marginalisation are now pushing for increased liberalisation while developed countries, once the champion of freer trade, are now much more hesitant. Fears such as the displacement of jobs from developed to developing countries are

not borne out by the evidence, he said, but admitted that comparative advantage has become increasingly volatile with the globalization of technology and capital.

Frank Barry takes up the debate posing the question: "Does trade with developing countries increase income inequality in the North?". Much has been written and stated about trade as an engine for growth. However, growth for whom and for which regions is the thorny subject which Barry examines. He takes as a starting point that in a global free market high wage economies have to compete with low wage ones. They clearly cannot offer a comparative advantage in labour costs and so have to concentrate on other factors such as technology and know-how. This leaves the problem of how to find jobs for the unskilled, an issue at the centre of modern politics.

In his article *Peadar Kirby* asks the question: "*Is the Chilean economic miracle a model for Latin America?*" Chile is widely regarded as the most successful developer in Latin America and Kirby examines three key aspects of the model pursued. These are the dependence on the exports of primary commodities (a common characteristic of many developing economies worldwide), its social impact and the environmental sustainability of Chile's production path. These are not offered as an exhaustive analysis of the Chilean model; rather, they reflect some debates around central issues which are currently taking place in Chile. Kirby also examines the labels put on the Chilean model: to some it is neo-liberal whereas to others it is neo-neo-structuralist.

His discussion goes to the heart of the development dilemma. Neither the state nor the market can be a panacea for leading to the ideal model of development. What is required is to achieve a proper balance between their respective roles. Instead of ideologies determining this the rationale should be the achievement of best results in socio-economic and environmental well-being as these affect citizens. Rather than a strong state sector delivering a knock out blow to the private sector it could enhance its economic success while ensuring that the benefits flow widely through society, that the environment is protected and the skill base, the earning potential and the technological capacity of the economy are improved. The latter point echoes Barry's arguments in this regard. Kirby's piece uses the Chile case study to define the challenges facing the state in a globalized world system. There are no easy answers but by putting a candle rather than a cloak to the experience of Chile, Kirby points to some lessons as well as warnings on what is essential for successful development as distinct from economic success.

Turning from globalization to global governance issues the late *Erskine Childers*' piece shows the UN under the threat

“reform or retire as a global actor”. In a recent speech Mary Robinson, President of Ireland, stressed that “above all we need a more effective and vigorous UN which will again seize the initiative, as it has done in the past, in the struggle for a world which is at peace and where all peoples and nations large and small are firmly on the road to economic and social progress.” Speaking during the 51st General Assembly of the UN, Irish Foreign Affairs Minister and EU Council Presidency representative Dick Spring confirmed EU support of an efficient UN: “The multilateral approach, which the UN embodies, is under threat if we cannot respond to the challenges before us... we need a renewed commitment to collective action with strong vision and leadership, sustained by the political will of each member state.”

These calls for sound vision and leadership concur with the challenges raised by Childers in his provocative and passionate contribution entitled “*Reforming Global Governance*”. Childers poses important questions for the UN if it is to reform global governance and indeed if it is to be able to garner the resources needed to carry out core functions.

Much is expected of the UN with its oft cited inefficiencies but it remains caught in a catch 22 wherein it needs adequate resources to perform its tasks but the draining away of these resources adds to the crisis of confidence in the UN being able to perform. By mid-June only 71 member states had paid their regular UN budget dues in full. Other members still owe the UN a total of US\$2.6 billion – \$1.7 billion for peace-keeping and \$900 million for the regular UN budget, the US being the biggest funder which has not paid its full dues. The lack of sufficient finance is in part due to the need for reform but more alarmingly to some it signals a view that the UN has no effective role to play. Childers points out that now more than ever there is a need for a multilateral approach which the UN embodies. These challenges are immense as the world is still losing the war on poverty, more is spent on armaments than on aid and human rights and fundamental freedoms are denied to millions of people. This requires adapting and reconstructing the UN so that it can better serve its founding ideals of promoting peace, justice and development for all nations. President Robinson in the same speech prioritised economic and social development as two areas where the UN must act as a decisive instrument for real progress.

While Childers’ article presents an Irish perspective on the UN, the final article by *Ian Smillie* presents an OECD perspective on Irish development NGOs and government. To the public Irish NGOs are often the face of Irish Official Aid in humanitarian crises, not surprising given that about half government humanitarian assistance is channelled through

NGOs. But Irish NGOs are also aware of the dangers of becoming NGOs of a different type, i.e. “Newly Governmental Organisations”, dependent on official sources of finance. That said the biggest aid agencies still only account for a relatively small share of government co-financing.

Smillie makes a number of interesting observations. One critical one is that the growth of Irish NGOs in the first half of the 1990s has been based almost entirely on emergency appeals and new NGOs have emerged in response to crisis situations, which in reality are dependent on official funds as no matching financial component is required by government from NGOs in receipt of humanitarian aid.³ Once the immediate crisis is over investing in long-term development becomes impossible if NGOs do not have the capacity to generate their own funds or to hand-over to other channels of support. A similar concern arises in relation to more established NGOs who may over-extend their institutional and field structures when in receipt of large amounts of humanitarian aid and subsequently find themselves having to cutback suddenly. Indeed while Government support may still be available for them to continue their work NGOs simply may not be able to raise matching monies from the public. The impact here in terms of the best use of the official aid budget is an issue worthy of further attention.

We hope that the *Trócaire Development Review* helps stimulate interest in the topics covered and as part of the *Review's* objective of encouraging debate we welcome readers' views on the issues raised therein. Globalization is a weighty subject for any journal. But take heart, anthropologist Margaret Mead once said: “Never doubt that a small group of committed citizens can change the world. Indeed, it is the only thing that ever has”.

- 1 Address by commissioner Pinheiro at the conference “Beyond Lomc IV”, 25 January 1996, page 4.
- 2 It is worth noting that the lower average age among drug users is due in part to the lower average age of the population as a whole. See *The Irish Times*, 9 October 1996.
- 3 A financial contribution is always required for development projects. For an analysis of “NGO Agendas” see the 1995 *Trócaire Development Review*.

Notes on Contributors

Marcos Arruda is Coordinator of the Institute of Alternative Policies for the Southern Cone of Latin America and Chair of the Commission on Sustainable Development of the International Council of Voluntary Agencies.

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Frank Barry lectures in economics in University College, Dublin. He has published extensively in the field of international trade and macroeconomics. He has served as an economic consultant in Latin America, Asia, Africa and most recently in Eastern Europe.

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The late **Erskine Childers** was Senior Adviser to the UN Director-General for Development and International Economic Cooperation. Co-author with Sir Brian Urquhart of several studies on reform of the UN including *Renewing the UN System* (1994) and Academic Editor of *Challenges to the UN* (CIIR/St Martin's Press 1994).

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Annette Honan is Campaigns Officer with Trócaire. She returned recently from a visit to Central America where she studied the impact of transnational corporations on banana workers and efforts to set up trade unions.

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