

## Globalisation consolidated poverty and increased inequality

HÉCTOR BÉJAR



Peru globalised in 1990, after a decade of economic crisis and terrorism, inflation and discredited political parties. The armed forces, corporations and multilateral organisations took advantage of this situation to unleash an economic supershock and “reinsert” Peru in the international financial system. The country was promised prosperity after sacrifice, but instead Peru got a corrupt and dictatorial regime that lasted for ten years, until popular protests replaced it with the Transitional Constitutional Government.

Today democracy has been restored, but the recession caused by neoliberal policies continues. The neoliberal model was never even questioned. This “reinsertion” provoked the reduction of tariffs, closing of state-owned development banks and elimination of subsidies. Monopolies and the upper class were relied on to spend cheap dollars on sumptuous consumption, pension funds were handed over to private firms, and public funds were used to pay managerial debts incurred by the banks.

### Obsolete model

In 1998, exports reached USD 5.72 billion. Over half of this, USD 3.69 billion, was for mining products. Instead of modernising the country, globalisation returned the country to an anachronistic economy. Ex-president Alberto Fujimori consolidated this tendency, orienting the economy toward mining and export.

The mining monopolies do not contribute to the development of the country; nor do they help to alleviate extreme poverty in the districts where they operate. The mining companies declare their investments as losses and deduct them for eight years starting with the first year they generate a profit: in this way, paying taxes becomes a fairy-tale.

Eight billion dollars are spent annually on imports of consumer products, supplies and food (wheat and dairy products). These imports displace national products in the internal market and generate unemployment and poverty. The trade balance was negative during the five-year period from 1995 to 2000, and the deficit was covered by foreign investment and capital flight. The authorities have not acted to neutralise the effects of the financial crisis, and no measures have been taken to prevent or control the instability of speculative capital.

To attract foreign investment, dismissal of workers was made easier, work hours were prolonged, mandatory overtime pay became more flexible, lucrative contracting on the labor market was introduced, union federations were prohibited from negotiating with management, and fear of dismissal limited the right to strike.

### Greater inequity

The timid tendency to lesser inequality in the 1980s was reversed in the 1990s. The Gini index for *per capita* income fell by more than seven points from 1985 to 1991, but inequality increased from 1991 to 1994 (after the adjustment). From 1994 to 1996, the Gini index fell by three points, but did not reach the levels that existed before the adjustment (ENNIV 1996).

Inequality in the distribution of expenditure grew from 1997 to 2000. According to the ENNIV 2000, the Gini coefficient reached the 0.4003 in 2000, greater than the 0.386 of 1997 and the 0.392 of 1994. Spending of quintiles I and II (low-income population) diminished by 17%, while spending of the highest quintile grew by 3%.

In Lima, 45.2% of the population lives in extreme poverty; in the rural areas this figure is 66.1%. In the cities, 84% of the population has a supply of drinking water; in rural areas, supplies reach only 33%. In rural areas, there are few secondary schools and a poor primary education program. In the non-poor sector, 11% of children under age five suffer from malnutrition; among the extreme poor, 43.5% suffer malnutrition. Another alarming fact is that only 7.4% of extremely poor people attended health establishments when they got sick (ENNIV 1997).

### Modest progress in gender

The government ratified the *Interamerican Convention to Prevent, Sanction and Eradicate Violence Against Women*, established a law for protection against domestic violence, and eliminated discriminatory rules in crimes against sexual freedom.

Women have the right to remove the aggressor from the family household and to report rape within marriage, but legal processes to obtain protection measures last from 8 to 12 months. In the peace courts, 48% of proceedings on domestic violence end without sentencing. Government investment directed toward women is no greater than 1% of the national budget.

The general and municipal election laws mandate that election lists include 30%-25% women or men if the majority is of the opposite sex. Women are still the minority in congress, however, and the masculinist mayoral structure of the municipalities frustrates the work of many women *regidoras* (governors).

Sexual and reproductive health programs have been used for demographic control and poor women began to be massively sterilised against their will, until the Ombudsman, the Catholic Church and civil society were able to shut down these programs. Maternal mortality and teenage pregnancy are topics that have been ignored.

Women receive 74.2% of the average male salary for equal work, and they are the main victims of underemployment.

### Results of the official policy

The official 1993 document, Strategy for the struggle against poverty, maintained that “economic recovery based on stabilisation and liberalisation is crucial for attacking poverty.”

In 1996, Peru established the goal of cutting extreme poverty in half—from 18% to 9%—by the year 2000.

Total social spending grew from 24.6% of the budget in 1993 to 44.6% in 1998. The amount allocated for basic social services is unknown because of the lack of transparency. Between 1993 and 2000, the total spending on social programs can be estimated at approximately USD 13 billion. For specific programs on poverty relief, an estimated USD 5.2 billion was spent in the same period.

---

Nevertheless, total poverty grew from 51.1% in 1997 to 54.1% in 2000. Currently, 14.8% of the population lives in extreme poverty. Poverty was reduced only in the urban areas, and remains intact in the rural mountain areas. (ENNIV 2000).

Life expectancy is 69 years, lower than the continental average. In Latin America, the life expectancy went from an average of 55 in the 1950s to 71 in the 1990s (IDB 1999).

Child mortality fell from 80 for every thousand live births in 1990 to 54 in 1998 (UNDP, INEI, *Instituto Cuánto*), but child mortality in Peru is still more than double the Latin American average (IDB 1999). In line with a continual process of reduction in all regions of the world, Latin America has been able to reduce child mortality to 31 for every thousand live births.

Literacy averages are high, as in the rest of Latin America, even though there are still pockets of female illiteracy. The average rate of schooling is now more than eight years. Numbers of over-age students and levels of grade repetition and dropout rates are alarmingly high.

### The impact of external debt

Of the USD ten-billion national budget for 2000, approximately USD 2 billion were allocated for payment of the external debt. The sum allocated to social spending was USD 3.5 billion. At least one-third of social spending was financed with loans from the World Bank, Interamerican Development Bank and other sources, for emergency programs and social compensation. This generates new debt that grows each year.

The government is addicted to international loans and has no capacity to decide its own policies, which are designed by foreign interests. Its relationship to the poorest population is restricted to the provision of services; meanwhile, these programs depend on its ability to secure loans and pay them off.

The social programs provide basic services to the extreme poor without helping them to overcome their situation. The dictatorship subordinated this sector of the population and violated citizen's rights.

### Perspectives

Democracy has returned to Peru. The transition government, in one of its first actions, called for a *United Roundtable for the Struggle Against Poverty*, inviting participation of churches, municipalities and non-governmental organisations (NGOs). Through the National Conference on Social Development (CONADES), NGOs are proposing that specific goals in the struggle against poverty be incorporated into national strategies and economic policies. Also, civil society promotes the organisation of a national system to monitor and evaluate achievement of social goals, by establishing negotiating roundtables in departments all over the country.

The challenge of the next few years is to establish democracy with citizen's rights and social alertness. Civil society is working intensely to attain this goal. ■

### Bibliography

- Interamerican Development Bank. *Report on social and economic progress. 1999.*
- CONADES. National Conference on Social Development.
- ENNIV. National Survey of Quality of Life.
- INEI. National Institute of Statistics and Information.

Comité de Iniciativa de la Conferencia Nacional sobre Desarrollo Social (CONADES)  
(Initiative Committee of the National Conference on Social Development)  
<hecbejar@chavin.rcp.net.pe>