The Hood Robin Economy

The net transfer of financial resources to developing countries has been negative each and every year since 1997, according to what Kofi Annan, Secretary General of the United Nations, reported to the General Assembly in 2002. In other words, money is being taken from the poor to give to the rich. The world economy is functioning like a reverse Robin Hood.

The net transfer of money is the final result of many factors. Aid, for example, is a positive transfer, from the developed countries to the poorer nations, but debt repayment is a negative one. Aid has been decreasing. The promise of debt cancellation made by the leaders of the seven most powerful countries in the world (who also happen to be the biggest creditors) is being implemented too slowly and timidly for its effects to be perceived. Investment is a positive transfer of resources when foreign corporations bring in capital to start operations in a country, but it weighs negatively in the final account if the profits are not reinvested in the country but taken out of it. A negative trade balance (when the country buys abroad more than it exports) adds to the money outflows. As a result of declining commodity prices and higher costs of manufactured items, developing countries, even when exporting more, earn less. Remittances from migrants working abroad to their families are a substantial contribution to their families and contribute to the balance of payments of their countries of origin, but capital flight erodes those accounts. Capital flight frequently originates in corruption money deposited in foreign tax havens, but it is also a result of legitimate domestic savings being transferred abroad in search of security from potential financial crises, that in turn are frequently caused or exacerbated by hot money («portfolio investment») interested in short-term profits and not in the well-being of the public.

The money originating in developing countries and ending up in the North doesn't come from the pockets of the poor and the workers. They don't have savings to transfer abroad; they buy fewer imported luxury items; they don't spend money abroad as tourists. It comes from the vaults of governments, in the form of debt repayments, and from the pockets of the elite. But governments have to make ends meet, and they offset their fiscal deficits by cutting essential services and by raising taxes. And the savings lost or sent abroad by the wealthy are investments lost by the country, which in turn would have generated jobs and taxes. The poor and vulnerable end up suffering the most.

A record of unkept promises

After the fall of the Berlin Wall in 1989 and the subsequent end of the Cold War, a series of major conferences and summits [1] drew a blueprint for a new era, when the «peace dividend» was to finally make possible the old ambition to feed, educate and care for the health of every child on the planet. At the same time the traditional concept of «development» (previously understood merely as economic growth) was updated with concerns for the environment, for human rights, for cultural diversity and for the condition of women. Civil society organisations were encouraged to participate, and did so by the thousands, bringing unusual enthusiasm into the diplomatic negotiating processes, attracting media coverage and advocating for concrete, measurable and time-bound commitments.

The Social Watch network was created in 1996 to monitor how those commitments were being implemented and to urge the leaders to do better, when needed. Reports like this one have been published by Social Watch every year since then, following indicators, summarising them in tables and, even more importantly, voicing the findings and concerns of citizen groups reporting about their daily realities at home.

Each country report is produced by autonomous citizen coalitions, and is the result of many weeks of research, consultations and debate. The authors come from different backgrounds. Some are engaged in defending human rights, while others organise the poor at the community level. Some work for trade unions representing thousands of workers, while others concentrate on gender issues.

What both the global statistics and the national reports show in Social Watch Report 2003 is that the development promises have not been kept. Those commitments were made in a world of fast economic growth that believed in the magic of a revolutionary «new economy» where bright kids were becoming millionaires before graduating and countries hoped to «leapfrog» from abject poverty into the 21st century thanks to an unending inflow of private capital.

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1 Children's Summit in New York, 1990; Earth Summit in Rio de Janeiro, 1992; International Conference on Population and Development in Cairo, 1994; World Conference on Human Rights, in Vienna, 1993; Global Conference on Sustainable Development of Small Island Developing States in Barbados, 1994; World Summit for Social Development in Copenhagen, 1995; Fourth World Conference on Women in Beijing, 1995; Second United Nations Conference on Human Settlements (Habitat II), Istanbul, 1996; World Food Summit in Rome, 1996; Third United Nations Conference on the Least Developed Countries, in Brussels, 2001; World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance, in Durban 2001.

That the promises were not kept is not just another story of politicians failing to keep their word once they got elected. Even governments genuinely committed to improving the fate of their people were deprived by the global economy of the means to do so.

The «Millennium Declaration» adopted by the General Assembly of the United Nations in September 2000, and strengthened politically by the presence of an unprecedented number of heads of state, updated many of the development goals originally set (and not met) for the year 2000 and reformulated them for the year 2015. The declaration also gave official UN endorsement to the goal of «halving extreme poverty,» by that date.

The set of targets included in that document, known as Millennium Development Goals (MDGs), is slightly less optimistic than those originally set for 2000,[2] *yet it still requires a substantial change in the global economic environment in order to achieve them.*

Five of the eight MDGs refer quite directly to basic service delivery, in the areas of health, education and water provision. Goal 1 on poverty is also to a major extent related to access to services (even though poverty is now recognised as a multidimensional problem, with a variety of internal and external causes). It was only logical, then, for Social Watch to conclude that it should contribute to the international debate by focusing the present report on the services that are essential for the poor.

While everyone agrees that basic services need to be improved and made accessible to all, the discussion around how to accomplish this is increasingly controversial. Negotiations on access of foreign firms to service delivery are mandated to start in 2003 by the General Agreement on Trade in Services (GATS), a treaty of the World Trade Organisation, and the World Bank is preparing a report on «services for the poor» that condemns the current government provision model of service delivery and advocates for private concessions and sub-contracting.

Such faith in the capacity of the market to work in favour of the MDGs does not find support in what Social Watch coalitions from around the world report here. As a result of their attempts to «beat the market» many prominent CEOs ended up in jail in 2002, while families that trusted them lost their retirement savings. In order for the same unrestricted and unregulated market operators not to beat the poor, both governments and corporations have to be more accountable to citizens everywhere.

The ink is still fresh on the paper where over a hundred heads of state recognised that «in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level.»[3] *Not allowing that responsibility to be forgotten is one of the ways to help them fulfil their commitment «to making the right to development a reality for everyone and to freeing the entire human race from want.»*[4]

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2 Daniel Macadar, «Notes on the formulation and follow-up of the MDGs», paper submitted to the workshop *Monitoring Social Development: Indicators for Civil Society*, organised by Social Watch and UNDP, Rio de Janeiro, Brazil, 21-22November 2002.

3 Paragraph 2 of the Millennium Declaration.

4 Paragraph 11 of the Millennium Declaration.