POLICY THINK TANK SERIES
NO. 17

IUCN
The World Conservation Union

Globalisation and its influence on poverty and environment

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April 2002

There could not be a more superb irony than the second World Summit on Sustainable Development (WSSD) Preparatory Committee (Prep-Com) taking place almost simultaneously to the World Economic Forum (WEF). The WEF grand show was held at the Waldorf Astoria-New York's accommodation for the super rich. A standing item - supposedly the 21st century's most pressing problem – poverty was the first priority on the agendas of both meetings. While the media gave extensive coverage to the WEF deliberations, one is hard pressed to find a news item worthy of meditation on the proceedings at the WSSD. No contradiction could more starkly demonstrate the emphasis that international leaders place on economic issues over environmental issues. And why shouldn't they?

The political landscapes that creates social settings and their institutions dictate the form of economic exchange. Economics is not an objective science; its very ethos and practice arise out of societies' specific preferences and modes of behaviour in establishing forms of exchange and relations between each other. Take, for instance, the effects of measures introduced in the early 1990s, known as the 'Washington Consensus,' which includes a number of remedies that reflect a particular ideological perspective. The policies proposed include: fiscal discipline, privatization, tax reform, competitive exchange rates, trade liberalisation, deregulation, secure property rights and liberal rules on foreign direct investment.

Developing countries needing assistance from the IMF and WB have to adhere to these policy measures and, in so doing, accept the ideological hegemony of those imposing the rules of the Washington Consensus. Joseph Stiglitz, the Chief economist at the World Bank between 1997-2000 made the following remark: "I have seen firsthand the dark side of globalization - how the liberalisation of capital markets, by allowing speculative money to pour in and out of a country at a moment's whim, devastated East Asia; how so-called structural adjustment loans to some of poorest countries in the world 'restructured' those countries' economies so as to eliminate jobs but not provide the means of creating new ones, leading to widespread unemployment and cuts in basic services." (Stiglitz, The Atlantic, October 2002)

The question that then arises is how both domestic and international economic policies influence local level environmental practice? The anti-globalisation movement has done well in politicising the importance of international governance, finance and trade as contributing factors to poverty and environmental degradation. As capitalism is the predominant construct informing economics today, it is easy to single it out as the source of all our woes. One would be hard-pressed to conclude anything other than that capitalism inherently includes a distinct lack of an environmental and social consciousness. However, one must also confess that such lack of care is not unique to capitalism, as the former Soviet States have shown with their appalling track record of managing the environment.

The WSSD has latched onto sustainable development and poverty as issues deeply affected by global trends in trade, finance and debt. Greater inclusion of Africa in international trade is seen as necessary to improve Africa's trade competitiveness. Africa accounts for 2% of all exports, down from 7.4 % in 1948. Ironically, while there is much talk of free market trade, Africa - like many developing areas - is excluded by unfair competition in sectors where it has comparative advantages, such as agriculture, clothing and textiles. Europe, the USA, and Japan continue to subsidise their own industries and to impose high barriers to trade on competitors.

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There is no doubt that global factors have contributed to job losses. These factors come in the form of currency devaluations, privatisation, trade, and level of foreign direct investment in the economy. Foreign exchange is earned through the export of raw material such as minerals. As we have seen in Zambia with the withdrawal of investments by Anglo-American, when a major multi-national company pulls out of a developing country, the local currency stands to lose a considerable amount of its foreign exchange earning capacity; in this case 70%. These dependencies are so deep that a sudden rupture can have dramatic consequences for the dependent economies. The loss of foreign exchange earnings then decreases the ability of a country to purchase staple foods at affordable prices. Again, in the case of Zambia, a maize shortage for the year 2002 is predicted. The loss of foreign exchange will then effect its purchasing power when it needs to import maize from South Africa or the USA. These price changes will have the greatest impact on the poorest.

One cannot talk of environmental issues or sustainable development without first sketching the bigger picture within which local practices and actions ultimately operate. It is no longer possible to talk about the local without the global; they are more intertwined now than ever before. This is the message behind New Partnership for African Development (NEPAD) which is aimed at avoiding Africa's exclusion from the global economy (and has attracted a great deal of attention at the recent WEF meeting). Its creators intend that NEPAD will be the vehicle through which African interests – and those of other developing areas – will be accomodated by the global regulatory regime that governs finance and economic development. The fall of the Rand provides a good indication of how a few private players can influence a country's economic prospects simply by interfering with currency values through speculation (Goerge Soros demonstrated this by wreaking havoc with the Sterling a few years ago). Some may call this free marketeering and, as Soros also recently pointed out, is tantamount to irresponsible behaviour and economic sabotage.

NEPAD is an important programme with the potential to unify Africa through a common development agenda. Its success is dependent on African leaders showing true commitment, and more serious engagement with Africa on the part of the international community. NEPAD is built upon the knowledge that issues of poverty and environment require both global and local solutions. Poverty has often been unjustifiably blamed for environmental ills in the developing countries without consideration being given to the economic setting which creates the root causes for poverty and environmental damage in the first place. Environmental discourse therefore must be based on, and have the ability to influence, those debates concerning approaches to economic development.

Environment/poverty linkages can only be understood in terms of the risk and vulnerability that poor people face when trying to secure sustainable livelihoods. Risks and vulnerabilities emanate from changes in both the international and domestic socio-economic environments. The ferociousness of capital markets as manifested through various trade regimes shows no mercy to weak players. One of the main consequences of globalisation has been that the poor, at national and household levels, in many developing countries have experienced increased forms of alienation and social exclusion. The more debt-ridden a country is, the more likely its own policies and markets will be subject to the conditions of foreign aid, and multi-lateral and corporate agencies.

At best, this imbalance of economic power makes poor countries sources of cheap labour and raw material. They could be called 'resource colonies,' where their net value is determined by how much raw material they export, rather than by their added value. As it has some capacity to transform raw materials into higher value goods, South Africa is still privileged compared to many developing countries. Export-led growth, based predominantly on the extraction of raw materials such as minerals, fishing, wildlife, farming, or nature based tourism, places a great deal of pressure on the sustainable use of the resources.

Furthermore, in order to stay internationally competitive for direct foreign investment, these countries earn relatively small returns in foreign exchange, and almost always end up comprising environmental and labour standards. Not only are environmental practices side-stepped in the first place, but there is seldom sufficient capacity or resources to manage environmental damage that may arise out of investments from foreign or local entities. Therefore, unless capital and trade markets themselves incorporate social and environmental values, the status quo will continue. As the case of oil exploration in Nigeria, and the asbestos cases in South Africa show, the poor bare a double burden. Firstly, they bare the brunt of pollution and depleted environmental resources. Secondly, they are almost never the immediate and direct beneficiaries of resource exploitation in their own neighbourhoods. These factors contribute to a detrimental lack of stability and hope for the future. Due to factors such as lack of access, pollution, and degradation, resource constaints limit livelihood options and increase social conflicts.

Many jobs have been shed in the formal sector due to globalisation. The question that begs asking, then, is: where do people go? As we have seen in the crash of 1997, which affected Thailand and many Asian states, people employed in the formal economy go back to their old social networks in urban or rural areas. If they have sufficient capital they participate in informal trade, become entrepreneurs, buy land and farm. Both in South Africa and in many developing countries, social capital in the form of family networks, and natural resource access have proven to be somewhat of a bulwark against the risks imposed by trends in global financial markets and shifts in production.

Lay-offs in the formal economy have led to increased pressure on the use of natural resources. This should not be unexpected. The situation is worsened where there is a slow pace of land reform, and a general lack of services and other forms of infrastructural support. In developing countries there is a co-existence of dual economies; one that is formal and cash-based, and one that is informal and non-cash based. Countries with dual economies usually also lack social welfare and security as provided by the State, and where except perhaps through rudimentary social services like pension, welfare grants, child support, health clinics and possibly other amenities, which is the case in South Africa. In the absence of a strong social support scheme by the State, and where the prospects for earning cash in the formal economy are dismal, people are forced to rely on their social networks and natural resource bases. Clearly the environmental consequences do not bode well in these cases, especially in countries rich with biodiversity. Countries rich with biodiversity also happen to have the greatest levels of poverty and food insecurity. This problem is so severe that in many of these countries there has been a notable increase in the exploitation of wild bush meat to unsustainable levels.

But all is not lost. At the global level there are now concerted efforts, as a result of the situation in Argentina and the collapse of Enron, to examine, international financial regulations and the flow of capital. A Tobin Tax, to minimise speculation, may even be introduced. In South Africa there is a recognition that poverty can only be tackled through a sound macro-economic strategy. South Africa has done well to manage its external debt, compared to the huge debt that Argentina accumulated (about $150 bn) despite economic growth rates of 5% or so for the last few years. A good macro-economic policy needs to be supported by a sound economic development strategy that supports new investment and entrepreneurial capacity. This needs to be backed by a good social welfare and development programme. The objective of the welfare programme is to cushion the poor against chronic poverty, and the development programmes are to be designed to increase the capacity of individuals, families and communities to be more self-reliant by promoting self-employment schemes.

South Africa has many sound macro-economic policies in place, such as land-reform, basic infrastructure support, and housing. Following the request of President Mbeki, the government has released its Strategic Plan for South African Agriculture to counter growing concerns that the South African agricultural sector is on the decline. Agricultural products account for 10% of South Africa's exports, and the sector employs about 1m people. The plan therefore has great importance, not only in terms of ensuring national food security and the livelihoods of millions, but also to other industries that are linked to it, directly or indirectly. Intervention is vitally needed to ensure that resource utilisation is sustainable in the long-term so as to maintain the productivity of the agricultural sector.

In the case of social welfare the South African government is looking to widen the net with the possible introduction of the Basic Income Grant (BIG), increases in pension pay-outs, and tax reductions for lower income earners. It still has a considerable way to go in improving its support and delivery mechanisms for development initiatives. In particular, there is a need to shift - or at least balance - the bias towards favouring entrepreneurial initiatives in the urban sector. This author has visited many rural development projects, and has seen first hand some of the entrepreneurial ideas that are already on the go. These involve value-added activities in the areas of rural tourism, and use of traditional livestock and crops. Some opportunities being exploited are led by pioneering women's groups. Their shear determination and willingness to transform the nature of their living conditions makes the projects bode well for the future. South Africa's own destiny is dependent on the degree to which South Africans are willing to take the future into their own hands.

Finally, sustainable livelihoods and natural resource management strategies need to fit appropriately into the larger national and international contexts in which the domestic economy operates. This would ensure more successful interventions concerning sustainable development objectives. Good governance – specifically: securing constitutional rights, creating a more efficient public administration and greater transparency, and ensuring a voice for the poor – is an important foundation upon which to deal with both the issues of poverty and environment.

The discussions around land rights and social welfare are increasingly linked to sound resource management. Because they inevitably deal with the same issues and concerns, environmental rights and poverty should share the same platform. In non-cash economies, access to land means access to a livelihood. Maintaining resource integrity not only supports access, but also ensures the longevity of resources that enable poor families and households to maintain themselves and plan for the future. To this end, social consciousness is not enough. It is a combination of political willingness and sound economic policies which will ultimately drive these changes.