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Where is the Third World now?

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As we enter the new millennium, the Third World, far from disappearing, is becoming global. The dynamic of economic driven globalization is resulting in the global reproduction of Third World problems. Growing inequality, risk and vulnerability characterize not simply the state system, but an emerging global social order. This is part of an historical process underway for five centuries: the expansion of capitalism across the globe. Technological developments speed up the process. The demise of the communist bloc and the associated rejection of 'real existing socialism' as a mode of economic organization have provided a specific additional fillip to the reconfiguration of the 'Third World'. The 1980s, and more particularly the 1990s, have witnessed the mainstreaming of liberal economic ideology via the Washington consensus.[2] This approach to development has been legitimated in several global conferences such as United Nations Conference on Environment and Development (UNCED) and the Copenhagen Social Summit. It has been applied practically through institutions such as the International Monetary Fund (IMF), the World Bank and World Trade Organization (WTO). In its wake we have seen a deepening of existing inequalities between and within states, with a resulting tension—contradiction even—between the development targets agreed by the United Nations (UN), and the policies pursued by international organizations and governments to facilitate such results.

The article is divided into three parts. The first part identifies where the Third World is now, arguing that it is in fact being globalized. The second part examines the global architecture which defines the dynamics of this process. Part three examines contending ideas about how the crisis of globalization of the Third World might be addressed. A comparison of solutions defined broadly as reformist and transformist highlights the political framing of the problem and solutions.

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[2] The term 'Washington consensus' was coined by John Williamson, of the Institute for International Economics. It refers to a particular recipe for development growing in popularity in the 1980s and especially in vogue in the 1990s. It has been explained and summarized succinctly by Paul Krugman in 'Dutch Tulips and Emerging Markets' *Foreign Affairs*, 74 (1995), pp. 28–9: 'By "Washington" Williamson meant not only the US government, but all those institutions and networks of opinion leaders centered in the world's *de facto* capital—the International Monetary Fund, World Bank, think tanks, politically sophisticated investment bankers, and worldly finance ministers, all those who meet each other in Washington and collectively define the conventional wisdom of the moment . . . One may . . . roughly summarize this consensus . . . as . . . the belief that Victorian virtue in economic policy—free markets and sound money—is the key to economic development. Liberalize trade, privatize state enterprises, balance the budget, peg the exchange rate . . .'.

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Third World: what, where, whom?

The term 'Third World' was used in 1952 by Alfred Sauvy to refer to the third estate or common people before the French revolution. The term embraced notions of political powerlessness, economic poverty and social marginalization. In the early post-colonial period, the term was adopted to refer to a self-defining group of mostly post-colonial states, united psychologically in common opposition to colonialism and imperialism. Within the context of the ideologically bifurcated world of the Cold War, this group necessarily occupied a political space between the First World capitalist states and Second World socialist states. Through non-alignment it attempted to maintain a distance and independence between the two superpower blocs, and where possible to benefit from this bifurcation.

Two key characteristics distinguished these Third World states. Firstly, on account of their position in the world economy they perceived themselves as vulnerable to external factors beyond their control, and to decisions and policies—primarily economic—which they did not own. These external factors included the great powers, the IMF, the world market, foreign multinationals and banking institutions. Secondly, these states were the home to the majority of the world's poor who endured every day survival risks associated with grave social problems. These two shared characteristics prompted interrelated and shared concerns: the desire to exercise greater control over national economies, and to accelerate national development via policies such as the consolidation of a large state sector and import substitution. A key part of the strategy to address these concerns was the call in 1974 for a New International Economic Order (NIEO). This was swiftly followed by the Charter of Economic Rights and Duties of States (CERDS), designed to empower economically weak states by reducing risk and vulnerability and by asserting national economic sovereignty.[3]

Interstate polarization

Notwithstanding the demise of the bipolar Cold War context, the collapse of the Second (communist) World, and the abandonment of a Third World development strategy based on the state sector, the term 'Third World' still has meaning today.[4] The goals sought through the NIEO and CERDS remain elusive. Characteristics which distinguished Third World states a quarter-century ago now apply to a wider group of states than ever before. At a broad level, and despite marked heterogeneity, the current Third World grouping now embraces many states from the former

[3] See Yearbook of the UN, 1974 (New York: UN Information Office); Caroline Thomas, *New States, Sovereignty and Intervention* (London: Gower, 1985) p. 122.

[4] See any edition of the monthly publication Third World Resurgence (Penang, Malaysia: Third World Network); Eric Toussaint, *Your Money or Your Life: The Tyranny of Global Finance* (London: Pluto, 1999); Julian Saurin, 'Globalization, Poverty and the Promise of Modernity', *Millenium*, 25: 3 (1996); Ankie Hoogevelt, Globalization and the Post-colonial World (Basingstoke: Macmillan, 1997); Caroline Thomas and Peter Wilkin (eds.), *Globalization and the South* (Basingstoke: Macmillan, 1998).

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Second World.[5] The general pace of globalization in the 1980s and 1990s, and the particular trajectory of capitalist expansion, have in addition increased risks for a broader group of countries, and for a wider band of humanity. Interstate and intrastate inequality have deepened. These Third World states house eighty five per cent of the global population, including the overwhelming majority of the world's poor, and produce only 20 per cent of world GDP. They lack general progress in national development. Three billion people in these countries lack basic sanitation; one and a half billion lack clean water; a billion or more are without adequate food, housing, healthcare; and twenty per cent of children do not learn to read and write.[6] While acknowledging differentiation within this inclusive Third World grouping, in broad terms these states remain economically weak, politically powerless and socially marginalized.

These states also continue to share the experience of vulnerability to external factors, especially the risks associated with functioning in the global market. They do not exert meaningful influence in global governance institutions. Third World states do not enjoy a significant voice in the IMF, World Bank or WTO. Consequently they do not author decisions which affect them in the most profound ways. The G7 drives the global economic policy agenda, even though 'The G7 countries, plus the rest of the European Union, represent a mere 14 per cent of the world's population. Yet these countries have 56 per cent of the votes in the IMF Executive Board . . . The rest of the world is called upon to support G7 declarations, not to meet for joint problem-solving'.[7] The US is still the only state which can exert unilateral veto power at the IMF.

The sense of risk and vulnerability experienced by Third Word states, both in relation to the IMF and to private bank and non-bank lenders, has been magnified by the recent financial crises in East Asia, Russia and Brazil. Yet there has been no commensurate feeling of opportunity. The legitimacy of the IMF, routinely in question, has been further eroded on account of the perceived lack of distance between IMF and US policy agendas on the one hand, and the needs of Third World states on the other. In the case of South Korea, for example, some have seen IMF actions as 'an abuse of power to force Korea at a time of weakness to accept trade and investment policies it had previously rejected'.[8] IMF restructuring of East Asian economies has enabled First World companies to take advantage of bargain-basement priced East Asian companies. In 1998, US and European companies mounted over $30 billion in take-overs of Asian companies—a fourfold increase on 1997.[9] This has been described by one commentator as 'the greatest global asset swindle of all time'.[10] The Asian crises have also heightened awareness of the ability of a handful of relatively new private financial actors such as hedge funds to exert such leverage that they can force currency devaluations at a breathtaking pace, undermine national economic policy and erode national development.

[5] See Christopher Clapham, 'Degrees of Statehood' *Review of International Studies*, 24 (1998), pp. 143–57; and Laszlo Andor and Martin Summers, *Market Failure: Eastern Europe's Economic Miracle* (London: Pluto, 1998).
[6] UNDP, Human Development Report, 1998 (Oxford: University Press, 1998) p. 2.
[7] Jeffrey Sachs, 'Stop Preaching', *The Financial Times*, London edition 1, 5 November 1998, p. 22.
[8] See Martin Feldstein, 'Refocusing the IMF', *Foreign Affairs*, March/April 1998, p. 32.
[9] Walden Bello, 'The TNC World Order: Will it Also Unravel?' prepared for the Democracy, Market Economy and Development Conference, Soeul, Korea, 26–27 February 1999.
[10] Robin Hahnel, 'The Great Global Asset Swindle', *ZNet Commentary*, 23 March 1999.

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It is sobering to reflect that no former Second or Third World country has joined the ranks of the First World countries in a solid sense. While a handful have increased their economic power, this has not been matched by influence in key global governance institutions. Global success in massively increasing consumption is not being reflected in access of the majority of states to the benefits of this growth. The explosive widening of the gap between rich and poor states (and between rich and poor people) evident over the last fifty years has been exacerbated in the 1990s. Deepening interstate inequality both reflects and reinforces the systemic configuration of risk and opportunity. The UNDP reports that 'No fewer than 100 countries—all developing or in transition—have experienced serious economic decline over the past three decades. As a result *per capita* income in these 100 countries is lower than it was 10, 20, even 30 years ago'.[11] There was a moment when the achievement of East Asian states suggested that the economic gap between First and Third World states could be closed, but recent crises have shattered that hope. GDP growth in East Asia as a whole fell from 4.3 per cent to −6.2 per cent in the short period 1997–8.[12] The ESCAP 1999 regional survey shows that over the same period, the percentage of population in poverty has risen dramatically, as labour market displacement has been massive. For example in Indonesia the percentage in poverty has risen from 11 per cent to over 40 per cent, and unemployment from 4.7 per cent to 21 per cent. This is particularly tragic given the unique gains that had previously been made in the region to promote growth with equity and lift millions of people out of poverty.

The attempted integration of the 'transition' economies of Central and Eastern Europe and the Commonwealth of Independent States into the emerging global economy has so far relegated these states to the ranks of Third World rather than First. These states have acquired the characteristics of extreme vulnerability to the workings of the global market, and deepening poverty and inequality. Output in most of them remains below pre-transition levels, and unemployment is very high and rising.The painful process of transition has been undertaken without the cushion of public provision previously in place, and in the case of Russia with the disadvantage of highly corrupt government officials committed to the capital flight of public funds for private enrichment. The number of people in poverty in Russia has increased from 2 million to well over 60 million over the 1990s.[13] By 2000, it is expected to reach 20 per cent of the population.

No First World country has joined the ranks of the Third World. Yet even for First World states, the risks accompanying globalization[14] have been brought into sharp relief—witness the contagion effect in financial crises, the collapse of the US hedge fund Long Term Capital Management in September 1998, and job losses due to mergers, efficiency gains and even the withdrawal of Asian investments. Importantly, however, First World states enjoy a voice in global governance.

[11] UNDP, 1998, p. 37.
[12] United Nations Information Services, 8 April 1999.
[13] James Wolfensohn, World Bank President, described this increase as 'enormous'. See press conference at the beginning of the spring summit of the IMF and the World Bank, 22 April 1999.
[14] For a very interesting discussion of how in this era of advanced modernity, when genuine material needs can be satisfied, risks are being produced in society to an extent previously unknown, see Ulrich Beck, Risk Society (London: Sage, 1992).

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Hence, in the post-Cold War context, Third World states, far from disappearing, have increased numerically and in terms of geographic spread. Third World status has effectively been globalized. The picture is highly differentiated, but central characteristics of vulnerability to the workings of the global market, and lack of meaningful influence in global governance institutions, are shared by a growing group of states. Yet an exclusive focus on interstate polarization hides the increasingly global social configuration of inequality, risk and opportunity. Globalization of the Third World can be seen in the life experience of people, as well as in the experience and condition of states. There is a First World within Third World states, and increasingly there is a Third World within First World states. In identifying where the Third World is now, we must be mindful of this intrastate polarization.

Intrastate polarization

Over the last fifty years, and more particularly over the last decade, differentiation/stratification has increased at the intrastate as well as interstate level. This is as true for the First as for the Third World countries. The dynamic of economic driven globalization has led to a global reproduction of Third World social problems, while at the same time aggravating socioeconomic divisions within weak states. Concentration of wealth, and social exclusion, seem to be part of a single global process. With the exception of a few East Asian tigers, the success of states, whether of First or Third World, measured in terms of GDP *per capita*, has not been reflected in their societies at large. This intrastate differentiation increasingly reflects the degree of integration of various social classes and geopolitical regions within the emerging global economy. Thus for each human being, their respective position in the global economy has an enormous impact on their perception and their experience of risk and opportunity.

In defining the Third World from the human aspect, our concern is with those human beings for whom poverty is the norm, for whom vulnerability and risk are defining features of their daily existence, wherever they are located territorially. Their search for security has both qualitative and quantitative aspects. At one level it is about the fulfilment of basic material needs; at another, the achievement of human dignity, which includes personal autonomy, control over one's life, and unhindered participation in the life of the community. Human security is pursued as part of a collective, most commonly the household, sometimes the village or the community defined by criteria such as caste or religion. At the global level the state is the community which is given legitimacy to represent the interests of human beings and further their search for security. Such human security is indivisible—it cannot be pursued by or for one group at the expense of another.[15]

Global economic integration is directly impacting on human security. Patterns of systemic inclusion and exclusion of people can be mapped with reference to the means of economic sustenance. Robert Cox provides a useful categorization of the

[15] For more on this see Caroline Thomas and Peter Wilkin (eds.), *Globalization, Human Security and the African Experience* (Boulder, CO: Lynne Reinner Press, 1999); and Caroline Thomas, *Human Security in a Global Economy* (London: Pluto, forthcoming 2000).

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world's producers in a global economy[16]: there is firstly a core workforce of highly skilled people integrated into the management process; a second level of precarious workers located where business is offered the greatest incentives in terms of lowest labour costs or environmental controls; and the rest, the expanding pool of people in the First and Third World states who are excluded from international production (the thirty seven million unemployed plus the low skilled in the rich countries; and the billion under- or unemployed, the marginalized in the poor countries).[17]

The core refers to those people who are able to take advantage of the opportunities which global economic integration presents. James Gustave Speth of the UNDP has written that 'An emerging global elite, mostly urban based and interconnected in a variety of ways, is amassing great wealth and power, while over half of humanity is left out'.[18] Within this group also sit the super-rich. The world's richest two hundred and twenty five people have a combined wealth equal to the annual income of 47 per cent of the world's people.[19] Eighty three of these ultra-rich people, i.e. over a third, are non-OECD citizens. Forty three are in Asia, 22 in Latin America and the Caribbean, 11 in the Arab states, four in Eastern Europe and the CIS, and two in sub-Saharan Africa.[20]

The core of people who are already reaping the benefits of the globalization process will be able to advantage themselves further by their ability to exploit lifelong learning opportunities, and to tap into ongoing technological advance and the related communications revolution. Thus uneven access to technological advance intensifies disparities between states, and also between different groups of people within states. The ESCAP Survey 1999 identifies the future as internet commerce. Yet out of the world's 5.9 billion population, there are only 50 million internet users, and over 90 per cent of internet hosts are in North America and Western Europe. Eighty per cent of people worldwide still do not have access to a telephone.[21]

Cox's second category, precarious workers, comprises those people who may gain temporarily from the globalization process by job creation, but who remain very vulnerable due to the pace of change in the demand for skills, and labour market conditions. Their numbers are as disappointing as is their insecurity of employment. Transnational corporations directly employ only 3 per cent of the global labour force.[22] Export processing zones provide opportunities, but the conditions of employment are poor. Moreover these zones act as a magnet for migration, and this can create social problems when the expected opportunities do not materialize. For example, in China, deepening differentiation between the export-oriented coastal region of the east and the rest of the country is stark, and there is a growing problem of urban unemployment. Mergers and acquisitions consume an increasing proportion of Foreign Direct Investment (85 per cent of the global total in 1997, and 67 per cent of the total going to the Third World countries), and unlike greenfield investment often result in job losses rather than job creation.The push to

[16] Robert Cox, 'Civil Society at the turn of the millennium: prospects for an alternative world order', *Review of International Studie*s, 25: 1 (1999) p. 9.
[17] ILO, World Employment Record 1998–99 (Geneva: ILO, 1998) p. 1.
[18] B. Crossette, 'UN survey finds world rich–poor gap widening', *New York Times*, 15 July 1996, p. 55.
[19] UNDP, *Human Development Report*, 1998, p. 30.
[20] UNDP, 1998, p. 30.
[21] *African Development Bank Report*, 1998, p. 172.
[22] Panos Institute, *Globalization and Employment*, Briefing no. 33 (London: Panos Institute, May 1999), p. 6.

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liberalize trade results in capital seeking out the location where it can reap the best advantage. This pits country against country, and even divides individual states—and therefore citizens—within a federal structure. An example of the latter is Brazil. When the new Governor of Rio Grande Do Sul decided to try to renegotiate contracts with Ford, other states within Brazil were quick to compete for the investment by offering more attractive loans and infrastructure to the company.

The outlook for Cox's third category, the expanding pool of people marginalized by the process of global economic integration, is bleak. For them, risk and vulnerability are increasing, and there do not appear to be opportunities. In the words of ILO Director General Michel Hansenne, 'The global employment situation is grim, and getting grimmer'.[23]

Social exclusion of the most vulnerable is intensifying: the old, the young, the disabled, ethnic minority groups, the less skilled, and across all these groups there is a bias against women.[24]

Education and training can create opportunities to overcome labour market exclusion. The OECD classifies 25–40 per cent of its adults as 'functionally illiterate', that is without the necessary skills to function in the modern work environment, and thus excluded from the advantages globalization offers.[25] If this is the situation in countries where virtually all children have the opportunity to go to primary and secondary school, the scenario for the rest of the world is very frightening indeed. One hundred and twenty five million primary school age children worldwide never attend school. Another 150 million drop out before they can read or write.[26] Globally, this is over a quarter of the world's children. Yet there is marked differentiation across region, country and districts, and along other fault lines such as gender. In sub-Saharan African states, fifty per cent of school age children are not enrolled in schools. The average man in Africa has less than three years schooling, the average woman less than a year. Given that the greatest population growth takes place amongst the poor who have least access to education, then without immediate remedial action we can expect differentiation to become more entrenched and to cascade into future generations.

This differentiation will also cascade into the future due to the pernicious influence of malnutrition, recently called a 'silent emergency' by UNICEF.[27] Malnutrition is affecting the development potential of the globe, as it impacts on learning ability. China alone has more malnourished people than all of sub-Sahara Africa put together. Recent crises are further eroding significant gains against malnutrition in East Asia, Russia and the US. The 1990s have seen a growth in the number of children affected world-wide. Malnutrition is a routine consequence of the day to day ordering of access to resources; there is nothing unusual or exceptional about it, except in specific situations such as war. But none of this is inevitable. The South Indian state of Kerala provides a shining example of what can be achieved in terms of human development even in a low *per capita* situation. (What the Kerala example also reveals is how such local policies can be influential in

[23] Ibid, p. 5.
[24] ILO, *World Employment Report*, 1998–99 (Geneva: ILO, 1999), p. 9.
[25] Panos Institute, *Globalization and Employmen*t, p. 5.
[26] Oxfam International, *Education Now, Break the Cycle of Poverty* (Oxford: Oxfam, 1999).
[27] UNICEF, *The State of the World's Children 1998* (New York: Oxford University Press, 1998), p. 17.

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enabling some states within a federal system to take advantage of opportunities offered by globalization).

But risks endured by marginalized people, particularly in Third World states, result not only through exclusion from the economic globalization process, but also by the way in which that process directly undermines their ability to be self-sufficient. An example is the privatization of the commons.[28] A notorious recent example is the redrafting of the Mexican constitution in the context of liberal restructuring in the run up to the North Amerian Free Trade Association (NAFTA). This was done to stop government redistribution of land to the landless, and to facilitate privatization of previously communal land. While the resulting Chiapas uprising[29] hit the global headlines, other examples can be cited from all over the world illustrating the violation of the rights of indigenous communities, landless peasants, fishing communities, in order to further the interests of the holders of capital.

Thus what we have seen is the expansion of the number and geographical domain of states characterized by vulnerability to external factors beyond their control and to policies which they do not own. We have also witnessed intrastate differentiation within First and Third World states between people who are able to take advantage of the opportunities offered by global economic integration, and those who are marginalized by the process. The dynamics of this differentiation process are defined by a global architecture. It is to that architecture that we now turn.

Global architecture

The UN has set a target of a 50 per cent reduction in the number of people in absolute poverty by 2015. It is questionable whether the model of development pursued in the 1980s and 1990s, that is export-led growth based on free capital mobility, can deliver this outcome. The model requires high and sustained growth to achieve this level of poverty reduction. African economies, for example, would need to grow at an estimated seven per cent a year on average to reach the UN target by 2015.[30]

Yet given the trends outlined in the previous section, can we be confident that even if such growth were achieved and sustained, that it would translate into a 50 per cent reduction in poverty? The historical evidence suggests not. This raises a legitimate concern as to whether the mechanisms in place to tackle poverty and promote development are adequate to the task. The scope, depth and speed of the changes that have been, and continue to be, introduced in development policy are breathtaking; their legitimacy is open to question,[31] and the future of billions depends on them.

[28] See Michael Goldman (ed.), *Privatizing Nature* (London: Pluto, 1998).
[29] On the Chiapas uprising, see Lynn Stephens, 'Between NAFTA and Zapata: Responses to Restructuring the Commons in Chiapas and Oaxaca, Mexico', in M. Goldman, ibid, pp. 76–101.
[30] African Development Bank Report, 1998; and Economic Commission for Africa (ECA) Executive Secretary K. Y. Amoako, press conference, 6 May 1999, Addis Ababa, at UN ECA conference.
[31] See several contributions on transparency and accountability of the IMF, World Bank and WTO in John Cavanagh, Daphne Wysham and Marcos Arruda (eds.), *Beyond Bretton Woods* (London: Pluto, 1994).

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Throughout the 1980s and 1990s key First World states and the international institutions which they dominate have presented global economic integration as the best, the most natural and the universal path towards growth and therefore development for all humanity. This is to be promoted through liberalization of trade, production and finance. The blueprint has been marketed with the powerful language of 'There Is No Alternative', or TINA, and to a large extent it has been accepted by Third World governments desperate for external finance. Voices of opposition have been neutralized, often by the incorporation of the language of opposition into the mainstream presentation. For example, those concerned about the environmental or social sustainability of growth find their objections neutralized by the presentation of the problem as the solution.

An increasingly conscious coordination of policies is evident in the work of the IMF, the World Bank, other regional multilateral development banks, the WTO and a growing number of other arms of the UN system, most recently the UNDP and UNCTAD. These institutions are operationalizing the new approach to development. To different degrees and in different ways, key international institutions have been changing their general orientation, their institutional structures and their policies to facilitate movement towards a world in which for finance, if not for people, national economic sovereignty is an anachronism.[32]

The integration process which they advocate has been underpinned philosophically by the so-called Washington consensus (see note 2), a particular brand of liberalism which privileges freedom defined in terms of private power and the individual, and which attacks the public realm and associated ideas of collectivity and society. Within this vision, inequality in itself is not a problem, and may even be desirable as it will unleash entrepreneurial abilities which will contribute to maximizing global wealth creation. Ultimately everyone will benefit.

Structural and institutional reform of national economies

The IMF is the lynchpin in the implementation of the new vision. Going beyond its original mandate to provide short term balance of payments support, it has coordinated with the World Bank in the 1980s and 1990s to promote fundamental structural and institutional reforms of national economies world-wide to better reflect the dominant vision of market-led rather than state-led development. These changes redraw the social as well as the economic map, profoundly altering the relationship between state, market and citizen. Beginning with Latin America and Africa in the 1980s in the context of the debt crisis, the IMF and the World Bank turned their attention to the economies in transition post 1989, and more recently to East Asia.

Conditioned structural adjustment loans[33] have enabled these institutions to advance the role of the market, and redesign the role of the state to support the

[32] For a critical assessment of the changing focus of the IMF, see Feldstein, pp. 20–33; also Devesh Kapur, 'The IMF: A Cure or a Curse?', *Foreign Policy*, 77: 2 (1998), pp. 114–29.

[33] The literature on structural adjustment is extensive, and the arguments will not be rehearsed here for lack of space. See the two volumes of theory and case studies, Paul Mosley, Jane Harrigan and John Toye (eds.), *World Bank and Policy-Based Lendin*g (London: Routledge, 1991).

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creation of an enabling environment for the private sector.[34] Key components of IMF and World Bank packages include privatization of public services and public assets, liberalization of trade, finance and production, deregulation of labour and environmental laws, and the destruction of state activism generally in the public realm. The export-led growth expected from these changes would generate the foreign exchange income necessary to keep up debt repayments. Essentially these institutions have been applying a blueprint, a standard remedy for problems which may in fact be different depending on the specific country. This blueprint, very clear in the IMF's handling of the East Asian crisis, is based on the incomparable experience of Latin America over a decade earlier.[35]

Trade liberalization

IMF/World Bank structural adjustment policies are in tune with their vision of the emerging world trade system based on free trade. James Wolfensohn has remarked that 'together, we (the IMF and the World Bank) must work with and support the work of the World Trade Organisation which is so critical to the trading arrangements and future of our client countries'.[36] The global push for trade liberalization is reinforced and supported by the movement towards increased regional liberalization, for example NAFTA. From 1948 to 1997, 76 free trade agreements were created or modified, and more than half of these came into being after 1990.[37] The momentum is increasing.

In the 1980s the central role of trade was evident in the liberalizing trend of the Uruguay Round, and more recently in the World Trade Organisation. The Uruguay Round brought down barriers to agricultural trade, instituted trade-related investment measures (TRIMs) and trade-related intellectual property rights (TRIPs). A new round of trade talks is being sought under the WTO by the First World states, keen to bring even more new areas into the agreement. The EU Commission is pushing for a new 'Millennium Round' of comprehensive trade negotiations. Topics under suggestion include investment and competition policy and government procurement. It is interesting to note that the First World states, having failed to get an agreement on investment at the OECD,[38] have identified the WTO as the appropriate locus for this issue. In discussions in the WTO working group on investment, First World states have pushed for new rules to make it mandatory for all WTO countries to give foreign investors the right to enter and establish themselves with 100 per cent ownership, for foreigners and foreign firms to be treated at least as well as locals, and for prohibitions on restriction of the free flow of capital.

[34] The Corner House, *The Myth of the Minimalist State* (Dorset, UK: Corner House, 1998), Briefing no. 5.
[35] For more on this see Kevin Watkins, *Economic Growth with Equity: Lessons from East Asia* (Oxford: Oxfam, 1998).
[36] James Wolfensohn, 'A Proposal for a Comprehensive Development Framework: Discussion Draft', (Washington, DC: World Bank, 21 January, 1999).
[37] ECLAC/CDCC/UNIC, 1997, p. 6.
[38] For a critique of the Multilateral Agreement on Investment proposed by the OECD, see Caroline LeQuesne, *Reforming World Trade: The Social and Environmental Priorities* (Oxford: Oxfam, 1996), p. 21.

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Finance

Public overseas development assistance is at its lowest level in fifty years, and falling sharply: in 1998, the figure stood at $33 billion, 40 per cent down on 1990, and equivalent to 0.25 per cent of the GDP of First World countries.[39] Most Third World countries find it exceedingly difficult to raise money. But as public finance has been dwindling, private flows have soared, with private lenders and investors taking advantage of opportunities created by the financial deregulation pursued by Third World governments in response to the policy prescriptions coming from the IMF and G7. Financial deregulation has prompted mergers and acquisitions. These have contributed to the growing concentration of wealth in the 1990s.

In assessing these private flows, several key points have been identified by Anderson, Barry and Honey.[40] Firstly, the volume of private flows, plus their proportion of overall flows, has surged. Private flows grew from US $44bn in 1990, to $256bn in 1997. By 1996 they accounted for over 85 per cent of resource flows, dwarfing public flows. Second, short-term portfolio flows have been the fastest growing, surging from 3.2bn to 45.7bn. These short-term flows are speculative rather than long term and productive, and as such have been concentrated in 12 countries—the 'emerging markets', the preferred terminology of the World Bank's International Finance Corporation. The rest of the Third World countries have been unable to attract private foreign investment. Thirdly, there has been a huge proliferation of new financial instruments and institutions in the 1980s and 1990s. The leverage they can exert is significant, with the potential to pose a challenge not only to individual countries, but to the stability of the entire global financial system.

Some international supervision of private finance has developed, but this has not kept pace with financial deregulation. Efforts are underway to build on the Basle Capital Accord of 1988 which provided a minimum standard for bank health,[41] but as yet these have not resulted in concrete developments due to disagreement about how to measure risk.[42] Supervision of non-bank private finance is meagre, existing mainly within the national domain. The January 1999 Basle Committee for Banking Supervision Report on Highly Leveraged Institutions, commissioned by the central bankers of the industrialized countries following the LTCM collapse, advised sounder risk management practices by banks and other lenders to highly leveraged institutions. It did not recommend regulation of the hedge funds themselves.[43] When LTCM collapsed in September 1998, the US Federal Reserve Bank hosted a meeting of the creditors. While it has denied funding a rescue package, its role is very sensitive and unclear.

[39] James Wolfensohn, Press Conference, World Bank, Washington DC, 22 April 1999.
[40] Sarah Anderson, Tom Barry and Martha Honey, 'International Financial Flows', *Foreign Policy in Focus*, 3, 41, (December 1998). The figures in this paragraph are taken from Anderson *et al*.
[41] See Bill McDonough, Chair, Federal Reserve Bank of New York and Chair, Basle Accord, 'Issues for the Basle Accord', Federal Reserve Bank of New York, 1998 Annual Report, pp. 3–12; and *The Economist*, 'Capital ideas: What's Cooking in Basle', 17 April 1999, p. 12.
[42] The Economist, 'Basle Brush: Banking Regulation', *The Economist,* 1 May 1999, p. 115.
[43] See *The Economist*, 'Capital Ideas: What's Cooking in Basle', 17 April 1999, p. 12.

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Solutions

Given increasing inter- and intrastate economic polarization, many wonder in whose interests the current global economic architecture is working. Civil society groups have been calling for the reform of global governance institutions and their policies for two decades. What is new now is that debate is also taking place amongst concerned champions of existing strategies. Particularly in the wake of recent financial crises, critical questions have been raised about at the speed and appropriateness of global economic integration. The rewards have been enjoyed by a few, the gains have been made at the expense of stability, and the overall quality of life.[44]

A critical assessment of the Washington consensus was offered in January 1998 by Joseph Stiglitz, Senior Vice President and Chief Economist at the World Bank. In a public lecture entitled 'More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus', Stiglitz argued that:

> We seek increases in living standards—including improved health and education—not just increases in measured GDP. We seek sustainable development, which includes preserving natural resources and maintaining a healthy environment. We seek equitable development, which ensures that all groups in society, not just those at the top, enjoy the fruits of development. And we seek democratic development, in which citizens participate in a variety of ways in making the decisions that affect their lives.[45]

This position was reiterated a year later in a discussion document put out by James Wolfensohn.[46] Using the analogy of a balance sheet, Wolfensohn suggested that the left-hand side presents the language of finance ministers, that is macroeconomic data such as National Income Accounts, Balance of Payments and Trade Statistics, while the right hand side presents social, structural and human aspects. The emphasis in the 1980s and 1990s has been on the left hand side; as we enter the next millennium, he believes we must now consider both sides together. In other words, growth is necessary but not sufficient. This is evident in the World Bank proposal for a Comprehensive Development Framework the better to balance the macroeconomic and human aspects of development, and to increase ownership by broad-based consultation with stakeholders.

Broadly speaking, we can identify reformist and transformist positions on what might be done to address the problem of globalization of the Third World, though neither group is monolithic. The former, emanating from the G7, the World Bank and the IMF, is more limited in scope and nature, focusing mostly on technical modifications to existing policies and general risk management The latter, emanating from civil society groups in First and Third World states, tend to be more imaginative, far-reaching and directed at changing structures. At base, the reformist approach is informed by 'the fundamental belief that a market-based system provides the best prospect for creating jobs, spurring economic activity, and raising

[44] David Korten, When Multinationals Rule the World (London: Earthscan, 1995); also, see an interesting collection of views on the differential benefits of trade liberalization in Annie Taylor and Caroline Thomas (eds.) *Global Trade and Global Social Issues* (Routledge: London, 1999)

[45] Joseph Stiglitz, More Instruments and Broader Goals: Moving Toward the Post-Washington Consensus, WIDER Annual Lectures, 2, p. 31 (Helsinki: United Nations University 1998).

[46] Wolfensohn, A Proposal, 1999.

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living standards in the US and around the world'.[47] Transformists do not share the fundamental belief in the market system. For them, 'The global financial crisis presents an opportunity to rethink and reshape the rules of the international economy so that they benefit people and the environment'.[48] What is at stake is the relationship between market, state and society. Transformists support the agenda articulated 24 years ago by Third World states in the CERDs, but they go further: they want national and local authorship and ownership of, and control over, development policies.

In order to compare and contrast the ideas of both groups, it would be useful to consider their respective views on some key issues of mutual concern: debt, finance, trade and investment. This comparison highlights the political framing of the problem of, and solution to, the globalization of the Third World.

Debt

Reformist and transformist positions on the debt burden of the poorest countries are quite different, reflecting very different views on how best to promote development.[49] Reformists continue to advocate the macroeconomic reform strategies designed by the IMF and World Bank. They are committed to the basic framework of the IMF/World Bank Heavily Indebted Poor Country initiative (HIPC). This initiative, launched in 1996, was designed to bring debt down to sustainable levels, as a reward for successful implementation of macroeconomic reform over a six year period. Reformists are committed to the creation of an investment climate attractive to the private sector, particularly foreign investors, and to this end they advocate the tying of debt relief to successful adherence to IMF Enhanced Structural Adjustment Facility (ESAF) programmes. They are opposed to blanket debt relief or debt cancellation. Transformists on the other hand, see the macroeconomic reform strategy as fundamentally flawed, because it ignores human development impacts. They reject the link between IMF ESAFs and debt relief, seeing these as inherently contradictory. For them, Fund/Bank adjustment programmes are part of the problem, and cannot be part of the solution. They support blanket debt relief and/or cancellation. The transformist position has been gaining ground recently as the Jubilee 2000 NGO campaign impacts on public opinion in G7 countries. The campaign has been joined by several powerful voices from international and national politics, such as the Pope, Jesse Jackson and Desmond Tutu, as well as celebrities such as Mohammed Ali and U2.

The IMF and the World Bank, mindful of growing public concern in G7 countries over debt, and of the disappointing results of HIPC initiative, have launched a review of the HIPC. They have asked governments and NGOs for written input to the review process, seeking responses from interested parties to a

[47] US Treasury Secretary Rubin, 'Remarks on the Reform of the International Financial architecture to the School of Advanced International Studies', Princeton University, 21 April 1999.

[48] 'A Citizens' Agenda for Reform of the Global Economic System', sometimes referred to as the Declaration on the New Global Financial Architecture, December 1998; Friends of the Earth (US), Third World Network, Institute for Policy Studies, USA.

[49] Merrill Goozner, 'Poorest Nations Mired in Big Debt', *The Chicago Tribune*, 19 March 1999.

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series of specific questions. Similarly, G7 governments, aware of the growing public support for the Jubilee 2000 campaign, have put forward multiple suggestions for modification of the HIPC. The UK government, for example, supports the continued link with successful adherence to an ESAF programme, but advocates a reduction in the timescale before a state can receive relief from six to three years. Benefit should also be conditional on a government which is seeking relief signing a Social Code of Conduct to ensure that money released from debt servicing is spent on education and health. G7 countries generally support the idea of selling IMF gold to finance modifications to the HIPC, but disagree over how much should be sold.

Transformists see the HIPC and the modifications under suggestion as 'providing far too little far too late'.[50] Kevin Watkins of Oxfam points out that after three years of operation, only three countries have benefited from the HIPC, and of them, one, Uganda, now finds itself back in an unsustainable debt position. Transformists argue that real solutions to the debt problem must involve deeper debt reduction, and the delinking of debt relief from IMF-ESAF programmes.

Transformists also advocate a move away from consideration of debt-to-export ratios when calculating the debt distress of a country, and its replacement by a focus on the budgetary burden of debt.

> When Mozambique qualifies for debt reduction (in 1999) it will save only $11m on a total debt service bill of more than $108m. In a country where one in five children die before the age of five, and where half the primary school age children are out of school, debt will continue to absorb more budget resources than health and primary education combined. Defining such a state of affairs as 'debt sustainability', as the framework does, is as absurd in economic terms as it is unacceptable in moral terms.[51]

Oxfam has suggested a 10 per cent cap of the share of government revenue devoted to debt servicing.

With respect to the debt reduction IMF-ESAF link, transfomists argue that the link should be abolished since the IMF 'has consistently prioritized monetary targets over human development goals'.[52] They argue that ESAF programmes intensify the poverty of certain groups. User fees in health and education reinforce stratification and marginalization. Moreover, by the IMF's own assessment, over the period of operation of these programmes from 1981–95, the debt burden of the poorest states in sub-Saharan Africa almost doubled as a share of GNP.[53] Not only do they impact negatively on human welfare, but they fail to deliver debt reduction. In place of the ESAF link, transformists suggest earlier and deeper debt reduction for countries willing to transfer savings from debt relief to education, health and water. In other words, there should be an explicit pro-poor incentive. This would benefit not only those people directly involved, but ultimately the global development effort. Currently, sub-Saharan Africa spends four times as much on debt repayment as it would cost to provide universal primary education. 'Using debt relief to finance education would provide real opportunities for the 40 million African children

[50] Kevin Watkins, 'Riderless horses and a third world handicap', *The Observer*, UK, Sunday 18 April 1999.
[51] Ibid.
[52] Ibid.
[53] Jubilee 2000 Coalition Afrika Campaign, 'Letter to members of the United States Congress', 11 March 1999.

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denied an opportunity to go to primary school, helping create a platform for social and economic recovery'.[54] Transformists support independent scrutiny of government expenditure on health and education.

Trade

The reformist position is that trade liberalization is necessary for maximising global growth and therefore global welfare, and thus the momentum for liberalization must be maintained. The pattern of distribution of the global gain is not of central importance. Trade must be free, and the liberalization agenda must be pushed forward to cover new areas. This will be facilitated by expanding ownership of the agenda by development of a broader consensus. Most G7 governments, the WTO and the EU have undertaken consultations or discussions with civil society groups (mostly from the G7 countries) active in the trade debate. Former Director General Ruggiero of the WTO has initiated outreach activities by the organization. In March 1999, the WTO held two high level symposia with civil society groups: one on trade and the environment, the other on trade and development. Ruggiero has also initiated talks with Third World civil society groups. The US Trade Representative Barshevsky has also met with civil society groups on substantive issues relating to WTO ministerial conferences. The European Commission has in turn initiated active consultation with civil society representatives. All these exchanges are designed to increase support for further trade liberalization (and in the case of the US, to promote support for fast-track negotiating authority).

The transformist position is that growth is not the exclusive goal; that trade must be fair—not free; that governments must be free to choose not to trade and to pursue self-sufficiency if they have a mandate from citizens to take that path; that governments following trade liberalization must decide the appropriate pace; and that a redistributive mechanism should be put in place to compensate those states which lose out under the pursuit of global advantage.[55]

Transformists insist as well that the global trade regime does not embrace all members in an equitable fashion. The consensus decision-making at the WTO is understood as the 'consensus of the Quad', that is the US, Japan, EU and Canada, and this results in mistrust and lack of confidence. Transformists want development to be put at the centre of the trade liberalization agenda. Ruggiero, meeting with NGOs from LDCs on 1 February 1999, said that inclusion of development concerns in the WTO system is necessary to bring a human face to the process of globalization, and conceded the need for more civil society involvement given that trade rules are increasingly affecting day to day lives.

Transformists are waiting to see if these words get translated into action at the WTO. Unpleasant wranglings over the choice of Director-General Ruggiero's successor have raised concerns over lack of transparency and democracy in the

[54] Watkins, Riderless horses, 1999.

[55] See for example, Herman Daly, 'Globalization versus Internationalization: Some Implications', November 1998, available direct from School of Public Affairs, University of Maryland, College Park, MD 20742-1821, USA.

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decision-making machinery of the organisation.[56] There is also the fear that the First World states are driving the WTO agenda at a speed and in a direction which pays insufficient attention to the interests of many members, and that the marginalization of development concerns will continue.[57]

Finance

For reformists, liberalization of finance remains the central goal, but it is acknowledged that some technical efforts or new tools or facilities might be appropriate to diminish the occurrence of destabilizing disruptions, contagious crises and general financial risk. Suggestions for reform however are hardly radical. In the view of Hans Tietmeyer, President of the Bundesbank, 'sweeping institutional changes are not needed to realise these improvements'.[58] US Treasury Secretary Rubin suggests that 'reform is not going to involve a single dramatic announcement but a collection of actions over time. Some of these have already been taken or are in process of happening. Others will take shape going forward'.[59] The sort of thing Rubin had in mind were the IMF's new Supplemental Reserve facility, and the Contingent Credit Line. The emphasis is on preventing crises before they arise by the adoption and maintenance of sound macroeconomic policies, sound debt management practices, sustainable exchange rate regimes and the development of supervisory regimes. Reformists not surprisingly oppose the reintroduction of national capital controls which they believe detract from the long-term goal of strengthening the global financial system via further liberalization. Moreover, they regard such controls as damaging to a country's capacity to attract foreign investment.

Hans Tietmeyer has put forward the idea of a financial stability forum to strengthen surveillance, coordination and supervision of the international financial system. This would contribute to reduction in systemic risk and to crisis prevention. Attendance would initially be limited to G7 countries, plus regulatory bodies, but eventually other national authorities, probably the emerging market economies, would be invited to join the process.[60] This forum has a feature common to global governance institutions: so many countries and so many of the world's people would not be represented there in a meaningful way. As such, it is severely limited in what it can deliver. Jeffrey Sachs has remarked that what is needed is 'a dialogue of the rich and poor together, not just a communion of the rich pretending to speak for the world'.[61]

The transformists' ideas about finance are more far-reaching. Their starting point is that the needs of individual states as determined by national governments must be given priority over the needs of capital. International capital must be firmly

[56] For a detailed report of the process of selecting the new director-general of the WTO, and an examination of the surrounding controversy, see Chakravarthi.Raghavan, 'Trade: From Rule-based to Rule-less System?', *South-North Development Monitor*, 4, 6, 7, and 10 May 1999.
[57] WTO, 'Seattle Preparations Enter New Phase' *WTO Focus*, 37 (January-February 1999) pp. 2–3.
[58] Robert Chote, 'Forum to help prevent Crises Agreed', *Financial Times*, London, 22 February 1999.
[59] US Treasury Secretary Rubin, 'Remarks', 21 April, 1999.
[60] Robert Chote, 'Forum', *Financial Times*, London, 22 February 1999.
[61] Jeffrey Sachs, 'Stop Preaching' p. 22.

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regulated, they believe, and financial liberalization must take place only at the pace appropriate to the local conditions. Capital in the end must work for the majority of people; thus it must be predominantly productive rather than speculative, and long-term rather than short-term in nature. A clear exposition of these ideas appears in 'A Citizens' Agenda for Reform of the Global Economic System'. This calls for action at the national, regional and international levels 'to regulate international capital in order to reorient finance from speculation to long-term investment, reduce instability and volatility, enhance local and national political space, keep private losses private'.[62]

At the national level, governments—according to the transformists—should be allowed and encouraged to pursue regulations and measures that restrict short-term capital mobility. The examples offered in the Agenda include implementation of taxes, establishing capital controls and setting exchange rate regimes. At the regional level, the Agenda recommended the establishment of regional crisis funds. At the international level, the Agenda called for the establishment of an international bankruptcy mechanism, the provision of debt reduction delinked from IMF/WB conditions, the reform of the IMF, and the establishment of a speculation tax.

Some national measures have already been implemented by a few governments in the Third World. The reinstitution of capital controls has been attempted in an effort to decrease national vulnerability to some major problems resulting from liberalization. This goes against conventional economic theory and the wishes of the IMF and World Bank, and sometimes occurs after heated domestic disagreement about the best way forward. The government of Chile for example, put capital controls in place and believes these probably helped the country ride out the Mexican crisis more effectively.[63]

The Malaysian government in September 1998 also introduced a set of measures based on the system existing in China.[64] The Central Bank of Malaysia pegged the Malaysian ringgit at 3.80 to the US $; overseas dealing in the ringgit was prohibited; Malaysian residents were restricted in the amounts of money they could take out of the country (and also in the purposes for which it could be taken out); and the capital and profits of foreign investors were deliberately locked into the Malaysian market for a year. These controls were eased at the beginning of February 1999 with a graduated levy, or exit tax, on foreign investments in Malaysian stock.[65] The Malaysian government claims that these measures contributed to an increase in reserves, an improved current account balance and a balance of trade surplus. Indeed, in its view, these were the 'only reasonable option for Malaysia, or any small country who finds its currency under attack'.[66]

At an international level, there is a campaign underway for a speculation tax on the world's major currencies to discourage short-term capital movements. The idea of a tax on international currency transactions was proposed in the late 1970s by Professor James Tobin of Yale University.[67] The Tobin tax, as it has come to be

[62] A Citizens' Agenda for Reform of the Global Economic System, 1998.
[63] Anderson *et al*., *International Financial Flows*.
[64] Martin Khor, 'Within the Third World, Malaysia's Case Could Help Ailing Brazil', *Third World Network Features*, 10 March 1999.
[65] For details see Ian Stewart, 'Malaysia Loosens Capital Controls', *The Australian News*, 5 February 1999.
[66] Malaysian Government, 'The Tiger Fights Back', *Financial Times*, London, 28 March 1999, p. xiv.
[67] Anderson *et al*., *International Financial Flows*.

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known, would place a small tax on all foreign exchange transactions, and would have the effect of reducing short term movements of money. With over a trillion dollars a day being exchanged in international currency deals, this tax would be lucrative. The money yielded from it could potentially be used in civil sectors such as health and education.[68]

Foreign direct investment and corporate accountability

Reformists identify foreign direct investment by transnational corporations as a central part of the strategy to promote global economic integration, foster growth and create employment opportunities. Such corporations, they argue, create wealth and goods for the global good, and as far as possible an environment should be created for their successful operation. This of necessity must entail removing restraints on their activities and allowing them to be self-regulating global actors seeking out global advantage in a borderless world. By way of contrast, transformists define the role of foreign investment as helping the community in which it takes place by contributing to locally and nationally determined sustainable development strategies. Corporate decisions impact directly on the social, cultural, environmental and economic conditions of much of humanity, and as such they must show sensitivity to broader goals than profit. Governments must have the right to regulate investment, establish measures to redirect and improve the quality of FDI flows, review and renegotiate international institutions and agreements concerning investments, participate in the establishment of core standards of behaviour for TNCs and their effective monitoring and enforcement, and re-examine corporate structure and activities.[69]

The case for the modification of corporate practice to take account of values and goals other than profit has gained strength over the last decade with the explosion of knowledge about corporate operations and perceived corporate complicity in the oppressive policies of many Third World regimes. Ken Sara Wiwa's struggle and death on behalf of the Ogoni people in Nigeria highlighted possible connections between extraction of raw materials by transnational corporations, physical repression by security forces, environmental degradation and general human rights violations. The activities of BP in Colombia have also come under the spotlight. Other examples have been the subject of campaigns by non-governmental groups: for example, the use of child or prison labour for production of goods for export to the markets of the First World states. In response to this, reformists have argued for the private regulation of corporations. At the World Economic Summit, Davos, Switzerland, January/February 1999, Kofi Annan called on corporations to abide by core values—human rights, environment and labour standards.[70] Annan, like other

[68] See http:/www.cyberus.ca/choose.sustain/Tobin.html#697731.
[69] A Citizens' Agenda for Reform of the Global Economic System, 1998.
[70] Kofi Annan, 'The Secretary-General's Address to the World Economic Forum', UN press release, 31 January 1999.

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reformists, sees private regulation as serving businesses, employees and society as a whole.

A patchwork quilt of private codes is slowly evolving. These embrace codes established by individual companies such as Levi Strauss,[71] to others developed for certain industries such as the chemical industry or toy manufacture.[72] Others are more inclusive private international standards (ISOs). The ISO standards are interesting because, while private in origin, they accrue a degree of public legitimacy even though they lack any requirement for public or independent scrutiny. Examples are the ISO 14000 Series which provides standards for environmental management, and the SA8000, the Social Accountability standard on workers rights.[73]

Transformists argue that public corporate accountability is imperative if corporate practice is to take account of values other than private profit. They regard self-regulation of corporations via voluntary codes as wholly inadequate and open to abuse, not only within the Third World but also within the First. Hence transformists advocate a global code of conduct or global guidelines similar to those suggested by the now defunct UN Centre on Transnational Corporations prior to the UNCED. This recalls moves in the UN in the 1970s by Third World states to establish a Code of Conduct for transnational corporations.

Conclusion

We have a problem. As we enter the next millennium, we are witnessing a reconfiguration of the Third World in the context of an emerging global economy. Defined in terms of states, the Third World has expanded to embrace the former centrally planned economies of the Second World; defined from the human aspect, it now includes growing numbers of marginalized people in First as well as Third World states. The intensification of economic polarization between and within states is a key feature of the contemporary global social landscape. The UN target for halving the number in absolute poverty by 2015 will not be met. In an increasingly coordinated fashion, key global governance institutions, and the interests they represent, are overseeing a process of increased economic, political and social stratification. They are complicit in this outcome.

[71] Craig Forcese, Commerce with Conscience (Ottawa: ICHRDD, 1997); Andrew Ross (ed.) *No Sweat* (London: Verso, 1997).
[72] Panos Institute, *Globalisation and Employment*, p. 18.
[73] Ibid., p. 18.

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Table 1: *The world's priorities? (annual expenditure, $US bn)*

Basic education for all	6[a]
Cosmetics in the USA	8
Water and sanitation for all	9[a]
Ice cream in Europe	11
Reproductive health for all women	12[a]
Perfumes in Europe and the USA	12
Basic health and nutrition	13[a]
Pet foods in Europe and USA	17
Business entertainment in Japan	35
Cigarettes in Europe	50
Alcoholic drinks in Europe	105
Narcotic drugs in the world	400
Military spending in the World	780

Note: [a]Estimated additional annual cost to achieve universal access to basic social services in all developing countries.
Source: UNDP, 1998, p. 37.

Reformists accept that life is unfair, but transformists argue that it doesn't have to be. The importance of history is clear, but current choices are also very significant. These choices are being made by global governance institutions, by a handful of states, by powerful corporate actors and by the 20 per cent of the world's population who exercise consumer choice in the global market place. While acknowledging the global reproduction of Third World problems, we must not forget that the overwhelming majority of poor people live in the Third World states. They did yesterday, they do today, and in the absence of remedial action, they will tomorrow.

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