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FOR ALL BY 2020**
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SUMMARY NOTE

Panel Discussion: Putting Globalization to Work for the Poor
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Title: Globalization, Poverty, and Food Security

Sharply Divided Views

My presentation today on globalization, poverty, and food security draws on work that we are conducting at IFPRI, as well as other sources. A more detailed discussion of this topic appears in the 2020 Focus that Sherman Robinson and I edited, and that has been distributed during this conference (Díaz-Bonilla and Robinson 2001).

Any analysis about globalization, poverty, and food security must acknowledge the sharply divided views on the subject. The following quotations are among the many that can be extracted from any of the current writings on the topic:

"Instead of reducing inequalities, globalization... exacerbates them... The poorest countries are getting poorer, both in relative and absolute terms... In the final analysis it is democracy itself which is the prime victim of.. globalization.." Article in *Le Monde Diplomatique* (May 1997)

"Globalization... marks the successful worldwide spread of the economic liberalization that began nearly 50 years ago... It is now bringing unprecedented opportunities to billions of people throughout the world. Inevitably those who fear markets and foreigners clamor against it. Their voices must be ignored" Article in the *Financial Times* (May 1997)

Those disagreements have emerged in more painful and tragic ways from Seattle to Genoa.

What are the reasons for those disagreements?

The reasons for the sharply divided views are several, but at least three levels can be identified:

First, there are differences about the facts, how to interpret them, and what is the relevant time period of analysis, among other issues (see a discussion in Kanbur 2001). For instance, incomes per capita in developing countries as a whole at the end of the 1990s were about 5.2 times higher than in 1960s and life expectancy had increased by 13 years. But 15 percent of the developing countries at the end of the 1990s had incomes per capita lower than in the 1960s, and about 6 percent had lost years of life expectancy over the same period. When compared with the 1980s, 34 percent had lower income per capita and about 23 percent of the developing countries (mostly in Sub-Saharan Africa and former republics of the Soviet Union) have lost years of life expectancy in the 1990s.

But what is the relationship between globalization and those outcomes? This is the second area where disagreements may emerge, related to the meaning of globalization and what are the main drivers, as well as how to separate what is caused by globalization (however defined), and what is happening because of other reasons.

What is globalization and what are the main drivers?

In our work at IFPRI we utilize a broad definition of globalization. It is not just trade liberalization, and includes more than only economic aspects such as larger capital, labor, and technology flows, although all those elements are part of the process of globalization. But the idea of globalization also seems to encompass other aspects such as (a) the increased political, social, and cultural linkages among people and nations of the world; (b) the development of common legal and regulatory frameworks and institutions, from environmental and trade treaties to best practices in accounting and banking, or international agreements on control of bribery; and (c) the increasing emergence of global effects from the behavior of individuals and societies, from spread of HIV/AIDS to the recurrence of financial crises.

Depending on the meaning highlighted, the analysis may differ. For instance it seems encouraging the spread of democracy at the political level: at the beginning of the 1990s for the first time the number of democratic governments was larger than non-democratic ones (Gurr et al. 2000). Different observers have attributed this trend in part to the globalization of communications (Giddens 1999). But others, looking at the spread of global advertisement, may worry about the dangers of cultural homogenization.

Differences arise not only about the meaning of globalization but also about what is causing it. The polar views in this regard are:

- # Globalization as something that governments are "doing" to their citizens as a result of policy choices; and
- # Globalization as something that is "happening," as a consequence of forces outside of the control of any country.

Certainly the drivers of globalization include market-oriented policies, but also some general trends such as technological change, particularly communications and transportation, the end of Cold War and reduction of conflicts, and population growth (the number of people on the planet more than doubled since the 1960s). This last factor by itself is creating more economic, social, and environmental linkages. Of course, the policy implications of emphasizing some drivers over others may be different, as well as the assessment of the degrees of freedom governments may have to choose among policy alternatives.

Different factors affecting the link between globalization and poverty

Another source of discrepancies in the assessments regarding the links between globalization and poverty is how to deal with three distinct focus of analysis that are not always properly distinguished: first, globalization as the process of getting more integrated in the world system; second, what are the relevant domestic conditions, institutions and policies interacting with globalization; and, third, how is the world economy functioning. To use an analogy, the impact of opening up the windows of your house (first level) on the well being of those living in a house, will depend on their own health conditions (second level), but also on the weather outside (third level).

For instance some studies found that rather than economic openness other domestic factors were more important to explain income inequality outcomes, such as land distribution, lack of education and civil liberties; demographic transitions; the nature of technological change; and the type of endowments, with primary exporters appearing more associated to rising inequality (see a discussion in Kohl and O'Rourke 2000).

Also a country's performance in terms of growth and poverty alleviation is tied to the overall functioning of the international economy. For example, during the 1960s and 1970s, high growth, negative real interest rates, and high prices for commodities benefitted the relatively

resource-abundant, primary exporters of Africa and Latin America, which then also received much of the international capital flows. Poverty declined rapidly during those years. But then, the collapse in world commodity prices after the 1980s, mostly due to changed macroeconomic and agricultural policies in industrialized countries, affected negatively their growth rates and poverty conditions. Since the 1980s countries in those regions went through a painful process of fiscal adjustments to reduce the public-sector imbalances and external debt accumulated during the previous decades.

More recently, world economic volatility seems to have increased, mostly linked to swings in world capital markets influenced by changes in policies in industrialized countries. If the probability of financial crises increases with globalization, the poor will face additional risks.

Two main implications of the previous discussion are the need for complementary domestic policies in developing countries to benefit from globalization, and the responsibility of industrialized countries in shaping the operation of the world economy.

I will concentrate my last remarks on these two aspects.

Policy response to poverty and hunger

Policies in Developing countries

Adequate domestic policies in developing countries are key for growth, poverty alleviation, and food security. These policies include maintaining a stable macroeconomic framework; promoting open and competitive markets; ensuring good governance, transparency, and the rule of law; implementing programs and investments that expand opportunities for all, with special consideration for vulnerable groups; and providing adequate safety nets.

Because three-quarters of the world's poor depend directly or indirectly on agriculture, rural development has to be given special attention. Some have argued that increased agricultural trade protection in developing countries would ease poverty and promote food security. But this would be equivalent to a regressive tax on food consumption, which would harm poor consumers and mostly benefit large agricultural producers. A better approach for developing countries is to eliminate policy biases against agriculture; increase investments in health, education, and human capital in general; improve management of land and water resources; facilitate land ownership by small producers and landless workers; promote improved agricultural technology, rural infrastructure, and nonagricultural rural enterprises; and encourage organizations to expand the social capital and political participation for small producers and the poor. Food security in developing countries also requires equitable economic growth, and adequate food utilization, which depends on empowerment of women, health and education investments, and better governance. Developing countries may also need policy instruments to protect the livelihoods of the rural poor from import surges, and, in the current World Trade Organization (WTO) agricultural negotiations, they may legitimately insist that industrialized countries first reduce their high levels of subsidization and protection of agriculture.

Policies in industrialized countries

But at least as important for world poverty reduction are the policies of industrialized countries. After all they define the global economic, political, and environmental agenda and context, and therefore cannot evade their responsibility to make this world a better place, especially for the poor. A number of broad policy issues require attention.

Peace, democracy, and good governance. Continued international diplomatic and political engagement and financial support is crucial to bring peace and reconciliation to countries affected by conflict and to sustain fragile transitions towards democracy. Otherwise, regional security problems and humanitarian crises will keep recurring. Improved codes of conduct and controls governing arms trade are essential, as well as equitable international frameworks to reduce the flow of products

(diamonds, drugs) that generate resources for war. Rich nations must also ensure that their firms abide by anti-bribery codes and that there are no safe havens for money laundering, while strongly supporting anti-corruption efforts in developing countries.

Trade liberalization in products of interest to developing countries. Low-income countries have historically faced high trade barriers in industrialized countries in products, such as agriculture and textiles, that best reflect the developing world's human and natural resource endowments. The Uruguay Round began to address some of the imbalances that developing countries suffer in international trade, but did not solve them. Efforts to rectify those imbalances should continue. In particular, current negotiations must eliminate the combination of agricultural protectionism and high subsidies in industrialized countries that has limited agricultural growth in the developing world and has weakened food security in vulnerable countries by competing with their domestic production. Also, WTO related rules should consider the development needs of poor Member countries, and do not impose disproportionate administrative burdens.

International capital and aid flows. The last 20 years have witnessed serious international financial crises, several of which arose from policy changes in industrialized countries that affected exchange rates, interest rates, and capital flows, with destabilizing effects on weaker countries. Although developing countries must reduce their vulnerability through better macroeconomic and financial policies, these may not be enough if the main industrialized countries do not foster world financial stability with adequate macroeconomic policies. Moreover, the poorest countries, lacking access to international capital markets, need resources through aid flows. They would benefit from the acceleration and expansion of the Heavily Indebted Poor Country Initiative (HIPC) and the implementation, and future increase, of aid targets for donor countries. Finally, international financial institutions should increase funding for rural and agricultural development, poverty alleviation, and health and nutrition interventions.

Technology and public goods. Expanded adaptive research on agricultural technology, and biotechnology in particular, focused on the needs of poor farmers and consumers in developing countries can contribute to enhance food security, nutrition, and health. Yet, during the 1990s, growth in investment in agricultural research in, and for, developing countries stalled, and for some regions even decreased. Industrialized countries can help by fostering a serious debate over environmental, health, ethical, and equity concerns with respect to both agricultural biotechnology and agricultural research in general. Most importantly, they can provide scientific and financial support for technology development in poor countries and facilitate creative public-private partnerships. Similar arguments apply to research on health issues that overwhelmingly affect the world's poor. Finally, the proper balance between public- and private-sector concerns about intellectual property rights continues to be debated, indicating the need to explore that relationship further.

Environment. Global environmental concerns, from climate change to stressed ecosystems, are complex and addressing them will involve tangible costs. But costs and uncertainties should not obscure their important implications for the food security, health, and nutrition of the world's poor. Deteriorating environmental conditions may reinforce vicious cycles of conflict over resources and humanitarian crises, and the poor will pay the higher price for delays. Complaints in industrialized countries about developing countries enjoying unfair trade advantages from presumed lax environmental regulations (which, if true, would have only local effects) appear inconsequential when compared to the larger responsibilities of rich countries in shaping global environmental conditions that may adversely affect some of the poorest of the planet.

Political and institutional considerations. Anti-poverty programs based on making globalization work for the poor must also include the notion of establishing better institutions of global governance. But different voices have been raised against this possibility, usually linked to traditional

protectionist, isolationist, and unilateralist views. The current discussion about globalization echoes much of the same arguments when at the end of WWII, having experienced the horror of two global wars in less than half a century, the world had to face the pressing task of establishing an international political, military, and economic architecture to prevent similar tragedies, and to facilitate global economic prosperity. Now as then, global problems require global approaches and institutions. Protectionism, isolationism, and unilateralism will not solve them.

Conclusion

Making globalization work for the poor and hungry requires adequate domestic policies in developing countries.

But it also needs that the diplomatic, military, trade, financial, technological, environmental and institutional policies of the industrialized countries foster a pro-poor international environment. Developing countries are being told time and again to put their own houses in order, but it is difficult to maintain a well-kept house in a neighborhood in turmoil — and the shape of that neighborhood is basically defined by industrialized countries.

The latest wave of globalization has helped create enormous wealth at the world level. But still too many are not sharing in it. The persistence of poverty and hunger amidst affluence is an avoidable moral tragedy and a drag on the world economy. Poverty and hunger are problems that can be addressed, if humanity, particularly those better off, can summon the political will to do so.

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