

Globalization brings misery and instability

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This, the first week in February, is International Development Week. Brian O'Neill argues that the process of international development is increasingly being undermined by wealthy investors and their policy-making friends. Not only has this produced devastating impacts on hundreds of millions of people in dozens of countries, but the volatile and fragile nature of this globalized economy threatens all of us.

"The world capitalist system is coming apart at the seams."

This is not a Cold War rant, dug up from the archives of Radio Moscow. Rather, these are the words of George Soros, global investment fund operator and currency speculator, in a presentation to the House Banking Committee of the U.S. Congress on September 14, 1998.

George Soros should know what he's talking about. Worth about \$14 billion, he has profited handsomely from economic globalization.

But Soros knows that the very framework through which he made his fortune has become fraught with instability. In short, with the Asian economic crisis as the catalyst, globalization is coming undone.

There are a host of growing problems with the system, not the least of which is the brutal fact that the crises which emanate from it are killing literally millions of people.

The powerful promoters and defenders of globalization advance a rationale which,

briefly stated, argues that the liberalization of trade and capital flows creates economic growth. And this provides opportunities for everyone to benefit from increased prosperity.

It's an attractively simple theory. Problem is, it's wrong on both counts.

Even though trade and capital liberalization have developed a much greater momentum in the 1990s, world economic growth has slowed considerably, from an annual average of 3.1 per cent in the 1980s to 2.3 per cent so far this decade.

Furthermore, the economic benefits of globalization have clearly favoured the rich and powerful, and not the majority of people. The United Nations Development Program reports that almost one-quarter of the world's population experiences absolute poverty, living on less than one dollar a day. And that number is growing by 47 every minute.

While the poor here in Canada and elsewhere are getting poorer, the rich are doing fabulously well by globalization. The wealth of the richest 250 people is equal to the annual incomes of the poorest half of humanity, some 3 billion people. And an April 1998 report by the Wall Street investment firm Merrill Lynch concluded that, the Asian financial crisis notwithstanding, the wealth of the mega-rich will grow by 10 per cent for each of the next three years.

It is the very nature of this system of economic globalization greed, speed and self-serving economic policies that threw East Asia into economic and social catastrophe in the summer of 1997. It has since spread to Russia, south-

ern Africa and is now starting to affect much of Latin America, via Brazil.

Prior to the collapse of Thailand's currency in July 1997, that country and its neighbouring Asian tigers' had been doing everything right, according to reports from the International Monetary Fund (IMF), Wall Street banks, the biggest international accounting firms, etc.

So "hot money" – speculative investments and short-term loans – kept flowing into East Asia, particularly Thailand where much of it went into real estate and property development. This created a \$20-billion surplus of office and residential space in Thailand's capital Bangkok. The loans for these structures could not be paid, creating a crisis of confidence in the Thai economy. Hence, the devaluation of the Thai baht in July 1997.

Then the herd of lenders and investors – mostly Japanese and Wall Street banks took their money out faster than they had put it in. This herd mentality affected not just Thailand, but much of East Asia: the Philippines, Malaysia, Indonesia and South Korea – with the latter two being the most severely affected.

From a net capital inflow of \$90 billion to the region in 1996, East Asia experienced a net capital outflow of \$100 billion in 1997.

When the IMF then went to bail out Indonesia, Thailand and South Korean (with loans of taxpayers' money from Canada and other developed countries), their first priority was to ensure that the Japanese and Wall Street banks got

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