WHY IS THE THIRD WORLD THE THIRD WORLD?

POWERPOINT SLIDE-BASED TEACHING MANUAL

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PREFACE

This is the second updating of this manual. New events, often with old faces, have occurred and new publications must be recognized.

Once again, this material has been placed on the internet through the generous auspices of Dr. Thomas Hall and the Global Health Education Consortium (GHEC). Karen Lam from GHEC has kindly taken care of the internet arrangements. While the Consortium has kindly seen fit to handle this material, it must be emphasized that any errors are the author's.

Again, let me briefly introduce myself. For a number of years, as a member of the Global Health Initiative, Faculty of Medicine, University of Alberta and former Chair, Alberta Division, Canadian Physicians for Aid and Relief, I have lectured to students and others on the evolution of the "Third World". Unfortunately, most books on this topic are large and poorly illustrated. Fortunately, however, many of the explanations are relatively simple and readily understood by all – even by a retired endocrinologist such as myself – and are cogent to our understanding of today's events and tomorrow's concerns. The desire to produce a simple teaching manual prompted me to augment my notes, add to my slides, call upon the help of other members of the Global Health Initiative, and utilize the very skilled artistic talents of Sam Motyka. This task would not have been completed without her excellent work and concern for the project.

Why has this manual been distributed in this fashion? We felt it might be of value to convey this text and slides to the teachers of Global Health so that they could use what they wished and update the PowerPoint material as required. Where we have added newspaper headlines, the slide(s) can be duplicated and the headlines replaced with others to provide local flavour.

The slides have been prepared for educational, non-commercial purposes under "fair use" legislation. Most photographs and many diagrams were taken or prepared personally and can be used freely. The photographs of prominent people were obtained from sources in the public domain. The rights to use other photographs, portions of articles, and maps were purchased. The sources of graphs and tables, modified for slide presentation, are clearly identified on each slide.

I remain indebted to Dr. Thomas Hall and Karen Lam from GHEC. Drs. Donald Russell, Anne Fanning, Stanley Houston and Lory Laing, as well as Justice Anne Russell and Elizabeth Crockford, critically reviewed portions of the material. Dr. and Mrs. Dieter Lemke, who provided care and changed so many lives for the better during their many years in Cameroon, kindly provided their thoughts and slides.

Again, please note, that any mistakes are author's. Your comments, through GHEC, would be appreciated.

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INTRODUCTION

You might question the use of the term “Third World”. Is this not passé terminology since it was based upon the struggles between the “first”, or democratic, countries and the “second”, communist countries for regions of the world then felt to be “under-developed” to use United Nations terminology? Even though communism, largely associated with the former Soviet republic, has collapsed in most of the world, I would have to say “No”. Since Alfred Sauvy first coined the term “Third World” in 1952, it has become well entrenched in our lexicon and his description of these countries as being “ignored, exploited and mis-understood” is almost as apropos as it was over fifty years ago.[1] If we were to call these countries “under-developed”, we would be ignoring the rich cultural heritage most of these regions enjoy; and the adjective “developing” ignores the sad reality that many Sub-Saharan countries are worse off than they were in years previous. Some use “South” to define these countries, placing them in a reasonably appropriate geographical context, but ignoring two industrialized countries, Australia and New Zealand, which are located in the Southern hemisphere. Such terminology also could result in a misleading title for this text. While the term “majority world” has been favoured by some of late, we will stick with “Third World”. In this we agree with the statement made by Paul Harrison, in the post-cold war 1993 edition of his remarkable book “Inside the Third World”, that this epilate should be retained to focus “attention and concern on the poorest half of the human race.”[2] With this endorsement, and the continued use of this term, our title “Why is the Third World the Third World?” will continue.

It must be acknowledged that the plight of the Third World is far from homogeneous – a point underscored by Collier and Sachs in their recommended recent books.[3,4] Many impoverished countries are evolving but some countries, fifty-eight by Collier’s count, are languishing in the depths of deepening poverty and deserve special attention. Sachs’ text extends these concerns to the overlapping problems of poverty, resource depletion, and environmental degradation.

Again, in preparing this text, I tried to sail between Scylla – a harangue on the political left – and Charybdis – a whitewash on the political right. I am not Ulysses and your task will be to decide how successful my voyage has been.

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HOW TO USE THIS MATERIAL

Ideally, the text should be downloaded and read at the same time as you review the slides on your computer. Slide numbers are noted in the text and present on the upper left-hand corner of each slide where they are color-coded for each chapter. Also on each slide in the bottom left-hand corner is the page location of the appropriate text. Almost all slides are referenced as well for ease of literature review. As slides are in PowerPoint, the material can be downloaded to update or alter for other purposes.

DEFINING THE THIRD WORLD

(White numbered Slide 1)

In the year 2000, the United Nations put forward its Millennium Declaration listing eight humanitarian **Millennium Development Goals (MDGs)** to be achieved by the year 2015. The first listed was "to eradicate extreme poverty and hunger" **(Slide 2)**.[1,2] A review of the remaining seven MDGs (to be discussed further in the text) also suggests that poverty, extreme or not, is a major impediment to achieving most of these Goals. Consequently, the following paragraphs will be largely devoted to the discussion of poverty in the Third World in monetary terms and the concerns about how these financial definitions are used.

Who is wealthy and who is not

Sitting astride the planet are the 1.3 billion high income occupants of the developed, industrialized world led by the United States. The U.S. with other wealthy nations, including Japan, major European countries, Canada, Australia and New Zealand comprise the Organization for Economic Cooperation and Development (OECD). The U.S., Japan, Germany, United Kingdom, France, Italy and Canada have membership in the G-7. The latter, with the recent inclusion of Russia for political reasons, became the G-8. The new economic strength of other countries, such as China, India and Brazil, has made many feel that the G-8 is obsolete.

Collier has suggested that the remaining five-plus billion can be broken into two groups:
(a) the four billion in the Third World who live in "converging economies" – nations that, no matter how poor, have per capita incomes that are gradually converging with those of the rich world – and
(b) the bottom billion living in 58 countries whose per capita incomes have flattened and declined in previous decades **(Slide 3)**.[3] He identified 58 nations, 70% in Africa, in the latter group. In contrast to the converging economies, they have lower determinants of health such as diminished life span (50 vs. 67 years) and higher infant mortality (14 vs. 4%). Collier also noted that **the latter nations have been impoverished by frequently overlapping traps**:

- conflict trap (73%),
- natural resources trap where corrupt rulers/elite fail to share income with the poor (29%),
- landlocked location with adjacent poor neighbours trap (30%), and
- bad governance trap (76%)[3]

These issues will be developed further in subsequent sections.

Measures of wealth and poverty

At a country level, the **Gross National Income (GNI)** is frequently reported. As listed on **Slide 4, the GNI** comprises total value of goods produced, services provided (including items such as military, pensions and welfare) within a country, as well as the return on foreign investment within a given period of time.[4]

Recent World Bank GNI per capita figures, **measured in U.S. dollars (to be used throughout this text)**, and employing smoothed exchange rates, placed countries into four categories based upon yearly income:

- Low income ($935 or less)
- Low middle income ($936-3,705)
- Upper middle income ($3,706-11,455)
- High income ($11,456 or more)[5]

A country's **Gross Domestic Product (GDP)**, also noted on **Slide 4**, is, in essence, the GNI minus the return on foreign investment.[6] This measure, converted to purchasing power parities (see below), is more germane to this review for it is employed in assessing progress on the MDG poverty goal.

International GNI and GDP comparisons have been achieved through the use of **purchasing power parities (PPP)** in which the cost of a large "basket" of goods and services is compared from population to population.[7] Through this procedure, economists are able to compare what a dollar, euro, peso, real, etc. truly can buy and, in the aggregate, through a complex formulation, create figures indicating the relatively true values of economies.

The World Bank-led International Comparison Program (ICP) has now upgraded the **PPP-based GDP** global figures through a study of over 150 economies including 116 Third World countries, representing 96% of that population.[7,8] Results were adjusted to con-form to U.S. dollars and the benchmark year of 2005. The report became available to the public in 2008. **Slide 5** illustrates the global results.[9]

At the time of this analysis, the Bank recognized that the cost of living in the Third World was higher than thought previously.[8,10] They then sought a new threshold for consumption per capita that would represent **undisputed extreme poverty**. The average PPP-based GDP values per capita for the poorest of the poor Third World nations were employed and, subsequently, the extreme poverty threshold was adjusted upward from $1.00 per day to **an income equivalent of $1.25 per day**.[10] At the time of this adjustment, the report's authors noted that this new international poverty line should not replace national poverty lines.[11]

The results of the World Bank study were both encouraging and sobering. While the number living in extreme poverty is down – 1.4 billion – from the now adjusted estimate of 1.9 billion nearly three decades ago (1981), the number is higher than thought only a few years ago.[8] Slow progress in development and population growth have diluted progress. South Asia has the largest percentage of the world's poor (42.6%, **Slide 6)**.[8]
Slide 7 illustrates the regional changes between 1981 and 2005. China has seen the largest decline in those living in extreme poverty, falling from 835 million to 270 million over that period.[8] When China is excluded, percentage changes are small and population numbers mostly increasing. Sub-Saharan Africa remains the most resistant to change.[8] While the percent in extreme poverty there remains essentially unchanged (just over 50%), the actual number of impoverished has increased from 200 million to 380 million due to population growth.

The World Bank data also indicated that an additional 1.2 billion globally subsist on $1.26-2.00 per day and also remain very poor and vulnerable.[8]

Interpretation of the results is not without criticism, even by the Bank itself. They, and others, have noted:
(i) "PPP estimates for developing countries are unduly influenced by the consumption baskets and spending habits of their developed counterparts."[12] Wade noted that "PPP price indices may include many services that are cheap in developing countries…but irrelevant to the poor…"[13] He added that "food and shelter are relatively expensive and if they alone were included…national poverty lines would go up." Higher food prices in 2008 drove 100 million more into poverty according to the World Bank.[14]
(ii) Rural poverty may not be adequately reflected; and comparison resistant services, such as those for education, health, and general government, were difficult to assess.[15,16]
(iii) The $1.25 extreme poverty line threshold has been strongly questioned. The "New York Times" noted: "The poverty expressed in the World Bank's measure is so abject that

it is hard for citizens of the industrial world to comprehend."[17] As over twenty thousand were dying daily from this continued impoverishment using the older dollar per day criterion, this concern cannot be taken lightly (**Slide 8**).[18] In recent times, poverty lines based upon calorific and demographic characteristics have been commonly more than two times as high as the Bank's threshold.[19] The Bank, itself, has suggested poverty specific PPPs for countries where poverty is prevalent.[12] Others concur noting that "it is time to develop a measure of extreme poverty which is based on the real cost of meeting basic human needs".[15]

Broad indexes, such as GDP and GNI measurements, also fail to reveal gender differences – for the majority of the world's poor are women.[20] In addition, informal non-monetized work, such as the sale of food products and other items made in the home (tasks so often carried out by women), is not analyzed as it is beyond monetary assessment. Other potentially large sums may be missed, such as the funds that could have been derived from the sale of an estimated one million tons of fish taken from the Mekong river and its tributaries each year.[21] Most is eaten and what is sold is not recorded. These indices also do not include income derived from illegal activities, such as opium production and prostitution.

Finally, as GDP and GNI are monetary figures, they benefit from the goods and services created by any number of activities which might not ordinarily be seen as stemming from positive social developments. These activities can include: rescue and repairs following floods and earthquakes, the costs generated by rioting and military action, and detrimental environmental activities **(Slide 9)**.

Despite all these concerns, monitoring by the World Bank is crucial. It strongly influences international policy, and provides measurement of the progress towards the United Nations' Millennium Development Goal of halving the 1990 extreme poverty rate by 2015.[1]

The **Gini coefficient (GC)** is frequently used to assess the distribution of income inequality within a nation or to assess other inequalities.[22] Significant income inequality within a nation is associated with higher unemployment, in-creased crime, lower average health, skewed access to public services, weaker property rights, and political instability.[18]

In this calculation, the coefficient result will lie somewhere between total equality (zero) and total inequality (one).[22] Note on **Slide 10** that if, theoretically, 25% of the population received 25% of the income, 50% of the population 50%, 75% of the population 75% and so on, a diagonal "line of equality" would be created. The red "Lorenz curve" which we have drawn on the diagram represents the unequal income distribution for an imagined country. The Gini coefficient, which numerically records this degree of inequality, is derived mathematically from the area (A), between the equality diagonal and the Lorenz curve, divided by the total triangular area below the equality diagonal (A + B). The generated fraction can be multiplied by 100 to create the percentage **Gini index**, roughly 30% in this illustration.

The Gini index derived from Canada's Lorenz curve is 32.6.[23] The U.S. value is 40.8.[23] Third World countries, such as Brazil, have obvious, larger disparities in income **(Slide 11)**. The Gini index unmasks the income inequalities hidden in GNI figures from Brazil and sub-Saharan countries, such as Namibia **(Slide 12)**.[23] While Brazil's Gini index has improved significantly in recent years (declining from 61.0 in 2003 to 57.0 in 2007), due to a rapidly expanding economy and an enlarging middle class, this has been less true in the sub-Saharan African nations, where the growth in the middle class has been small and uneven.[24,25] Global inequality, measured by Gini index, reached 67.0 at the end of this past century – "mathematically equivalent to a situation where the poorest two-thirds receive zero income, and the top third receives everything!"[26]

The **Human Development Index (HDI)** has been used by the United Nations to correct for some of the missing data indirectly by measuring other parameters.[27] The HDI marries together GDP per capita in PPP, adult literacy (800 million on this planet can neither read nor write[28]), average enrolment into education up to age 23, and life expectancy at birth. The HDI has been progressively refined since its introduction in 1990. While recent GDP per capita values (in PPP) for the United States, Canada and the United Kingdom justifies the "superpower" status of the first-mentioned ($41,890 vs. $33,375 and $33,238 respectively), there was little difference between HDI values (0.951, 0.961 and 0.946).[29,30] In poor countries considerable differences can be seen between GDP and HDI values **(Slide 13)**.[29,30] As demonstrated on that slide, countries can have low GDP values and disproportionately higher HDI values if progress has been achieved in literacy, etc.

The **Human Poverty Index (HPI)** is a variant of the HDI also used by the UN.[27] HPI-1 is used for Third World nations and includes: probability at birth of death before age forty; percent of illiterate adults; deprivations in a decent standard of living as defined by percent of children below age five years who are underweight; and percent of people lacking sustainable access to an improved water source. HPI-2 is used by the UN to determine deprivations in the developed, industrialized world.

In addition, the UN also defines a nation as being among the **Least Developed Countries** by using a combination of (a) low income, (b) a human resource weakness (e.g. nutrition, literacy) and (c) economic vulnerability such as agricultural instability, displacement by natural disasters.[31]

At present, we are in the midst of a deep economic downturn. As **Slide 14** indicates, the Third World feels its consequences too.[32] Exports drop, direct foreign investment may fall 40%, and the microcredit industry appears to be just as susceptible to credit tightening as bank lending in the industrialized world. Remittances home from workers overseas has tumbled. At present, 11% of Bangladesh's GDP is derived from this source and there, as well as elsewhere, these funds have outstripped foreign aid.[32]

The **Genuine Progress Indicator (GPI)** was developed by one U.S. group, Redefining Progress, in an attempt to broaden the perspective in measuring economic progress. They have suggested that if the clean up of the environmental and the social consequences of development were factored into the equation, their measurement of social progress, the GPI has been unchanged since 1970 **(Slide 15)**![33,34] Quite recently, the Chinese government announced plans to incorporate environmental costs and resource depletion into its economic calculations.[35]

The countries we will be discussing in subsequent sections are largely those now defined by the World Bank as having low income economies by GNI measurement.

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ORIGINS

“…Health is how and where you live, what you eat, and how you make a living. It is feeling well physically, being mentally at peace, living in a family setting where there is respect, affection, and equally among all, respecting nature, and living in a society in which justice and equally go hand in hand.”

- *Movimento dos Trabalhadores Rurais Sem Terra (MST, Movement of Landless Rural Workers, Brazil) as quoted in R.J. Young, Postcolonialism: A Very Short Introduction, Oxford University Press, Toronto, 2003.*

While poverty in the Third World is multifactorial in its origin, the major contributing concerns involve **place, population and politics (Slide 16)**. These will be discussed in sequence with specific examples. As the components are reviewed, students might think of other countries they know – and about the “Third Worlds” that exist in their own country among displaced and disadvantaged people.

PLACE

(Green numbered Slide 1)

a. Where is the Third World?

Unlike the industrialized world, largely located in the northern, temperate portion of our planet, the Third World is significantly equatorial and peri-equatorial.[1] These lands are ones of heat, deserts, droughts and deluges. The regions of high temperature are illustrated on **Slide 2**. The causes lie in the nature of the land masses and oceans combined with the rotation of our planet which spins on an axis tilted 23 ½ degrees off the perpendicular to its orbital plane around the sun. As a consequence of the latter, the northern and then the southern equatorial and peri-equatorial latitudes are exposed in sequence to the direct rays of the sun **(Slide 3)**.[1]

We have illustrated the effects when the southern equatorial and peri-equatorial lands receive this direct bombardment **(Slide 4)**. Note that solar energy strikes other regions obliquely and, consequently, must travel further through the atmosphere, where some heat is lost, and is diffused over a larger area when striking the earth. In our example, during these months of extreme solar radiation the equatorial areas and southern peri-equatorial areas are in positive heat balance. This heat must be absorbed, radiated back into space, or carried to more temperate regions by circulating air cells.[2] **Slide 5** illustrates these air cells with arrows indicating the directions of air flow. It is important to note that these cells, wrapped like tubes around the planet, are oriented around the earth's thermal equator – not its geographic equator. Consequently, they move north and south geographically as the earth orbits the sun. Air in the lower portion of these cells, warmed by the sun, takes up moisture from the bodies of water it passes over. This is especially so in the hot equatorial and peri-equatorial areas. As the humid air in the tropical cells rises and cools, its capacity to retain moisture diminishes producing the precipitous rains characteristic of this region of the world. Following this rainy season, and with the earth now positioned in a different part of its orbit and the air cells consequently shifted in position, a drier season – and the risk of drought – supervenes with the geographic northern equatorial and peri-equatorial areas now receiving the sun's maximum effect.

Modifying this very simplified schema are the ocean currents, continental contours, mountain ranges, plateaus and depressions on the earth's surface. The hot, wet tropical areas produce the great rain forests of the Third World. The great deserts result as consequences of: descending dry air from a tropical cell (Sahara desert), remoteness from the oceans with moisture-depleted winds (Gobi desert), winds blowing over cold water with little evaporation (Namibian desert), high pressure cells altering the course of rains (Chihuahua desert), and locations in the lee of mountain ranges (Tibetan plateau).[2,3]

While the general difficulties for plant and animal survival in the desert regions are appreciated by most, the consequences of extreme heat and variable moisture characteristic of other portions of the Third World need some amplification. Let us use Africa as example. Note on **Slide 6** the high temperatures and, on **Slide 7,** the variability in rainfall.[4] The latter is contrasted with that of the temperate world on **Slide 8**.[1] Augmenting the problems of heat and variable moisture is the nature of the rainfall itself. Rains come in bursts. In northern Nigeria it has been reported that 90% of the rain falls in rates of 2.5cm per hour or greater.[1] Asia, with the greatest percentage of the world's poor, faces similar environmental problems. For example, in Java 25% of the rain falls in excess of 6.0cm per hour.[5]

Global warming will accentuate these weather patterns. In dry regions, such as the desperate Sahel, rains will be spottier and more variable.[6]

As warm air can hold more water, in presently wet areas rainfall will be heavier and flooding more frequent.[7]

Discussion of the consequences of today's intense heat and alternating periods of dryness and deluge follows.

b. Degradation of soils

Discussion of the effects of climate on soils first requires a brief review of temperate world botany.[2,8] As noted on **Slide 9**, moisture absorbed from the soil travels upwards through the tree carrying nutrients and is lost by evapotranspiration from leaves. Also on this slide, note that undisturbed temperate soil is normally covered by a layer of humus composed of decaying organic matter. Below that is the fertile A horizon containing nutrients, roots and rootlets associated with symbiotic mycorrhizal fungi, and burrowing insects which break up the soil. We have illustrated this diagrammatically on **Slide 10** which also notes the average air temperature.

Contrast this with the tropical rain forest. Water through-put is significantly more such that one-half the rainfall is derived from evapotranspiration. A sense of this water uptake and loss is evident in **Slide 11**. **Slide 12** illustrates the rain forest soil layers with a picture of the forest floor in Venezuela. In the diagram, note that the humus layer is very thin or absent due to litter removal by leaf cutter ants and termites combined with accelerated decomposition by bacteria and fungi thriving in the heat and moisture. Note as well that the A horizon is thin as little humus is added and the soil is leached by the constant rains. Consequently, as the picture illustrates, tangled roots lie on the surface and 90% of the rootlets are found no deeper than the top 10 cm. of soil.[9] Deforestation, as illustrated in **Slide 13,** has disastrous consequences. Heat quickly destroys the A horizon which may be lost to the ravages of the wind. The loss of evapotranspiration leads to diminished rainfall and further deterioration of the micro-climate.

Deforestation in the Third World continues at an alarming rate **(Slide 14)**.[10] In the rain forests of the Third World logging combined with slash and burn agriculture, in which the ash provides fertilizer and crops are grown without tilling, can provide food for 2-3 seasons before the weeds invade and the ash is leached away. The ancient Mayan civilization may have disappeared when population growth exceeded the food generating capacity of this form of agriculture.[11]

In regions such as Amazonia, illegal logging is followed by cattle raising **(Slide 15)**. However, due to rapid soil degradation, cattle raising can be temporary. In this region, no land cleared for this purpose before 1980 still has cattle on it.[9] The Amazon basin is also being compromised by the land requirements of the large soya industry which has pushed logging and cattle raising further into the virgin forest.[12,13]

Deforestation for fuel is common as well. Two and one-half billion people – 40% of the world's population – depend on wood, manure or other bio-mass for heat and light (**Slides 16,17)**.[14] As a consequence of deforestation, largely for fuel, Ethiopia, which entered the twentieth century 50% forested, left that century less than 2% forested with resultant droughts and famines **(Slide 18)**. In 2004 Haiti saw death and destruction from rains, flooding and landslides of mud as a consequence of the loss of 90% of its native forests. Haiti is far from alone, as **Slide 19** illustrates. Bangladesh, situated on a flood plain, faces a constant threat, not just from its rivers and the ocean, but from a denuded Himalayan watershed as well.

This dependency on bio-mass energy not only depletes the landscape, it forces its inhabitants to spend long hours in search of fuel and exposes them to toxic fumes from fires. The lack of electricity or petroleum deprives them of machinery for pumping water, planting and harvesting as well as refrigeration, educational opportunities, etc. that electricity and light provide.

As noted earlier, when the rains do come to areas of the Third World they can be torrential. Fertile surface soil is washed away and the decaying soil can be leached further leaving orange-red oxisols, consisting of insoluble aluminum, manganese and iron oxides **(Slides 20,21)**.[2,8] This soil has few nutrients, lacks the cation exchange capacity to retain them if they are added, and when exposed to sun and air can become so hard that it can be used for building material (laterite) **(Slide 22).**

Heat, variability in rainfall, and the nature of the soil in Africa means that only one fifth of the land is potential farmland.[1] Climate directs plant selection. For example, sorghum, millet and cassava fair better in arid climates than maize. Augmenting these concerns is poverty which has resulted in limited synthetic fertilizer use.[15] In 2005/06 Africa used less than two percent of the world's synthetic fertilizer nutrient – a quantity, in absolute terms, little changed from thirty years ago **(Slide 23).**[16,17] Developing Asia, in contrast, used 54% of the world's fertilizer nutrient, allowing it to take part in the "green revolution" of hybrid plants. The recent near doubling of fertilizer prices, particularly harmful to the poor, has provoked riots around the world.[18]

Rice production, requiring more water than the growth of other cereals, is mostly grown in paddies and is more suited to the Asian environment **(Slide 24)**. Asia, however, faces severe limitations on arable land per capita **(Slide 25)**.[19] In Indonesia and Malaysia, in particular, possible sites for future food production have been compromised by the development of oil palm plantations to create fuel for cooking and biofuels for Europe, India and China.[20]

In addition to the lack of natural or synthetic fertilizers, African and other Third World crops can suffer from poor tilling practices, continuous cropping, limited crop rotation and overgrazing. While droughts may be more frequent in Africa, chronic water deficiency also exists elsewhere in the Third World as populations increase, sources of water become depleted or infiltrated with salt water, irrigation systems salinize, and evaporation losses increase due to deforestation and desertification.[21]

Annual world food production is illustrated on **Slide 26.**[22] As a supplement to the information on that slide, in late 2008 it was reported that "Over the past dozen years, world farm output has barely kept pace with increased demand…In the past three years, output actually fell short."[23] Some of the factors influencing food production – or possibly influencing it, such as biofuels and bio-plastics – are found on **Slides 27 and 28**.[22,24,25,26]

The process of soil degradation can produce desperate reactions. The poor are most vulnerable.[27] As this manuscript was being prepared, the news highlighted pleas for aid from Kenya and Ethiopia where droughts have created famine, a topic to be discussed further in the section on "Population" (page 27). Droughts create other problems not in the headlines. Development requires navigable rivers for water transportation of people, resources and products. Low river flows during the dry season and droughts have had a significant impact on the development of Sub-Saharan Africa in particular.[28]

In contrast, in other regions desperate people are crowded onto flood plains where they accept the risk, build new homes, and attempt to utilize the often rich soil. The UN's Janos Bogardi noted that, despite the vulnerability of these sites to floods, people fear leaving these areas because of the risk of losing possessions or land claims, and thousands of tragic deaths are the consequence.[29] These concerns have been underscored by events since his report, including recent storms and flooding in India and Bangladesh and, in particular, by the 130,000 deaths this year when cyclone Nargis struck Myanmar (Burma) flooding the Irrawaddy river delta. **(Slide 29)**.[30] Bogardi also noted that two billion people worldwide will be vulnerable to devastating floods by 2050 due to climate change, deforestation, rising sea levels and population growth.[29] Most of these individuals are in the Third World countries of China, India, Pakistan, Bangladesh and Iran.

c. Growth of bacteria, viruses, fungi, parasites and insect vectors

A second effect of climate in tropical zones is the creation of a hot, humid environment, hostile to humans, but one in which bacteria, fungi, parasites and insects thrive. There is not the ameliorating effect of winter on this growth or – in the case of water, food and vaccines – the availability of purification and refrigeration.

Contaminated water, most often from human activity, means dysentery is common, and cholera or other waterborne diseases are always a risk. **1.2 billion lack access to clean water, 2.5 billion lack access to sanitation, and two million children die yearly as a consequence of both (Slide 30)**.[31] The challenges of providing clean water and sanitation are encompassed in the United Nations Millennium Development Goals.[32] Fungal infections are frequent, and parasites ubiquitous. Isbister noted "surveys in Latin America and Africa have shown that fully 90 percent of the people studied were infested with some form of parasite".[33] Schistosomiasis, amebiasis, hook-worm and other intestinal worm infestations are common in these settings **(Slide 31)**.

Insect vectors for human disease are a constant threat. For example, the plasmodium-carrying mosquito is responsible for the malarial deaths of approximately one million, largely in the Third World, with 900,000 deaths in Africa alone, despite some recent success in preventing its spread **(Slide 32)**.[34] Dengue fever and other hemorrhagic fevers due to unchecked populations of mosquitoes, ticks and rodents plague the Third World **(Slide 33)**. In Africa the tetse fly, as a carrier of the *trypanosome brucei* protozoa, delivers “sleeping sickness” to humans and animals through its bite.[35] Loss of oxen from trypanosomiasis, combined with the loss of feed through drought, can force villages to work fields by hand.

Poverty, combined with infertile soils, generates malnutrition – a contributing factor in approximately one-half of all childhood deaths before age five **(Slide 34)**.[36] Protein-energy deficiency, and the absence of essential minerals and vitamins, are frequent in the Third World. Oxfam noted that the number of malnourished rose by 44 million this past year, bringing the total to nearly one billion globally.[37] This topic is expanded upon in the chapter on “Population” (pages 26 and 27).

Poverty is associated with ineffective health systems, the major factor contributing to the resurgence of tuberculosis in the Third World. There, a lack of care, the growing number of refugees and displaced people, crowding, drug-resistant forms of the disease, plus lowered immunity due to HIV/AIDS have led to three million new cases of tuberculosis annually in South and East Asia, and two million in Sub-Saharan Africa.[38] The HIV/AIDS epidemic is ravaging the Third World. Poverty influences education and other aspects of prevention of this disease, its spread, and its treatment. It robs many families and communities of a productive middle generation **(Slide 35, 36)**. By December, 2007, 33 million people were living with HIV/AIDS (earlier, less refined, estimates had been higher) – nearly 95% in the Third World and 67% in sub-Saharan Africa where 75% of the 2.0 million global AIDS deaths occurred that year.[39] In some parts of the latter, young women are three times more likely to get the disease than young men.[38] The UNFPA State of the World Population 2002 stated simply and eloquently:

> *“HIV / AIDS accompanies poverty, is spread by poverty, and produces poverty in its turn.”*[40]

In Botswana, where 24.1% of adults have this disease, the average life span has dropped to thirty-four years.[41] A major reduction in the incidence of this disease is a United Nations Millennium Development Goal for that nation and elsewhere.[32]

Reflecting the poverty of the Third World, and compounding the problem, is a shortage of health care workers. Sub-Saharan Africa has 0.98 health workers per 1000 population, Asia 2.3, South and Central America 2.8, Europe 10.4 and North America 10.9.[42] Added to this is the brain drain to developed countries.[43,44] At the time of a 2005 report, Zambia had lost all but four hundred of its sixteen hundred doctors.[43] The poor in these Third World countries can lose out as well when physicians stay in the country but move from the public to the private sector. With these deficiencies, disease and problems such as trauma and deformity, which the industrialized world is largely prepared to treat, may receive no or minimal care in the Third World, often with dire consequences **(Slide 37, 38)**.

Jeffrey Sachs, economist and coordinator for the U.N.’s Millennium Project, noted:

> ***“In my view, clean water, productive soils and a functioning health-care system are just as relevant to development as foreign exchange rates.”***[45]

Ill-health, with its fraternal twin, illiteracy, generates a “poverty trap” – and the latter produces a vicious cycle in which the poverty trap, in turn, creates both ill-health and illiteracy.

d. Influence upon work capacity

"…mad dogs and Englishmen go out in the noon day sun" penned Rudyard Kipling about the Indian climate approximately one hundred years ago. Third World nations, battling malnutrition from depleted soils and illness from tropical diseases are also fighting the debilitating effects of heat on physical activity. Harrison noted that "studies in Europe and the U.S.A. have shown that the productivity of manual workers decreases by as much as half when the temperature is raised to around 35 degrees Centigrade – quite common in the tropics."[1] **Slide 39** illustrates a not infrequent circumstance. In contrast, Landes commented that people from the tropics on visiting temperate climates "feel reinforced and stimulated by the temperature".[5]

e. Problems from geologic plate tectonics

In addition to the effects of climate, the earth's geology works against the Third World. The extraordinarily slow, but ineluctable, tectonic movements of the large plates comprising the earth's crust wreak havoc through the generation of earthquake activity as these plates collide or shift **(Slides 40, 41)**.[46] Volcanic activity occurs as the subducted plates melt in the heat below the earth's surface and tsunamis can result from underwater tectonic movements **(Slide 42)**. These concerns are largely in the Third World. In the industrialized world only Japan and the west coast of North America face risk from tectonic movements.

On May 12, 2008, the Sichuan region of China suffered a severe earthquake along the fault line separating the Indian plate, containing the Tibetan plateau, from the Eurasian plate. At writing approximately 69,000 were known dead with 18,000 missing.[47] The faults and branch faults around the Eurasian plate have seen considerable quake activity before, with at least 26,000 deaths in the Iranian city of Bam in 2003; the creation of an underwater earthquake and tsunami in the Indian Ocean in 2004 resulting in well over 225,000 deaths; and over 80,000 deaths in northern Pakistan and India in 2005 **(Slide 43)**.[47]

As a consequence of the 2004 tsunami, a Southeast Asia tsunami warning system has been initiated and, as a consequence of the 2003 quake, Iran is considering moving its capitol from Tehran, home to seven million people. Tehran is not the only large Third World city at risk from tectonic movement. It is estimated that 35 metropolitan areas with populations of two million or more are within earthquake zones **(Slide 44)**.[48] The majority of these Third World countries have either no building codes or no means to enforce them. The poor are at most risk, often building flimsy structures in dangerous sites.[27,49] The term **"classquake"** was coined to identify this biased pattern of destruction.[49]

In 1993, Harrison concluded that ninety percent of the world's environmental disasters – including droughts, floods, cyclones and earthquakes – occur in the Third World.[1] This fact is well evidenced by the graphed data from 1990 through 1998 **(Slide 45)**.[50] Statistics from 2008 World Disasters Report, released by the International Federation of Red Cross and Red Crescent Societies again identified this stark imbalance.[51] From 1997 to 2006, only eight percent of deaths occurred in countries with high Human Development (HDI) values.

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POPULATION

(Violet numbered Slide 1)

a. Population growth

Slightly over two hundred years ago, when the human population of this planet was approximately one billion, the Reverend Thomas Malthus proclaimed that the earth's population must continue to increase for "The passion between the sexes is necessary and will remain nearly in its present state".[1] Foreseeing a geometric increase in population, Malthus predicted dire consequences noting that "The power of population is infinitely greater than the power of the earth to produce subsistence for man". Subsequently, a British cartoon captured Malthus's thoughts about population growth when it displayed a crowded populous forced to sit on the roofs of their houses **(Slide 2)**. Two hundred years later, the British are not yet sitting on their roofs – unless it affords them a view of the local soccer pitch. Was the Reverend wrong?

In part, yes. As to "the passion between the sexes", he was quite correct – according to the World Health Organization, human sexual intercourse now occurs one hundred million times per day on this planet – and there is no question that the population has increased exponentially.[3] We are now up to 6.6 billion souls and are projected to reach 9.1 billion by 2050 **(Slide 3)**.[4] However, population growth in the developed, industrialized world – such as Malthus's England – has largely stopped except for immigration. Replacement to produce a stable population is achieved at an average "fertility rate" of 2.1 children per woman and countries in the industrialized world largely lie below that threshold. What Malthus could not foretell was the so-called "demographic transition" to smaller families, which has occurred in these developed nations, and the increased availability of foodstuffs.[5]

As illustrated on **Slide 4,** prior to European industrialization, these now highly developed nations did have high birth rates and, concomitantly, nearly as high death rates.[5] Industrialization brought economic growth and development, and with that "simple" public health measures, such as clean water and better nutrition. A decline in the death rate followed, accompanied by a surge in population growth. The latter, however, was subsequently tempered by a societal change. Better incomes allowed families to provide security for their futures, answer desires for an improved standard of living, and better educate their children. All these combined to reduce the birth rate sharply, even before effective means of contraception were available.[5,6,7]

As a consequence of limited or no development, this "demographic transition" has occurred to a significantly lesser extent in the Third World, as the right-hand diagram on **Slide 5** illustrates. Parents depend on their children to work for them and provide for them as they age. An example will be cited later. As well, Zwingle noted, the tradition of fulfillment through large families has been sustained to a significant degree on the African continent.[3] The author quoted an African woman who reflected this view, noting "A person who doesn't have children is looked down on because that woman is incomplete in the society."

As illustrated on **Slide 6**, our population growth is now largely in the Third World. Unlike the narrow population demographics of the wealthy nations, the growth of the Third World nations is broad-based. **Slide 7** contrasts the reported 2008 fertility rates and population age pyramids of Italy and

Nigeria.[8,9] Nigeria's population growth reflects the problem in the Third World. There, more and more young people each year are entering the reproductive phases of their lives providing the forward momentum for Third World population growth for years until a plateau is achieved. 1.2 billion adolescents, ages 10-19, are alive today, largely in the Third World. The postponement of pregnancy and more widely spaced births in this segment is integral to slowing the population momentum.[10]

b. Urbanization

Where are all these Third World people ending up? In the cities – in 1950 18% of the Third World population was urban, by 2000 it was 40%, and it is expected to pass 50% by 2018.[11] In the next thirty years it is expected that the vast majority of the world's population increase will be in the cities and towns and nearly all of that urban growth will occur in the Third World. At present 150-200 thousand people move from rural settings to the expanding cities of the Third World every day.[12] The African continent is the fastest in urbanization – two times that of Latin America and Asia.[13] On the latter continent, China has seen the greatest urbanization with another 400 million expected to urbanize in that country within the next quarter century.[14]

Megacities are defined as having populations greater than 10 million; metacities have over 20 million. Most are conurbations – agglomerations of cities and bordering areas fused together – and most are in the Third World **(Slide 8)**.[15] Huge numbers of people, largely rural migrants, end up living in densely populated slums grafted onto the peripheries of these cities in the Third World **(Slide 9)**.[16,17] UN-HABITAT defines slums based upon: lack of water, lack of sanitation, overcrowding and non-durable housing structures.[18] Based upon these definitions, only 6% of the urban residents in the industrialized world live in slums, whereas 78.2% of urbanites in the least developed countries do.[17] The global magnitude of the problem is illustrated on **Slide 10.**[19]

In discussing his home country, Peru, author Oswaldo de Rivero noted that Lima increases by 100 thousand yearly with the newly acquired living on formerly arable land and stretching the capacity of the city to cope with basic needs such as water and sanitation.[12] In the cities of Afghanistan (population near 33 million), where NATO is presently engaged in military and reconstruction action, 98.5% of the urban population lives in slums![17]

Why do Third World people migrate to the cities in droves? Why move from rural Ethiopia to the slums of Addis Ababa **(Slide 11)**? There are pulls and pushes. Greater **opportunities for work** exist there and the **gradient between urban and rural incomes** is high – higher than in the industrialized world – averaging 2.5-fold.[20] Rural poor represent by far the greatest percentage of the total poor in most Third World nations **(Slide 12)**.[5] In the cities **education** is accessible and developed beyond the primary level, often attracting the best and brightest. **Electricity** with its many benefits is available in an urban setting. There are major **public health** differences with regard to the availability of clean water and sanitation (**Slide 13**).[21] Ethiopia is an example.[21] There, in 2004, 81% of urban dwellers had access to clean water and 44% to sanitation. The figures for rural dwellers were much lower, 44% and 7% respectively. In cities **health care facilities and personnel** also may be closer at hand. As the cities expand, however, these benefits are available to fewer and fewer. At present, in low income countries, 4 out of 10 slum children are malnourished and risk early death.[18] In many cities diarrhea and HIV/AIDS are more common than in rural areas.[18] Migrant workers, working in these urban settings, may return to their rural homes bringing AIDS back to their communities.[11]

Rural people may be driven off the land by drought or some other disaster, **shrinking landholdings** due to population growth – in the Third World as a whole, the average family farm is half the size of 40 years ago[22] – **replacement by modern agriculture**, or as a consequence of **reduced prices for farm products**. The plight of the rural farmer in India is such that approximately 18,000 indebted farmers commit suicide annually.[23]

Not all find answers in the city. Most will make less than the locals established there. In the cities these migrants might join the 700 million - 1 billion globally that are severely under- or unemployed, but potentially fully employable, or they may join the informal economy, with incomes neither measurable nor taxable by their governments, lack of legal formalities, and the potential for spontaneous organization and disturbances.[12]

The informal sector makes up 37% of the total employment in the Third World – and up to 45% in Africa. According to Davis "in most sub-Saharan cities, formal job creation has virtually ceased to exist" and, he notes, UN projections suggest the informal sector will have to absorb 90% of urban Africa's new workers in the next 10 years![17] At present, Africa's urban areas create 60% of the continent's GDP but the municipalities realize only a small percentage of such in taxes, amounting to some fourteen dollars per capita.[24] With the anticipated worker increase basically in the informal sector, this meagre sum will not increase significantly.

c. The role of women….and men too

Where do the answers lie in handling this Third World population boom? To a large extent they lie in the roles of women in society. Landes noted "In general, the best clue to a nation's growth and development potential is the status of its women."[25] A recent study of 89 countries supported this view, noting that the status of women is superior to the GDP in predicting the general quality of life.[26]

With regard to fertility, at the 1994 U.N.-sponsored International Conference on Population and Development, Dr. Hiroshi Nakajima, then Director-General, World Health Organization, noted: "In the developing countries, the better educated women start their families later, are more likely to practice family planning…."[27] Nobel prizewinning Amartya Sen also commented on such, noting as well the inverse relationships between fertility and a woman's gainful activity outside the home, opportunity to earn an independent income, property rights, and social status.[7] As illustrated on **Slide 14**, a recent UN report also supports this view.[10]

At present most opportunities for women are established in the developed, industrialized world. The absence of such opportunities may offer a major explanation as to why 96% of the future population growth will appear in the Third World.[28]

How does one assess the status of women? One can select individual items such as literacy, education, fertility, maternal mortality and life span. The gender gap between male and female literacy is improving, essentially reaching equality in Latin America and East Asia. The gap between male and female literacy remains large in areas where literacy in general is a concern, namely, South Asia, Sub-Saharan Africa and the Arab nations.[8]

One can also use the **gender-related development index (GDI)** or the **gender empowerment measure (GEM)**.[29] The GDI, as described, "measures achievement in the same basic capabilities as the Human Development Index (HDI, page 9) does, but takes note of inequality in achievement between women and men".[29] Examples will be noted shortly.

The GEM fractionally contrasts women's roles in "economic and political life and…in decision-making" with those of men.[29] In its 2007/2008 report, the United Nations noted that Norway displayed the most equality in GEM (0.910), Sweden next (0.906), Canada tenth (0.820), the U.K. fourteenth (0.783) and the U.S. fifteenth (0.762).[30] Japan, eighth in HDI ratings, was fifty-fourth in GEM (0.557). This measurement could only be reported for 93 nations. Yemen was last (0.129).

When available to women, family planning works. The United Nations Population Fund (UNFPA) estimated family planning "accounted for almost one third of the global decline in fertility between 1972 and 1994, over and above the contribution of education, the share of agriculture in the labour force, GDP per capita, proportion living in urban areas, nutrition levels and time period."[31] Family planning has increased from 10-12% in the early 1960s to greater than 60% today but seriously lags in 35 countries, 31 of them sub-Saharan.[32]

A 2005 report estimated that 350 million couples did not have access to a full range of family planning services, 140 million women wanted to delay the next birth or avoid another pregnancy but had no access to family planning, and a further 64 million were using insufficient means of contraception.[33]

Importantly, such planning protects the lives of women. On our planet, one woman dies every minute in pregnancy or childbirth as a consequence of poor health, unsafe abortion, absence of medical care, or pregnancies far too close together **(Slide 15)**.[34,35] Ninety-nine percent of such deaths occur in the Third World.

Examples to consider:

Canada and Ethiopia. Slide 16 *illustrates two countries at the opposite ends of the fertility spectrum: Canada, well below the fertility rate replacement level of 2.1 children per woman, and Ethiopia, well above it.*[8,36] *Note the reciprocal relationships between fertility rates and female literacy or GDI. In Ethiopia the frequency of genital mutilation (female circumcision) is high (74%).*[37] *This procedure, with its inherent serious risks, is not required by any religion but is done mostly to young girls "to ensure desirability and suitability for marriage, in large part by controlling their sexual behaviour." In contrast to Canada, eighty percent of Ethiopia's population is rural with little access to health care services.*[38] *Family planning in the Third World is largely pursued by the wealthy urban population, as* ***Slide 17*** *illustrates, contrasting Ethiopia with another Third World country, Guatemala, where family planning is more developed.*[39]

China. Slide 18 *highlights aspects of the fertility rate in China.*[8,36] *This low rate has been achieved under China's "one child family" policy introduced in 1979.*[40] *The latter strongly supports contraception and uses coercive measures, such as threats of work and housing restrictions, should couples wish to have more than one child. While it is claimed that this policy has reduced births by 400 million, it has been unevenly applied, and led to the neglect of newborn female infants and selected abortion of female fetuses.*[41] *With a male/female child ratio of 120/100,* *China now faces the problem of "guang gun-er" (bare branches) – referring to branches of the family tree which will never bear fruit and the problems that such unmated males might produce.*[40] *The Chinese population is estimated to be slightly over 1.33 billion but the figure could be hundreds of millions higher due to unreported children in rural areas.*[8]

Indonesia. Slide 19 *illustrates data from modern day Indonesia.*[8,36] *Prior to industrialization, elevation of the status of women and family planning, children played large roles in the day to day lives of rural Indonesians. The situation in Java in the 1970's is a case in point* ***(Slide 20).***[42] *Family planning has been a success with an early report showing the number of couples practicing such rose from 2.8% in 1971/72 to 62.6% by 1984/85.*[43] *Nonetheless, by 1979 the Javanese population had reached such a size that the Suharto government moved 2.5 million from Java to less populous islands ("transmigrasi") with considerable "social tension".*[44] *Muslim Indonesia, like Catholic Italy noted on previous Slide 7, has been able to achieve a significant reduction in its fertility rate, illustrating the somewhat limited effect that religion can have upon the desires of families to control their reproduction.*

India. Slide 21 *provides some data from India.*[8,36] *Fertility rates vary throughout the country. Sen noted that low income Southern districts, where women had higher literacy rates and more job opportunities, had lower fertility rates than did richer districts, such as Punjab and Haryana, which had fewer opportunities for women.*[7] *He also felt that the forced sterilization employed by the Indira Gandhi government in the 1970's not only violated human rights, but was unnecessary. To this end, he cited the Indian district of Kerala where the high level of female empowerment produced a low birthrate rendering sterilization unnecessary. In Kerala there was also an absence of sex-selective abortion. Other areas of India, like China, face the problem of surplus males as a result of selective abortion and the neglect of female newborns.*[45]

Isbister is worth quoting in summarizing the variables influencing fertility rates **(Slide 22)**.[6] The effects of these variables can be quite rapid as evidenced by the drop in fertility rate with emigration to a developed, industrialized nation (**Slide 23)**.

The role of men in sustaining fertility rates must be noted. Most studies show that women desire fewer children than their male partners.[37] However, they may face subordination in the home, where more of a woman's income might be used for food and basic needs, or in the workplace, perhaps as a result of government policies. Todaro and Smith cited such an example.[5] They noted that, while women provide 60-80% of the agricultural work in Africa and Asia and about 40% in Latin America, government extension programs or credit might only be offered to men. Men may further offer resistance to contraception for religious reasons, the need to prove virility, the view that pregnancy will keep a woman faithful, and misunderstanding – such as equating family planning with having no children, or vasectomy with a loss of potency or orgasm.[3] Unemployed males, insecure in themselves, may be particularly suspicious of contraception.

d. Adolescence, aging and "the window of opportunity"

In 1961 Frantz Fanon, Algerian psychiatrist and activist, wrote about the emotional turmoil created in the Third World by the deleterious influences of the industrialized world. About its adolescents he noted:

> "*…The youth of an undeveloped country is often idle youth. It must first of all be occupied.*"[46]

Forty-seven years later, with the awareness that the Middle East had a high percentage of young people (30%) of whom one-quarter were unemployed, another observer noted:

> *"We have a choice now with the youth. They can be 100 million opportunities or 100 million ticking bombs."*[47]

According to the United Nations Population Fund 2007 report, 1.5 billion people on this planet are between the ages of 10 and 25 and half live in poverty on less than two dollars per day.[48] In an earlier report the Fund noted that this presented both obvious worries and – very optimistically – potential economic oppor-tunities.[10] They noted that, with the decline in fertility rates, the proportion of working age people (15 to 60 years) increases relative to those in the dependent ages (0-15, 60 and over) creating "demographic windows" of opportunity for economic and social change. These vary in time from region to region **(Slide 24)** and demand "appropriate invest-ments in health and education and conducive economic policies and governance" – perhaps a very, very large order. Without such, the windows will close again as aging and increasing dependency supervene. Many are waiting for their "windows of opportunity" **(Slide 25).**

e. Food production and famine

The other half of Malthus's equation involved food production. It was his view that the linear growth of food production could not match the geometric increase in population. In 1968 Dr. Paul Ehrlich published "The Population Bomb" supporting the Malthusian doctrine.[49] This was subsequently endorsed by the publications of the Club of Rome, "Limits to Growth" and the more thorough "Mankind at the Turning Point".[50] Despite these Cassandra-like prophesies, and the continued inequitable distribution of nutrients, the planet has not yet reached these desperate scenarios. In part this has been due to the "green revolution" in agriculture which produced high yield plant varieties, first for wheat in 1944, and followed by other cereal hybrids.[51] Use of these hybrids has been supplemented by the extensive use of petroleum-based fertilizers and pesticides, land clearing, extensive water extraction and "strip-mining" of our seas and oceans. These efforts at food production (reviewed on previously on page 15), appear unsustainable. Many urge that we should be concerned about what the future holds.[52,53] Patel summarized it thusly:

> "*…the food system is inherently weak. It is fragile because of the size of its ecological footprint, the resources needed to sustain it and the exploitation it requires.*"[54]

At present, we in the wealthy nations consume large quantities of meat, much derived from cattle which now occupy one-quarter of the arable land of this planet. **Thirty percent of the world's grain crop goes to feeding animals.**[55] According to the U.S. Department of Agriculture, it takes sixteen kilograms of grain and soy feed to produce one kilogram of beef, six kilograms of feed for one kilogram of pork.[56] Pork consumption in the U.S., requires the provision of approximately 275 kilograms of corn and 45 kilograms of soybean meal to each pig prior to slaughter.[57] This meat source then yields 2200 calories/day – the generally accepted World Health Organization average daily human caloric requirement – for 49 days. Were a person to eat the corn and soybean meal directly, rather than providing it to a pig, the same calorie input would last for over 500 days. It is no wonder, therefore, that Third World people eat lower on the food chain **(Slide 26)**.

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A less obvious cost is petroleum. One kilogram of beef takes approximately 6 litres of oil to produce when the costs of fertilizers, diesel fuel, etc. are factored into the equation.[58]

In many Third World countries up to 75% of income is spent on food.[59] It is, therefore, no surprise that an estimated 852 million were malnourished in 2000-2002.[60] As a consequence of poverty, 815 million of these individuals live in the Third World – and this number has changed little since. In children protein-energy malnutrition results in stunting (diminished height for age), underweight (low weight for age) and wasting from recent weight loss. The incidence of these problems in the Third World is illustrated on **Slide 27**.[60] A severe example of protein-energy malnutrition is kwashiorkor (**Slide 28)**. As noted previously (page 16), malnutrition with protein-energy, vitamin and mineral insufficien-cies – particularly vitamins A and C, iron and iodine – is a contributing factor in approx-imately one-half of childhood deaths before age five.

Superimposed on the insidious nature of chronic malnutrition are the episodic **famines** which reach the public's attention. These usually involve a maximum of 10-15% of a nation's population and are most common in Africa with its declining per capita food production (discussed earlier on page 15).[7] Sen thoughtfully noted **"Under-nourishment, starvation and famine are influenced by the working of the entire economy and society – not just food production and agricultural activities."[7] He then noted that the ability to acquire food has to be earned and that hunger is the loss of this "entitlement".**

Entitlement loss, Sen noted, can come about in a variety of ways **(Slide 29)**. For the **food producers**, it may be through drought and pestilence – such is the plight of arid, locust-ridden Niger today – to which might be added the disruption of food production and transfer by civil war as occurred in the Ethiopian famines of the 1980s and in Darfur, Sudan today. Appended to this may be the effect of AIDS, "hollowing out" families with the loss of work by young men and women. Famine can produce a call for cheaper foods, such as grains, and pastoralists or fishermen may find themselves without markets.

For the **food purchasers**, entitlement may be lost through: under- or unemployment when desperate, hungry people abandon non-essential purchases; the consequences of a low rural income vs. a relatively larger urban one; or when the costs of food rise as the result of hoarding or the selective increase in the purchasing power of one segment of society.

Poor, disorganized governments cannot offer social safety nets, create work programs, purchase or transport food to help impov-erished people **(also Slide 29)**. They may not even be aware of the depth of concern. Here, Sen quoted Mao Zedong's one concession to democracy. In 1962, after the Chinese famines of 1958-1961 killed close to thirty million (!), he noted: "Without demo-cracy, you have no understanding of what is happening down below…."[7] In 2005, a similar lack of com-munication was evidenced by the statement of the president of Niger, Mamadou Tandja, concerning the famine in that country.[61] He noted then that his people "look well fed" – a statement he subsequently retracted.

The 21st century has added new concerns to Dr. Sen's list **(Slide 30).** In recent years food prices have be driven upward by (i) the increased cost of fertilizers and pesticides, (ii) loss of land for biofuel and even plant-derived plastic production; (iii) increased animal feed and beef production, (iv) climate change, and

(v) financial speculation and profit taking.[62,63,64,65,66]

"Globalization famine" is a new phenomenon, created by the use of fertile agriculture land for export crops destined for the industrialized world.[67] Should these markets collapse, or adverse environmental factors, etc. occur, financial impoverishment and famine can follow.

f. Other population shifts and the plight of refugees

As will be discussed later (page 64), civil wars and wars between nations are more common in the Third World. Internally displaced persons (IDPs) and the emigrating refugees created by such strife are of major concern.

According to the newly adjusted figures from the U.N. High Commissioner of Refugees (UNHCR), in 2007 there were:

- 26 million conflict-generated IDPs
- 25 million displaced within their own countries by natural disasters
- 11.4 million refugees under UNHCR mandate.[68]

The latter number was exclusive of the Palestinian refugee population, which had been placed under separate mandate, and has grown from 870,000 in 1953 to 4.6 million at present.[68]

In addition to the psychological stresses created by injury, death and forced recruitment of loved ones, refugees face the problems of poor housing; lack of water supplies and sanitation; impoverished supplies of food, fuel and clothing; absent or dysfunctional health services including the absence of immunization of children; and absent or diminished educational and recreational opportunities. In their alien environment there is constant fear accompanied by loss of kinship, autonomy and cultural strength.[69] Overcrowding contributes to the dissemination of infectious diseases.

One cannot ignore the problems faced by Third World countries that are recipients of these refugees. There is a heavy burden of accommodation in, often, very poor countries. **Slide 31** notes one such example in northern Kenya.[70] There 210,000 malnourished Somali refugees occupy the world's largest refugee camp, living under bent branches covered by plastic sheeting, beneath a blazing sun. **Slide 31** also provides recent data as to the major recipient nations.[68]

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POLITICS

(Red numbered Slide 1)

As illustrated on **Slide 2,** if we hold to the "out of Africa" theory for the origins of humanity – recently further supported by studies of the migrant changes in the male Y chromosome DNA – in general considerable benefit came from migration to a more temperate climate.[1] The fertile crescent – modern day Israel, Lebanon, northern Syria, southern Turkey and north-eastern Iraq – was the site of plant domestication some 10,000 years ago with eight "founder" crops, among them wheat, barley, pea and lentil.[2,3] The goat, sheep, pig and cow were domesticated there and the horse nearby in what is now the modern day Ukraine. While other centres of agriculture developed near simultaneously in far more distant lands, Jared Diamond noted, "Eurasian peoples happened to inherit many more species of domesticable large wild mammalian herbivores than did peoples of the other continents."[2,4] In this superbly crafted text, he noted the use of these animals for meat, milk and manure, some for the drawing of ploughs and the horse for riding and conquest. Also mentioned was the development of writing in Sumer (sited in ancient Iraq) and the Eurasian evolution of steel and gunpowder.

Diamond emphasized the difficult, but more ready, east-west transfer of knowledge across temperate zone Eurasia as opposed to the north-south distribution of information. As illustrated on **Slide 3**, north-south transfer faced the barriers of deserts and rainforests plus, in the Americas, the narrow isthmus between the continents. All these factors contributed to the development and dominance of the northern Eurasian temperate world.

In this temperate zone there was a relatively stable climate which, with rich soils, agriculture and animal domestication, freed humankind for activities beyond survival alone. While temperate zone Asia developed in advance of Europe **(Slide 4)**, it faltered in the fourteenth century for reasons still under dispute and, instead, the industrial revolution occurred in Europe in the late 1700s and 1800s **(Slide 5)**.[5] **Authors suggest that the industrial revolution was the consequence of a firm agricultural base, the recognition of physical and intellectual property rights, knowledge of the scientific method, development of capital markets, the increasing speed of communication and transportation, plus the development of recipient markets for goods.[6,7] Inadequacies in many or all of these areas continue to play major roles in the problems of the Third World.[7]**

Unfortunately, the industrial revolution was only slowly accompanied by social change.[8] Life for the average European before the 19th century was little better, and often worse, than that of people in major Asian countries which had been conquered, with other less developed nations, by the sophistication of weaponry generated by prior European wars and industrialization. Accompanying these conquests the conquerors brought devastating germs, such as smallpox, developed in their domesticated animals, and to which they had become at least partially immune.[2]

It is difficult to walk down the middle of the road in discussing the political evolution of Third World poverty. Some authors appear to be relatively dismissive of the influences of colonialism and the actions of the present day developed, industrialized world. Others are very critical of both. To a western Canadian this situation is akin to the divergent views of the European settlers moving westward through North America and those of the First Nations peoples looking eastward at this advance. These divergent views are evident in the modernization, dependency and Marxist theories concerning the origins of Third World poverty and the subsequent suggested efforts to relieve this plight **(Slide 6).**[9,10]

We have broken the topic into "Politics by the Sword" and "Politics by the Pen". This line is to a degree artificial for armed conquest is followed by signed treaties, etc. and today's written agreements are all too often achieved by an actual or implied threat of force.

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I. POLITICS BY THE SWORD – THE POLITICS OF EMPIRE

(Red numbered Slide 7)

This section will not discuss the early empires before the European conquests of the Third World. Furthermore, the latter will not be discussed in great detail except to outline the common consequences of these actions.

What drove imperialism? Adventure. Fame. Fortune. These were all factors in the Spanish and Portuguese conquests in the New World in the 1500s. They were also responsible for the chartering of the English East India Company by Queen Elizabeth I in 1600, the formation of the competitive Dutch East India Company two years later, and the empire building of the other European powers.[1] This "pull" was augmented by the "push" of unemployment, poverty and class strife present in Europe at that time making new lands and new markets appealing **(Slide 8)**.[2]

Imperialism created a balance sheet. To its credit, as we have noted, there is no doubt that these empires introduced the rest of the world to European achievements in the arts, sciences and public health; encouraged trade including the spread of botanicals for food and ornamentation. Literacy increased. Railways, highways, irrigation projects, postal and telegraph systems arose, albeit largely to serve the colonials better.[3,4] The imperialists introduced laws with democratic principles no matter how weakly applied. In its colonies Britain's common law has been credited with limiting the power of the nation's managers, removing arbitrary remedies, introducing a jury system and the protection of shareholder and creditor rights allowing effective financial markets.[5] It has also been suggested that colonialism brought law, order and bureau-cratic stability to Muslim countries allowing the introduction of Islamic law on a personal level.[6]

On the debit side, colonialists did create problems – many major and still extant today – which we must turn our attention to. Thus, in this summary of colonialism, we are devoting most of our attention to the debit side of the balance sheet. We will be brief, cover features where we can generalize, and cite examples. Isbister's publication has provided consider-able guidance in this review.[7] Bagchi has added a welcome perspective from the Third World.[8] His text underscores the sophistication of the cultures conquered by the imperialists in their search for markets and financial gain.

a. Political boundaries

Colonial conquests largely dictated today's borders and remain the source of many of our present problems. The divisions came quickly. In 1494, two years after Columbus's first voyage of discovery, Portugal and Spain signed the treaty of Tordesillas dividing up land in the New World **(Slide 9)**.[9] In Central and South America, this led to the Portuguese control of Brazil – its boundaries were later pushed westward – and Spanish conquests in nearly all of the remaining lands.

The exploration and conquests of the African interior had to await the discovery of quinine for the treatment of malaria. With such, the Europeans found it safer to venture inland and the conquest of African cultures and lands rapidly followed **(Slide 10)**.[10] In 1884, German Chancellor Bismarck found it necessary to call a meeting of the European powers to divide up ownership of the African continent because of this competition.[11] Power and primacy of arrival of the Europeans determined the borders, separating traditional communities between two to four countries and binding together ill-fitting groups.[12] Two examples will be cited. On the western side of the continent Britain cobbled together feuding tribes to form Nigeria in 1914 **(Slide 11)**. The feuding in Nigeria has gone on since with corruption, criminal activity in the oil-rich Niger delta, and capital flight leaving most destitute despite huge petroleum reserves (See "natural resources trap", page -).[13,14,15] On the eastern side, Germany's defeat in World War I resulted in the forfeiture of German East Africa which became Tanganyika under British rule. The decision as to the border between this new possession and Kenya was based upon the view that each country should have a snowy mountain. As illustrated on **Slide 12**, Tanganyika – Tanzania since independence – got Mount Kilimanjaro and Kenya held on to Mount Kenya.[12]

All around the world, lines were drawn – lines in the water or across islands in the Caribbean and south-east Asia, lines in the sands of the Middle East and northern Africa, lines across continents, lines everywhere the Europeans voyaged and competed – lines that divided peoples and did not respect local languages, customs or, often, topography. Sustained tribalism was one result. Ethnically divided countries do more poorly in development, education, health care and democractic evolution.[3] Failure to accommodate to topography created others problems, such as trapped inland nations with poor resources and long transportation distances (a problem for 30% of Africans).[13,14]

These lines helped create the present day "quasi-nations", as Oswaldo de Rivero, former Peruvian ambassador to the U.N., has called them.[16] He noted:

> **"*In the majority of the industrialized states, national identity preceded the crystallisation of the state authority… the nation, reflected in a common culture, and above all in the emergence of a middle class and a national market, existed before the modern state was formed. In contrast, the majority of the quasi nation-states of Latin America, Asia and Africa, despite their historical and cultural differences, experienced this sequence in reverse. The political authority...emerged before the nation, before the national cultural identity and before the development of a true middle class and a unifying national market (Slide 13)."***

These "quasi nations" can be found throughout the Third World, even in remote corners such as Melanesia.[17] There, as in many regions elsewhere around the globe, loyalty to the local village, town and tribe far exceeds that to a distant capitol which is often the source of disenchantment and hostility.

All too frequently international and intra-national wars have been the consequence in these "quasi nations". All are aware of the chaos and deaths in the Democratic Republic of the Congo and Sudan today. Less appreciated is the 80-plus years of warring since the British and French betrayed their promise of an independent Kurdistan – a potential homeland for over 25 millions Kurds **(Slide 14)**.[18]

b. Imposition of a European culture and a new national language

While the conquered peoples lacked the material development of their conquerors, almost all had cultures and survival skills developed over millennia.[8] These were all too frequently ignored or quickly discarded by the Europeans who were imbued with an ideological "civilizing mission".[8] Local languages, reflecting indigenous culture, traditions and relationships were suppressed and replaced by those of the imperial powers, often with variant views reflected in the foreign tongue.[7] The refusal of the imperialists to communicate in the local language, and the forced use of a European language, further relegated the conquered to second class citizenship. **(Slide 15)**.[19] Frantz Fanon, psych-iatrist and Algerian activist, noted:

> *"...it (colonialism) turns its attention to the past of the colonized people and distorts it, disfigures it, and destroys it."*[c]
> *...colonialism forces the people it dominates to ask themselves the question constantly: 'in reality, who am I?'"* [20]

European religious views also had their impact. While today in Third World countries the Christian churches fight for the rights of the underprivileged, this was not always so. In South Africa, during apartheid's later years and recently, the Protestant Church had stood out as a centre of resistance to segregation.[7] Previously, however, during colonial times the Dutch Reformed Churches had attached religious justification to apartheid, stating the separation was divinely ordained to sustain the purity of the white race.[21] In recent times the Catholic Church has resisted the oppression of the poor in Latin America.[7] During the age of empire it was used as a tool of colonial conquest.[22] In addition to obeisance to foreign rule, conversion to Christianity and its directives were demanded. Religions, often more attuned to the natural surroundings, were supplanted. What was deemed a failure to comply was used as an excuse for subservience, imprisonment, or even death.

Hiding beneath the cross was the rough-hewn mercantile element of its day which placed the local population in servitude to European needs. In many Third World countries the second class status of the indigenous populations persists to this date, as it does in many now industrialized nations which were former European colonies.

c. Impact on rule

As noted by Isbister, the Europeans brought with them their secular ideologies.[7] In many instances the autocratic and ostentatious behaviour of the imperialists was not lost on the indigenous population who mimicked their rule when they supplanted them post-independence, and even exceeded the opulence of the colonial power.[2] Félix Houphouet-Boigny, first President of the independent Ivory Coast, is but one example **(Slide 16)**.[23]

Unfortunately, when independence arrived, these new rulers were most frequently ill-prepared for the task. Fanon noted:

> "*…When these parties are questioned on their economic agenda for the nation or the regime they propose to establish they prove incapable of giving an answer because, in fact, they do not have a clue about the economy of their own country. This economy has always developed outside their control…The precariousness of its (the country's) resources and the scarcity of managerial talent forces it for years into an economy of cottage industries."*[24]

The support the imperialists offered to specific groups within a newly established colonial outpost often led to the suppression of others. The African slave trade (vide infra) was supported by the preferential treatment of coastal tribes who assisted by bringing inland slaves to the European ships **(Slide 17)**. Many other examples have been cited by Stavrianos.[1] More recently, the consequences of such preferential behaviour may be best exemplified by the experience of the Rwandan genocide slightly over one decade ago.

When the Belgian colonists arrived in Rwanda they brought with them the pseudo- science of phrenology – the use of skull measurement to assess mental characteristics – which they applied to the Tutsi and Hutu populations then living together uneasily, but nonetheless relatively peacefully, as they had for centuries.[25,26] *Nose lengths were measured, head circumferences ascertained, and ethnic identity cards were issued in 1933-34 stating "Hutu" or "Tutsi". The Belgians preferentially educated and employed the Tutsis, allowed their chiefs to control the Hutu majority (approximately 85% of the population), and thus controlled the nation indirectly. When the Tutsis led the independence movement following World War II, the Belgians decamped, switched allegiance to the Hutus, and added to the ferment. At the time of the Belgian departure they left a nation deeply divided along racial/ethnic lines. Power and influence, as well as wealth and opportunity, were in the hands of a small minority of Hutus. These hostilities, combined with overpopulation and failing food supplies from drought and environmental degradation, culminated in the tragic events of 1994 and spill-over hostilities in the adjacent Democratic Republic of the Congo today* ***(Slide 18)***.[27,28]

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d. Destruction of local industry

In India, as late as 1930, Gandhi lamented "Before the British advent India spun and wove in her millions of cottages…..This cottage industry so vital for India's existence, has been ruined by incredible heartless and inhuman processes…."[19] While it is very doubtful that the home clothing industry could stay successful, Gandhi was making a point.

The English Calico Acts of 1700 and 1721 prohibited the wearing or selling of calicoes or silks from India, Persia or China. Subsequently in the 1800's, while Britain's official business philosophy was that of free trade, this was not borne out in fact. Stavrianos noted that there were only nominal 2-3½ % duties imposed by the British rulers on British woollen, cotton and silk products imported into India, as opposed to a 70-80% duty on Indian cotton goods imported into Britain.[1] When the industrial revolution created machinery for the manufacture of textiles – roughly between 1770 and 1870 – the export of this equipment to India was prohibited as well.[1,29] The destruction of the Indian cotton manufacturing was such that by 1840 Sir Charles Trevelyan could announce: "Dacca, the Manchester of India, has fallen off from a very flourishing town to a very poor and small town."[1] Thomas Baxley, president of the Manchester Chamber of Commerce, stated in 1864: "The great interest of India was to be agricultural rather than manufacturing and mechanical."[1] India had not been asked what its "great interest" was and Britain made Baxley's statement a fact.

As further reflected by the British control of the salt market, Gandhi must have felt their controls were limitless and rallied his country against them **(Slide 19).**[19]

Further west, African nations faced similar restrictions on cash crop agriculture and the acquisition of technical skills and machinery for manufacturing **(Slide 20).**[1] The British Navigation Acts, in place between 1651 and 1849, further inhibited development by preventing its colonies from shipping goods unless British vessels were used.[30]

e. Displacement from lands; primary export production

The Europeans re-enacted in their colonies their home policies of large land ownership by the ruling class.[8] The Spanish and Portuguese conquest of South America resulted in the displacement of the indigenous population and the development of *latifundios*, large tracts of land owned and inherited by people of European or mixed, *mestizo* blood. While revolution has produced change in landholdings in Mexico and Cuba, today in Latin America 1.3% of landowners still hold 71.6% of the land.[31] Gini coefficients display these disparities **(Slide 21)**. In addition, up to 10% of *latifundio* land in Brazil may be held illegally. These large areas are held more for prestige than development, in contrast to the *minifundios* worked by the indigenous population. In Argentina, Brazil and Chile *latifundio* lands yield one-half as much for each hectare under cultivation and one-tenth as much per hectare of total farm land than do the *minifundio* holdings.[31] Today, in Brazil in response to this imbalance, the Movement of Landless Rural Workers, representing 12 million landless people, seizes tracts of unused farmland and uses them for "sustainable agriculture, markets and schools under the slogan 'Occupy, Resist, Produce'".[32,33]

In the Philippines, almost yearly revolts occurred against land control, land rents, monopolies and the labour policies which characterized Spanish control during its three hundred years of rule.[1]

In a similar pattern in Mozambique, Portugal used forced labour to create cash crops of coffee, cotton, sisal and copra.[1]

Perhaps one of the more extraordinary uses of expropriated agricultural land in one country to control a second was the English use of opium poppy plantations in India for the aggressive sale of the poppy's addictive extract in China to pay for the purchase of Chinese tea.[34] *The Chinese were indifferent to the purchase of British exports, such as woollens and pottery, in exchange and demanded payment in Spanish bullion. When English bullion supplies fell, opium exports to China were substituted and forcefully promoted. The Chinese strongly opposed these sales. Their resistance resulted in two wars from 1839-42, and 1856-60, resulting in the British control of Chinese ports and the addiction of a large portion of the indigenous population* ***(Slides 22,23)****. Opium addiction continued to be a problem in China throughout the first half of the twentieth century* ***(Slide 24)****. Ch'iang Kai-shek's government used opium taxation to finance his regime and army until he was deposed in 1949. With the change of government, Mao Zedong sought to bring an end to the opium crisis and by 1960 it was controlled.*

Today in the Third World around 14% of the land – commonly the best – is used for export food production leaving 1.4 billion people resource poor and surviving on small scale farming.[35] Seven hundred and ninety million cannot find food security and greater than 20,000 die daily from the effects of hunger.[35]

No matter how roughly and viciously it is being handled, this landownership imbalance is being addressed. In Zimbabwe, the Mugabe government – far from being known for its honesty and still desperately clinging to power – has aggressively reclaimed land from the white minority which represented 1% of the population and held 70% of its best land.[25] Sadly, the new owners have been ill-prepared for their tasks and food shortages have resulted. Within the past several years, President Nujoma of Namibia has expropriated a small number of white-owned farms.[36] In that country whites comprise 5% of the 1.8 million population but own 92% of the agricultural land. The South African government is forcing white farmers to sell their land or be prepared to leave in order to return 30% of the land to black South

Africans.[36,37] Previously, blacks had owned just 4% of the farmland in that country. These people are not alone in wanting change of ownership of land in Africa **(Slide 25).**

Exploitation of natural wealth has had a similar story across the colonial world. The stories of Cortes, Pizarro and the Spanish desire for gold and silver in Mexico and Peru are well known, so two lesser known examples will be cited to give a further sense of the times.[38] Spices were the initial interest of the Dutch East India Company in Indonesia. There, the indigenous population were treated with the philosophy of the then governor general, Pieterszoon Coen: "May not a man in Europe do what he likes with his cattle?"[1]

Further to the north, France brought its culture, electricity, sewer systems and rail travel to Vietnam but divided the country up and exploited it for its tungsten, zinc and other wealth.[39] Until its defeat in 1954, those who opposed French rule were also introduced to their penal system and the guillotine **(Slide 26)**.

Casting her eyes globally at the residual control of agricultural land, natural and mineral wealth, author Amy Chua observed:

> *"Today….most starkly in South Africa but also in Latin America and elsewhere, many market-dominant minorities are the descendents of colonizers…. Thus, the persistence of market-dominant minorities throughout the developing world is one of colonialism's most overlooked and destructive legacies."*[25]

Earlier, in the section on "Place" (page 16), we mentioned the lack of navigable rivers in Africa and the impact this has had on economic development. Added to this are the absence of adequate roads in Africa and the presence of rail systems fundamentally established by the colonialists to export mineral and other wealth from the continent.[12] Reflecting this railroad history are the three different rail gauges in use in Africa today. As a result of these transportation problems, only 12% of African trade is within Africa itself and, in some countries, as much as one-half of agricultural produce is lost through spoilage on its way to market.[12]

The summed negative consequences of limited financial input, the constant payment of tribute through taxation, and the inhibition of economic development in the colonies has been analyzed by Bairoch and Bagchi.[8,40] On **Slide 27**, note that Bairoch used the per capita industrial output in Britain in 1900 as the base which he arbitrarily set at 100. Note the declines in Third World production. One colony, Canada, did demonstrate a rise in output. Why was Canada different? Isbister offers several explanations, most favourably endorsing the thought that "the export industries created new wealth and that the wealth reinforced whatever social structure already existed…"[7]

In looking at the Third World in general, Bagchi has suggested:

> *"The typical paths of development in the past have needed some countries to stay retarded, transferring capital, providing cheap raw materials and markets for manufactures."*[41]

At present most Third World countries still depend upon the export of 1-3 primary products – and the prices of most primary goods had been falling, until the sharp upsurge in agricultural and mineral prices very recently (exemplified on **Slide 28)**.[42,43] In their long list of countries receiving at least forty percent of export earnings from 1-2 agricultural products or non-fuel mineral products, Anderson and colleagues included such countries as Ethiopia (coffee), Mozambique (fish and fruit), Myanmar (wood and vegetables), Chile (copper and metal ores), Paraguay (vegetables and cotton).[44] Comparable data has been accumulated by the International Monetary Fund **(Slide 29)**.[42]

de Rivero noted this system still corresponds to the first industrial revolution in its use of unskilled labour and raw materials, placing it "totally out of touch with the trends of the new global capitalist economy".[16]

f. The slave trade

While brief, and specific, comments will be made concerning trans-Atlantic slave trading, the general comments in the second paragraph meld in the damaging consequences of Arab trans-Saharan and East African slave trafficking which was initiated at an earlier date.

There are specific reasons why the trans-Atlantic slave trade appears in these notes. The volume of human traffic out of Africa justifies comment – estimates have suggested that up to twelve million slaves reached the Americas from 1501, nine years after the first voyage of Columbus, until trans-Atlantic slave trading ceased nearly four centuries later.[1,45] To add to the tragedy, it is estimated that only one quarter of those taken for slavery survived capture and the voyages to the "New World" **(Slide 30)**.

The benefit to England deserves comment too. The Africa-bound slave ships sailed out of ports, such as Bristol and Liverpool, and returned to these harbours with their wealth. Thus the slave trade underpinned the capitalism of the time and helped fund the industrial revolution in England. Would that revolution have occurred without it? Landes concluded that it would have but "without slavery, industry would have developed more slowly."[29]

As a reflection of the European and Arab trafficking of young Sub-Saharan African men and women, while the world population increased during this interval, that of Africa did not.[1] Stavrianos noted that this depletion of African humanity "made authoritarian societies stronger and loosely coordinated ones weaker… obstructing the evolution of new and more effective political institutions" and that it "obstructed traditional interregional trade within Africa"…with "the elimination of local horizontal economic ties in favour of vertical economic ties with metropolitan centers".[1] These and other considerations are listed on **Slide 31**. Stavrianos also noted that, in the African regions which were rewarded for the slaves they provided, only the ruling class reaped the benefits, and with items that did not enhance the likelihood of development (spirits, firearms, cloths and the like).

The set backs in African development generated by the slave trade helped mask the history of the great African civilizations and helped generate "the myth of African ignorance."[46] Enslavement of some 25 million people, largely in the Third World, still exists **(Slide 32)**.[47]

g. Growth of the cities

In the introduction to his section on this topic, Harrison quotes from Gandhi:

> *"The British have exploited India through its cities, the latter had exploited villages. The blood of the villages is the cement with which the edifice of the cities is built."*[7]

The dregs of colonialism still can be found in the cities of the Third World. There is a significant difference between urbanization in industrialized nations and that in the Third World. In the former the differences between urban and rural life have been moderated by wealth, democratic rule, government funding for rural infrastructure and farm programs, and the use of modern farming techniques. This creates relative rural wealth and opportunity not seen in the Third World.

In colonial times the major city in a country was the seat of rule. This helped create the "one city bias" evident in so many Third World countries today.[31] In that city, the colonial autocrats provided themselves with the lifestyles and privileges they were accustomed to in their homelands and depleted the rural areas in doing so. Little changed with decol-onialization. Todaro and Smith noted that in the 1970s, when the colonialists had gone, most countries in the Third World were authoritarian with few effective democracies.[31] These autocrats did not yield to standards of living more appropriate to their nations but, instead, continued the lifestyles of their predecessors. Those in administrative posts and the new elite did the same.[31,48] City bias continued and the demanding urban population – with their potential for riot and possible replacement of their rulers – received disproportionately greater attention from their urban-dwelling governments than did the impoverished rural communities.[2]

The ratio of rural poor to urban poor remains high in the Third World today and even those in the urban informal sector generally do better.[31,49] The money obtained from foreign loans is spent in the cities and repaid by produce from the rural communities. Former President of Tanzania, Julius Nyerere once noted "We might get into the position where the real exploitation in Tanzania is that of the town dwellers exploiting the peasants."[2]

In its 2001 report, the UN Human Settlements Programme addressed the one city and urban biases and noted that "national governments across Africa are increasingly adopting decentralization as one of their primary strategies for development."[50]

h. Public health

You have already read the explanation for this apparently paradoxical inclusion in a chapter on problems generated by the colonial powers in the section on "Population". Their public health measures reduced death rates – but the failure to promote economic development preserved the high fertility rates, a problem which has persisted since colonial times.[7,31]

In the few previous pages we have listed the general consequences of colonialism, emphasizing those with residual effects **(Slide 33).** We will end this brief discussion with Isbister's summation:

> ***"…Imperialism was one of the major formative movements of the modern age. It brought with it incredible cultural destruction, economic impoverishment, death, and even genocide. It opened the world to new ideas, new technologies, new opportunities. It created the world we live in, be we rich or poor."***[7]

It couldn't have been described better.

It even created our impression of the world we live in **(Slide 34)**![51]

We will now spend more time discussing the continuing but more subtle evolution of Third World since the decline of florid imperialism.

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II. POLITICS BY PEN – THE POLITICS OF LAWYERS AND ACCOUNTANTS

(Yellow numbered Slide 1)

As noted earlier, since we can only reflect back upon the common residual effects of colonial rule, we have been relatively brief in its discussion. This portion, reflecting more recent events and present day relationships deserves more space.

World War II dealt a damaging blow to colonialism, leaving the European powers in financial and structural ruin and incapable of running their colonies with as firm a hand. Following the war further pressure was placed upon colonialists by Chapter XI of the newly-minted United Nations (UN) charter which addressed their controls **(Slide 2)**.[1] These events, plus strong independence movements, brought to an end European colonial rule. India was the first to leave in 1947. Others followed, the majority in the 1960's, Portugal ultimately leaving Angola and Mozambique in 1975.

In addition to the decline in European power and the formation of the UN, three other features characterized the years before and subsequent to the conclusion of World War II in 1945: (a) the rise of the United States; (b) the formation of the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF); and (c) the "cold war" animosity between the capitalist first and communist second worlds. All had immediate and continuing impact on the Third World. **Slide 3** summarizes this chronology.

In sharp contrast to the depleted European states, the U.S. rose to prominence. Its fledgling industries became the planet's major producers by the end of World War II.[2] By that time the U.S. accounted for two-thirds of the world's manufacturing output and one-third of the planet's gross product.

The strength of the United States was reflected in the formation, regulation, and actions of the IBRD and the IMF which were conceived in 1944 and put in place in 1946. The proposed role for the IRBD was post-war reconstruction. When this task was usurped by the 13.3 billion dollar U.S. Marshall Plan for European aid, the IBRD turned its attention to the Third World, a topic to be discussed in a subsequent segment.[3] The IMF's role – which we will discuss in more detail later as well – was to be that of currency stabilization. It, too, has had a major impact on the non-industrialized world.

These events, combined with the "cold war", led to a new era of difficulty, disruption and debt for the Third World which extends to this time – a period considered by many to be "neo-colonialism".

a. The "cold war," plus the "oil crunch," and corruption – then and now

Following the conclusion of World War II, the struggle for supremacy between the capitalist democracies and the communist socialist countries – largely Russia and China – began in earnest **(Slide 4)**. The fear of post-war European communism led the U.S. to direct aid and loans to allied, and potentially allied, governments starting in 1945. For example, funds from the Marshall plan kept communism at bay in France and Turkey. Author Noreena Hertz noted that Latin America received U.S. aid after Castro seized power in Cuba in 1959 and, shortly thereafter, when South Asia was deemed a communist threat, aid was sent to key countries such as South Korea, Thailand, India and Pakistan.[3] Prior to American troop involvement in Vietnam, the corrupt anti-communist regime of Ngo Dinh Diem in South Vietnam received over four billion dollars in loans and grants.[3]

In Africa, communist support for liberation movements led to capitalism's support of their opposition with, in an number of instances, the funding of corrupt, thieving dictators such as the profligate Mobutu of Zaire (now the Democratic Republic of the Congo), who received one-half of America's Sub-Saharan spending at the end of the 1970's and plundered that country for 32 years.[4]

Proxy wars were fought in the Third World in countries such as Angola and Nicaragua. With these wars and potential wars financed by loans, Third World debt mounted. Arms purchases were a major component. Burrows noted that in 1985 Nicaragua allocated 26.2% of its government spending to its armed forces, El Salvador 29.1%, Ethiopia 28.9% and Mozambique 38%.[5] He quoted from the "Campaign against Arms Trade" concerning the problems that these sales and proxy wars generated for Sub-Saharan Africa **(Slide 5)**.[6] This eloquent comment also spoke for the Third World generally where dictators ruled, arms were sold, and wars fought on behalf of the superpowers.

If the Cold War, corruption, thievery and odious (illegitimate) debt weren't enough to destroy the fragile economies of the Third World, the "oil crunch" did. We'll turn our attention to that now.

The **Organization of Petroleum Exporting Countries (OPEC)** was formed in 1960 **(Slide 6)**. Its initial impact was small for fear of triggering political reaction and military action from the industrialized world.[7] OPEC members were well aware that in 1953 U.S. and British action had led to the overthrow of Iran's Prime Minister Mossadeq – who had nationalized country's oil production – his replacement by the Shah, and the division of Iranian oil activity among western oil companies. Only after Moammar El-Gadhafi gained control of Libya in 1969 did OPEC show its muscle with Libya forcing price increases **(Slide 7)**.[7] Author Anthony Sampson quoted one OPEC official as stating: "The Libyan success was an embarrassment to other OPEC countries. It rendered further silence almost impossible."[7]

Stimulated by El-Gadhafi, starting in 1970 OPEC progressively raised the tax rate and posted prices **(Slide 8)**.[8] The first precipitous rise in oil prices occurred in 1973 when the U.S. support of Israel in the Yom Kippur war triggered an Arab oil embargo. Further events in the Middle East, noted on the slide, produced further increments in the cost of oil. With these events, OPEC found itself awash in funds. Hertz commented: "…overnight a huge new supply of credit emerged - $333.5 billion to be exact".[3]

In their search for a safe harbour for these "petro-dollars", the OPEC members placed the funds in industrialized nations' banks, and the banks, desperate for investment opportunities to pay the interest on these sums, turned to the Third World, in particular regimes endorsing the capitalist countries. The Third World investment philosophy espoused by Walter Wriston, President of Citibank in New York – "Any country, no matter how badly off, will own more than it owes" – was literally interpreted and followed by others **(Slide 9).**[3,4] By 1976, Citibank was earning 72% of its income abroad, Chase Manhattan more at 76% and other industrialized nations' banks were heavily invested in the Third World as well. Like the cold war loans, the money was not handled appropriately or disappeared out of the country (capital flight) **(Slide 10)**.

Not only did these "petro-dollars" not reach the people who needed them, they added fuel to the inflationary fire of the time and the purchasing power of currencies declined **(Slide 11)**. To control inflation the U.S. Federal Reserve sharply reduced the money supply and increased interest rates in 1979 – an effect that was felt around the world **(Slide 12)**.[9]

The events of the late 1970's were disastrous to the Third World **(Slide 13)**.[3] From an agricultural perspective, rising oil prices meant increased costs to fuel a meager supply of farm equipment and irrigation pumps. Costs for petroleum-based nitrogen fertilizers and oil-derived pesticides rose too, dampening the benefits of the green revolution in wheat, corn and rice hybrids which were so dependent on these chemicals and adequate irrigation. The recession produced by the rising interest rates also meant decreased commodity sales which reduced Third World exports. These losses, combined with the high interest payments on Third World debt, destroyed their economies, many already ravaged by the cold war and capital flight.

Mexico announced it couldn't pay its $80 billion debt burden in 1982 and the next biggest debtor, Brazil, was lined up to follow.[3] All told, Latin America alone owed $315 billion, two-thirds of which was to commercial banks. Their exposure and geo-political considerations brought the U.S. government, the World Bank and the IMF on to the scene.[10] Their major roles were to prevent the collapse of the commercial banks. Through a series of manoeuvres, funds were loaned to countries to pay off major portions of their commercial debts and the remaining portions were covered through renegotiated bank loans.

High interest rates and the progressively accumulating debt loads have created a circumstance such that ***since 1983 Third World debt payments to the developed, industrialized world have been far in excess of financial aid provided in return (Slide 14)!***[10,11] ***In their 2004 publication, Millet and Toussaint noted: "For every $1 owed in 1980, the developing countries have repaid $7.50 and still owe $4."***[12] *On its website, the Jubilee Debt Campaign has noted that the poorest 49 countries have debts totalling between 290 and 375 billion, and, for the poorest 144, the total is over 2.9 trillion!*[13] *Much of this debt is left over from the 1970s.*

Corruption of Third World governments and capital flight were, and remain to a somewhat diminished degree, concerns today.

Most liberation leaders were not elected but appointed and had accountability only to their party barons.[14] They worked within a hierarchical command structure, and operated in secrecy. This format frequently led to a ruling clique, rather than a democracy, when the colonialists departed. Enrichment of the leadership often followed. As Pogge has noted, these individuals further benefited under existing global rules where:

> *"…any person or group possessing effective power in a country is internationally recognized as entitled to sell the country's resources and to borrow abroad, all in the name of the country's people."*[15]

This power allowed the thievery and sumptuous life styles of the ruling Houphouet-Boignys from the Ivory Coast, the Salinases of Mexico, Duveliers of Haiti, Suhartos of Indonesia, and similar government "klepto-crats". What has been the cost?

In discussing capital flight from the Third World, Mason noted that in the 1980's Latin American and Caribbean citizens had assets in the United States worth over $200 billion – slightly below the $208 billion that had been loaned by the U.S. to Latin America at that time.[16] He also commented that the thievery of funds from Africa between the years 1972-82 may have been as high as $100 billion. Adams added: "By the end of 1987 the foreign wealth held by the citizens of the 15 largest Third World debtors amounted to $300 billion – more than half of the foreign debts owed by their countries."[4] More recently, Oxfam reported that Sani Abacha, President of Nigeria from 1993 to 1998, and his cohorts had looted approximately $55 billion of their country's public funds.[17] Consequently, Nigeria, where approximately 30% of the population lives in extreme poverty, was saddled with billions of international debt.

Large portions of these stolen funds, and those of others, are inaccessibly sequestered in tax havens – sites which British novelist William Somerset Maugham appropriately labelled "sunny places for shady people" (See page 62).

Hertz summarized the nature and extent of the problem when she noted that

> ***"the case for deeming certain (Third World) debts illegitimate is not only strong and compelling; it is a matter of justice…. over the past thirty years as much as 60 percent of loans were committed by creditors to countries whose governments at the time were corrupt or whose people were in chains."***[3]

Well, how about today? Unfortunately, the poverty and weak governance of many Third World countries means that corruption remains a problem. Despite significant efforts to reduce corruption, even in the late 1990s roughly 30% of African GDP was still disappearing offshore, and some resource-rich rulers are still living all too well **(Slide 15)**.[18,19] The magnitude of this problem is captured in Transparency International's "corruption perceptions index".[20] The latter, described as "a poll of polls, reflecting the perceptions of business people and country analysts, both resident and non-resident" ranks countries from ten ("clean") to zero. Those nations with values of 7.0 or greater are predominately rich (Chile's value is 7.0); the 76 with values less than 3.0, indicative of rampant corruption, are among the poor. We have listed some of the best and the worst from 2007 on **Slide 16.**[20]

It must be emphasized that <u>not all Third World countries are plagued by corruption</u>, e.g. Botswana is 38th (5.4). Furthermore, <u>many are</u> <u>improving</u>, such as Namibia (4.5), South Africa (5.1), Suriname (3.5).[20] Political accountability is on the increase globally and the media generally freer.

Because of these concerns, the agreement between wealthy nations and the impoverished African Third World, entitled the <u>**"New Partnership for Africa's Development (NePAD)"**</u>, has placed much emphasis on good governance.[21] The 53 African governments have put in place the African Peer Review Mechanism to demonstrate African ownership of this task. While this review is voluntary, as of July, 2008 twenty-nine nations have accepted this process.[22]

As a further effort to promote honesty in government, the Extractive Industries Transparency Initiative, which promotes more public openness between government and foreign firms, has been adopted by a score of African countries.[23] From the perspective of the wealthy industrialized world, 18 of 34 nations have actively pursued the 1997 OECD Anti-Bribery Convention.[24] The U.S., France and Germany stand out in their enforcement. Canada, Japan and the U.K. are among those who do not.

Progress is being made – slowly.

It is now time to turn our attention to the World Bank and the IMF, and briefly to other development banks, concerning the roles they have played in handling Third World debt and development.

<u>b. Multilateral aid: World Bank Group and the International Monetary Fund (IMF); other development banks</u>

Multilateral aid is aid directed to countries in need through pooled funds, largely from the developed, industrialized world. The World Bank Group – initially, solely the International Bank for Reconstruction and Development (IBRD) – and the IMF are two prominent sources. Both the IBRD and the IMF were conceived at Bretton Woods, New Hampshire in 1944 near the conclusion of World War II and put in place in 1946.[25,26] They were created to have two distinct but complementary functions. As noted earlier, the IBRD's initial role was to help post-war rebuilding. The IMF's role was to be that of currency stabilization and oversight of the currency exchange market. The Fund's founders were determined that the global financial depression, present before World War II, would not be repeated when peace was achieved. Since their origins, the two "Bretton Woods institutions" have been inextricably intertwined.

The controlling influence of the industrialized, developed world on the Bank and the Fund are reflected in the selections of their heads – the U.S. selects the President of the Bank, and the European Union picks the Managing Director for the Fund **(Slide 17)**.[27]

The World Bank Group

The World Bank Group employs roughly 10,000 worldwide and comprises five institutions, whose purposes are outlined on **Slide 18**.[28] We will address only the IBRD and the International Development Association (IDA). The latter was spawned by the IBRD in 1960 to lend to the poorest nations on the most favourable terms.[29] **Since that time, the IBRD and IDA have been commonly called the "World Bank"**. Passing reference to the Multilateral Investment Guarantee Agency will be made later (See "Export Credit Agencies").

The IBRD is largely funded by the sale of its AAA-rated bonds on capital markets **(Slide 19)**.[30,31] It profits through the use of this money for long term loans to middle income and credit worthy poor income governments. As noted on the left of the slide, at the time of writing, the Bank had 185 members with the greatest number of votes held by its largest financial contributor, the United States. While the number of votes held by that country is far less than at the time of the Bank's origin, the present number is sufficient to provide the U.S. with a veto on major issues which require a "super-majority" 85% approval.[27]

Forty percent of the profit the IBRD receives from its loans to higher income countries is directed to the IDA.[32]

The IDA receives most of its funding from the industrialized nations who refill its coffers with 3-yearly "replenishments" **(Slide 19)**.[29,32] The IDA provides grants and interest-free long term loans to Third World governments if they meet specific poverty and performance criteria (**Slide 20)**. Grants are the preferred means of reaching the most desperate.

The World Bank has not always operated in this fashion. The Bank's role has changed with time.
(i) Following the initiation of the IBRD in 1946, at a time when the U.S. had 42% of the votes, the Bank was used by that country, and other industrialized nations, to promote foreign national capital growth and opposition to communism. This included the support of leaders fighting proxy wars in former colonial nations.[27]
(ii) In the 1980s and 1990s, Third World economic development was encouraged through loans containing pro-market and anti-state "conditionalities" (discussed later under the IMF).[27]
(iii) Most recently, the Bank has embraced the United Nations' Millennium Development

Goals (MDGs) in an effort to achieve development through poverty reduction.[33,34] For this, the human development index (HDI) has supplanted the GDP per capita as the most appropriate measure.[33]

This evolution is summarized on **Slide 21** in the statements of James Wolfenson, a former Bank president responsible for the recent changes.[35]

The Millennium Development Goals (MDGs)*, discussed briefly on page 6, were derived from a UN declaration in September, 2000 setting education, health, societal and environmental goals to be achieved by the world community by 2015* ***(Slide 22).****[34] Jeffrey Sachs is Director and Special Advisor to the UN Secretary-General for this Project. These goals have realigned donors and development agencies to give primacy to the needs of the poor. As noted by UN Development Programme Administrator, Mark Malloch Brown, the Goals have bonded the purposes of the World Bank, the IMF, and the UN* ***(Slide 23)****.[36] Unfortunately, as* ***Slide 24*** *indicates, in Sub-Saharan Africa, at least, there is still quite a way to go.[37] Expanded details as to targets and progress in Third World nations can be found in the 2008 UN Millennium Development Report and are referenced, in part, throughout this material.[37]*

IDA funds are largely to be directed towards the MDGs. At present 78 impoverished nations, involving some 2.5 billion people, are potential recipients.[32]

Return briefly to **Slide 19**. Note the recent IDA allocation. For contrast, take part of the 2005 budget for the Province of Alberta, Canada – home to just over three million people (**Slide 25).** When converted to U.S. dollars, the annual portion of the three year "new projects" budget is not too far short of the 11.2 billion dollar 2008 IDA allocation for 2.5 billion people in the Third World **(Slide 26)**![32]

As a further indication of disproportionate expenditure, our planet spends approximately $34 billion on perfume yearly![12]

Not only have the Bank sums been relatively small, until recently their direction has been severely questioned. Since its origin, the Bank has been criticized for using funds to subsidize contractors and manufacturers in the industrialized world in the building of roads, dams, etc. (**Slide 27)**. In his 2005 publication, George Soros noted that "…only 44% of the money loaned by the International Development Association (IDA) and the World Bank over their existence has been spent in the borrowing countries themselves."[38] It also had been suggested that the Bank had directed these funds with its own survival very much in mind **(Slide 28)**.[39]

The International Monetary Fund (IMF)

The IMF serves to provide currency stability and monitors the currency exchange market.[40] In this capacity the IMF has received authority to examine and provide macroeconomic guidance to national governments. Both the IBRD and IDA share information with the IMF and are dependent upon it to provide analysis, conditions and approval for their loans and grants. The World Bank and IMF work together to reduce the financial burdens of the most indebted Third World countries through the "Heavily Indebted Poor Country" (HIPC) Initiative and the "Multilateral Debt Relief Initiative" (MDRI), as discussed on page 51.[41] They also share in the efforts to achieve the MDGs. These roles and other functions of the IMF are illustrated on **Slide 29**.[40]

On the left of **Slide 29**, we have illustrated that the IMF, too, largely receives funding from the developed capitalist countries. A member's funding "quota" is largely dependent upon its economic status. Quotas are denominated in "Special Drawing Rights" (SDRs) derived from a pool of widely accepted currencies.[42]

Voting percentage closely parallels the monies contributed (There are financial and basic components to the vote but the latter is now only 2% of the total). You will note that here, as well, the U.S. has a super-majority veto on major issues requiring 85% approval. At present the G-7 countries possess nearly 47% of the votes. In their October 1st, 2004 article, Watkins and Woods noted that at that time "Africa accounts for a quarter of the membership and just over 4% of the vote".[43] They added: "If it came to a vote, Africa might as well stay home". Little has changed since. For example, Belgium, with a population of 10.4 million, has near similar voting rights (2.09 votes) to the combined votes of Zambia, Tanzania, South Africa, Nigeria, Mozambique, and Ethiopia (2.11), representing 351 million people.[44]

On the right of the same slide, you will note the IMF issues loans on a short term basis to achieve currency stability under a variety of circumstances and with variable surcharges, which provide the second source of income for the IMF.

As the **Slide 29** also illustrates, in addition to these sources of funding, the IMF holds in reserve over 3200 tonnes of gold.[45]

As illustrated on **Slide 30**, the IMF was called upon to handle the debt crisis, generated by the rising oil prices and imprudent lending of the 1970s, with increasing loans.[40] In the early 1980s, accompanying the laissez-faire policies of U.S. President Ronald Reagan and British Prime Minister Margaret Thatcher, the IMF introduced its <u>structural adjustment programs (SAPs) having "conditionalities" for loans</u>. These required the borrowing nations to make the pro-market, anti-state macroeconomic changes noted on **Slide 31**.[3,46]

The SAPs were much criticized. The IMF argued they were necessary because the economic conditions of the countries were unsustainable and the nations would have been worse off on the long term without them. The critics – and there have been many, both then and more recently – noted that the economic benefits of the adjustments were small, and the disruptions large, with the poor, in particular, suffering.[46,47,48,3,49,50] Unemployment rose when commodity prices fell due to a flooded international market place, and when government workers were laid off. There were diminutions in health care and education. Foreign takeover of industries, including primary services – and often at fire-sale prices – occurred combined with the demise of subsidized national companies. "IMF riots" and racial scape-goating followed. In a number of countries, grasping recipients of IMF funds abused SAP reform, using it as a way to convert privatization into patronage.[51]

Countries who benefited, or at least coped with SAP policies, were those at higher income levels, with better income distribution and a more export-oriented economy in place before the start of the adjustment process.[52]

The 1997 Southeast Asia crisis – triggered by a flow of "hot money" and a real estate "bubble" – provides examples of both the beneficial and the detrimental consequences, It is illustrated sequentially on **Slides 32-37**.

It was suggested the IMF displayed heavy-handedness, a lack of knowledge of a country's true circumstance, and alleged unawareness of "complexities not captured by the financial program model."[53] In a well-phrased comment, Joseph Stiglitz, Nobel laureate and former Chief Economist for the World Bank, captured these concerns **(Slide 38)**.[54]

Change resulted. It was decided that the difficulties the Third World experienced could be reduced if the conditionalities of privatization and liberalization were used more sparingly in loans.[55] In a major step to try reduce debt interest payment and heavy-handedness, the IMF the World Bank and IMF joined forces in 1996 to create the "Heavily Indebted Poor Country Initiative," (HIPC) to be reviewed next.

Heavily Indebted Poor Country (HIPC) Initiative; Multilateral Debt Relief Initiative (MDRI)

Joining the World Bank, the IMF recognized that poverty reduction and country consultation were essential. One shared development was the HIPC initiative which had its beginnings in 1996. Its purpose, then and now, is to reduce the debt of a Third World nation to sustainable levels.[12,56] To participate, a Third World country is required to meet the criteria for IDA funding **(previous Slide 20)**, have "strong track records of performance under programs supported by the IMF and the World Bank", but was not expected to "achieve a sustainable debt situation".[56] Less arduous financial requirements, and earlier assistance, were introduced in 1999.[57] Rather than the "one size fits all" approach of the previous structural adjustments, the country is expected to produce an individualized, "nationally-owned" and "growth oriented" **Poverty Reduction Strategy Paper (PRSP)**. This document is prepared under the guidance of the World Bank and IMF and requires the endorsements of their Executive Boards **(Slide 39)**.[58] As indicated on the slide, the PRSP also acts as a basis for support for funding from other sources.

Even with these changes, conditionalities remain a concern.[55] With regard to PRSPs in general, critics have suggested that "guidance" from the Bretton Woods institutions, plus the threat of loss of support from all potential donors should they not receive endorsement, forces the Third World countries to create PRSP's not dissimilar to the SAPs of earlier years.[53,59] It has also been suggested that use of debt relief to achieve "deep structural reform in complex areas – such as privatization, civil service pay and utility management – is not justified".[60] Others have added that powerful non-governmental organizations (NGOs) have too much influence on PRSP policy making.[61] Complaints also exist that the process is too limited and slow.[13]

Nonetheless, the HIPC Initiative has brought benefit. In November, 2008, the IMF reported that "debt reduction packages have been approved for 34 countries, 28 in Africa, providing $51 billion in debt-service relief.[62] For the recipient nations, this has produced "marked increases in expenditures on health, education and other social services and, on average, such spending is about six times the amount of debt-service payments."[62]

Unfortunately, with the enhanced Initiative, debt servicing was still high – some two billion dollars yearly.[60] Ethiopia, for example, was spending more than $100 million annually for this purpose, more than the funds it applied to health care **(Slide 40)**.

As a result of increasing pressure to increase aid, in June, 2005, the G-8 nations agreed to supplement the HIPC initiative and accelerate the drive to achieve the MDGs, by cancelling the debts of fourteen African countries – including Ethiopia – and four Latin American nations, largely owed to the World Bank, IMF and African Development Bank (but not funds owed to private banks).[63,64] All had reached the "completion point" for financing by the HIPC initiative. In this arrangement, known as the **Multilateral Debt Relief Initiative (MDRI)**, and under IMF supervision, the lenders receive compensation from donor nations and the debtors have to take vigorous anti-corruption measures.[65] Other nations have been added and, by late 2008, approximately $43.5 billion in debt had been cancelled by this route **(Slide 41)**.

IMF lending peaked in recent years at 116.9 billion, but its strict lending practices, the residual "taint" from SAP reform, and other available financial sources brought the IMF lending to a low of $16.0 billion in 2007.[66] It has risen again in response to the financial crises associated with today's recession.[67]

Should financial arrangements fail between the IMF and a debtor nation, the IMF may refer the nation's administration to the **"Paris Club",** an informal group of officials from nineteen of the world's richest nations.[68] There, debt restructuring, and relief or cancellation of debt owed to directly one or more members, can be reviewed.

Other development banks

These banks will not be discussed in detail here. They include: the Luxembourg-based European Investment Bank – described as "a bank shrouded in mystery" – which is the largest public lender in the world and now functioning increasingly in the Third World; as well as the Asian Development Bank, which funds regional development and provides for larger government roles than allowed in the World Bank/IMF process.[46,69] Other regional banks include the European Bank for Reconstruction and Development, the Inter-American Development Bank, the African Development Bank, and the newly created Banco del Sur (Bank of the South) serving Latin America and created, in part because of dissatisfaction with the IMF.[70] The Islamic Development Bank was created for use by members of the Organization of the Islamic Conference and Muslim communities in non-member countries.[71]

c. Bilateral aid: official development assistance (ODA); export credit agencies (ECA)

Official development assistance (ODA) is bilateral aid – that is aid from a wealthy country to a Third World country – where the promotion of economic development or welfare has to be the major concern and at least 25% is issued as a grant.[72]

As illustrated on **Slide 42**, ODA funding may be direct or through a multilateral agency, such as the IDA, or a regional development bank. In 2007, 30% of the total $103.7 billion ODA was contributed through multilateral agencies.[73,74] Some of the ways in which the grant portion has been used are also noted on the slide.

Slide 43 shows that ODA debt relief, in particular to Iraq and oil-rich Nigeria, and humanitarian aid, were high in 2005 and 2006.[75] Both forms of ODA subsided subsequently. In 2007 humanitarian aid for natural disasters and conflict-related emergencies totalled 6% of ODA.[74]

Slide 44 expands on aid use, and illustrates some of the areas where it can appear inflated.[3,39] "Technical cooperation" is an ill-defined area of ODA, and an area where donor country "consultants" consumed 15% of total aid in 2007.[74]

Ninety percent of ODA is provided by 22 OECD countries and is coordinated by the Development Assistance Committee (DAC) of the OECD.[75] Most of the donor countries are shown on **Slide 45**.[76] Note that few have reached the 0.7% of GNI threshold suggested by the UN, (Luxembourg, which reached this threshold, was not included on the slide). Also note that the U.S., low by percent GNI standards, is by far the largest donor.[76]

The distribution of ODA is noted on **Slide 46**. The "war on terror" has shifted aid contributions to Iraq and Afghanistan, underscoring the primacy of short and long term socio-political needs.[77] In 2007 the largest recipient of net bilateral aid was Iraq ($9 billion, $4.8 billion of which was debt forgiveness).[74] Afghanistan was next, receiving $3 billion. In 2006, nuclear-armed, strategically located, unstable Pakistan (population 159 million, GNI per capita $770) received 75% more ODA than Bangladesh (144 million, GNI per capita $480).[75]

This strategic funding is not new. Not surprisingly, ODA contributions, as a percent of GNP, peaked during the cold war as both sides bought support in the Third World and fought proxy wars there.[72] For the U.S., the peak was achieved in 1965 at 0.58%; Canada reached 0.54% in 1975; and the United Kingdom 0.51% in 1979.[72] Contributions fell and then flattened with the collapse of communism, and with increasing concerns about aid failures and capital flight.

Political considerations continued to dominate past the end of the cold war. Mason noted that in the mid-1980s at the height of the United States actions in Central America, El Salvador received five times the aid from the U.S. as did Bangladesh, even though the population of the latter was 24-fold greater and the poverty level then 5-fold higher.[16] He stated that one-quarter to one-half of U.S. aid continues to be of the military security form with Israel and Egypt the major recipients (listed, in part, under "other official flows").

Sogge developed the "spheres of influence" theme further noting the additional role of the U.S. in Latin America generally; Australia in Papua New Guinea and Fiji; and that former colonial relationships influence the aid programs of Britain, France and Portugal.[39] He noted, as well, historical ties drawing funds from Germany to Turkey. Adjacent Third World countries with migrant populations, or buffer countries between developed nations and truly Third World states, also receive consideration.[39]

In addition to these political considerations, ODA is not as munificent as it sounds. Much is "tied aid" – bound to the purchase of the donor's specific goods and services – which increases costs by eliminating competitive buying, reducing the value of such aid by 25-40% according to the UN.[78,79] While the OECD has noted that tied aid has been reduced on the average to 47%, most of Canada's aid (approximately 60-75%), and greater than 50% of aid from U.S., Japan and Germany, remains tied **(Slide 47)**.[79]

Aid is now more focussed on the MDGs and increasingly the recipient countries must have viable legal and democratic bases – a view shared by many as **Slide 48** indicates.[75,80]

At the 2005 G-8 Gleneagles meeting, the U.S. promised to double its 2004 contribution to Sub-Saharan Africa by 2010 and Canada said it would do likewise between 2003/4 and 2008/9.[75] Britain and others made somewhat similar vows with some promising to increase aid to 0.7% of GNI by 2015.

Writing about the need for very basic health care in the Third World, Jeffrey Sachs noted that the dedication of 0.7% of GNI would produce $210 billion U.S. from a $30 trillion industrialized world economy which "would easily accommodate the increase in spending in health services".[81] Despite Sachs' humane plea, G-8 countries are notoriously poor, or slow, in keeping their promises about increasing aid, so we'll have to wait and see **(Slide 49)**.[82,83]

Finally, it is worth noting Collier's comment that benefits appear to progressively fade after aid reaches approximately 16% of a nation's GDP.[84] While questioning the value of much aid, he also noted that there is no doubt that, without aid, the bottom billion would be far worse off.

Export credit agencies (ECAs)

deserve more attention than they'll get here. ECAs lie in the grey zone of aid and reflect the disparate views about the delivery of aid.[3,39] On the one hand, there are those concerned with aid directed towards growth, stability and health with little or no personal self-interest. On the other hand, there is the business fraction pursuing development, trade and investment largely for financial gain. It is the latter that led to the development of ECAs such as the U.S. Export-Import Bank (EXIMBank), U.K. Export Credit Guarantee Department, China Export-Import Bank, and the Canadian Export Development Corp-oration (EDC), as well as associated invest-ment insurance agencies (IIAs). The World Bank has its own Multilateral Investment Guaranty Agency.

What do ECAs do? As illustrated on **Slide 50**, taxpayer-supported ECAs backstop the foreign activities of home transnational corporations (TNCs), subsidize such, and provide guarantees to the commercial banks financing these endeavours.[3,39] It may be tied to ODA for the same project **(Slide 51)**.[85] ECAs allow corporations to penetrate Third World countries, perhaps beating out local firms. Many large companies benefit from ECA activity – in the U.S. it was reported that small companies only received 12-15% of EXIMBank funds.[86] Aircraft manufacturers are the largest ECA clients. U.S. EXIMBank and the U.S. Overseas Private Investment Corporation, which acts like an ECA, are involved in Iraq reconstruction and provide guarantees where private insurance will not.[87]

Globally, ECA investments now represent the majority of funds provided to Third World countries, amounting to over $100-200 billion/year – sums representing 80% of project/investment activities – far exceeding ODA funds and that provided by the World Bank or other development banks.[88] As the same author noted, and as **Slide 52** illustrates, export credits now represent 40% of all official Third World debt.

ECAs provide income and employment sources for industrialized countries as well as benefits to the Third World. The latter may be invaluable providing, for example, electricity, fresh water, economic growth, technical help and employment. Critics of ECAs have concerns about human rights and environmental safeguards, the latter despite the OECD "Common Approaches" agreed set of recommendations.[87]

Critics have also under-scored the problem of graft with "commissions" of 10 – 20% common according to Transparency Inter-national.[87] Both sides play the game. The former corrupt dictator of Zaire, Mobuto Sese Seko, apparently said "It takes two to be corrupt – the corrupted and the corrupter."[89] While the United Nations Convention against Corruption has 140 signatures with ratification by 107 countries, because of objections by some countries, a monitoring process was not put in place, severely weakening the process.[90,91] In Canada, Export Development Canada is not subject to the country's Access to Information Act.[87] (See page 46 for previous comments about corruption).

There is also concern that many of these agreements and incurred debts have involved arms sales. The latter represented 20% of all British export credits between 1994 and 1997 with levels much higher since, reaching approximately one-half.[5] In 2007, Britain surpassed the U.S. in such sales **(Slide 53)**.[92] The major arms merchants for the previous five years are illustrated on **Slide 54**.[92]

Critics have also asked the hard philosophical question: "Should we be subsidizing our industries while insisting the Third World practice non-subsidized free trade?" Concerning this relation with the Third World, Sogge added: "Are we supposed to do good, or merely to do well?"[39]

d. Country bonds; speculative money

In our discussion of the IMF we noted the Southeast Asian Crisis created by the rapid entry, and far more rapid departure of "hot money" which had been invested in stocks, bonds, real estate, etc. and pulled out when the "bubble" burst. One could have made equal comments about similar crises in Mexico in 1995, Russia in 1998 and Argentina in 2001 – over-investment followed by collapse and IMF intervention.[3,46,93] All had been the result of increased liberalization of domestic financial markets. Private investments presently account for one third of net financial flows to Third World countries. Sums are largely directed to middle-income countries with far less ventured in Sub-Saharan Africa or South Asia.[93] Investments in these so-called "emerging markets" can have high yield but great volatility.

In response to this financial interest, Third World countries have responded by selling bonds, an easier way to obtain funds than taxing their people, but greatly increasing the debt burden.[3] In addition, bond sales open the nation's finances to the volatility of the currency markets, the lucrative promotional activities of bond underwriters, and the judgement of bond rating agencies. The latter take their cues from World Bank and IMF assessments as well as the potential to default.[3] Any drift away from the accepted IMF viewpoint can result in demands that the bonds be issued with high interest rates. Hertz noted that the threat that Presidential candidate Luis Inacio da Silva ("Lula") might bring socialism to Brazil was accompanied by a rise in interest rates from 7 to over 20% as he rose in the polls **(Slide 55)**.[3] The rates subsided after his election when it was realized that he was confined by IMF commitments. In other circumstances, rates will be lower if the risk of default is deemed minimal thanks to the support of a major power, a situation where Pakistan has clearly benefited.

Contributing to the volatility, on the **foreign exchange markets** speculators can make money from money alone. They make money on the minute-to-minute, hour-to-hour, day-to-day fluctuations in the values of countries' currencies and bonds. The sums are enormous – there is a daily turnover of at least $1.5 trillion dollars of which 95% is speculated on the rise or fall of currency values and interest rates.[94,95] Traders make money with shifts either way. The major participants are the world's largest banks and other large TNCs. In 1998 Citicorp was stated to have 7.75% of the foreign exchange activity, with a volume of transactions amounting to $8.5 trillion.[94] That year it, and the other top ten banks, represented 52% of the market.

The volatility of these markets contributed to the Southeast Asian crisis and the others mentioned. In 1978 Nobel laureate economist James Tobin suggested a small tax (0.5%) on international currency transactions, feeling that this tax would slow down currency exchange ("throw some sand in the wheels"), allow Third World central banks to keep smaller reserves, and allow their governments to plan and act for their economies without the worries created by exchange rate volatility.[94,95]

This proposal, which failed to come to fruition, has been supplanted by a proposed foreign exchange **Currency Transaction Develop-ment Levy** of just 0.005%.[96,97] Endorsed by the UN, the latter – unlike the "Tobin tax" – would not impede currency exchange, and the funds obtained could be used to compensate for shortfalls in MDG funding. The sums obtained could be significant. **Slide 56** in-dicates the financial flows from currency trading. To this could be added levies against global equity and bond funds.[98] While some have suggested there would be problems in calculation and collection, others feel that, since banking is automated and electronic, the task should not be technically complicated.[98] It was felt that most opposition to the suggested "Tobin tax" came from the financial sector. Hopefully, there would be lesser opposition to the significantly smaller levy.

e. International pricing, GATT and the World Trade Organ-ization (WTO)

Unfortunately, the philosophy "Trade is good; imports are bad" has been present all-to-often in international trade.[2] Tariffs, subsidies and other aspects of international trade have helped define the origins and evolution of the developed, industrialized world. The defin-itions of some of these terms can be found on **Slide 57**.

Tariffs are a conundrum to Third World nations. They protect the home products of potentially recipient wealthy nations, and may rise further (accelerated tariffs) should the Third World country wish to export a finished, or partially finished, product instead of just raw material. This inhibits Third World manufacturing. Nations belonging to the Organization for Economic Cooperation and Development (OECD) – all industrialized – have larger tariffs against imports from Third World countries than they have against member nations.[99]

At the same time, however, Third World nations employ tariffs to their own ends. With large populations working in the informal economy and unreachable by taxation, tariffs on imports become significant sources of income for the Third World governments which they can employ in social programs, support of infant industries, and to maintain their governments. A majority of Third World countries derive more than 25% of their public budgets from tariffs.[100,101] For the Dominican Republic, Guinea, Uganda and several others, the figure is greater than 40%.[101]

Subsidies, affordable to rich country governments, mean that U.S. rice is cheaper in Haiti than home grown Haitian rice, and that subsidized European chicken is fed to Afri-cans. Canada's dairy and poultry industries benefit too. The varying degrees of European Union (E.U.), U.S. and Canadian agricultural subsidization are illustrated on **Slide 58** and have changed little since the slide was prepared.[102] Note as well that the E.U. provides the equivalent of $2.00 per day for each cow – with almost half of the Third World living on less than that! Furthermore, in the E.U. and U.S. it is not the small farmers who benefit from these subsidies – they receive only 4% – but, instead, more than 70% goes to the richest 25% of the farmers and the agribusinesses.[72]

Nations belonging to the OECD spend approximately $1 billion daily on domestic agricultural subsidies, many times in excess of that spent on official development assistance.[76]

As 70% of Africans work in agriculture and less than 3% do so in Canada and the U.S., Africa is hit hard by these subsidies. The cotton industry has been of particular concern to Africans and typifies the problem. The combination of U.S. know-how, mechanization, subsidies, tariffs and quotas has allowed this industry to survive against Third World competition **(Slides 59, 60)**.[98,103,104]

Some of the trading difficulties faced by the Third World are summarized on the next slide **(Slide 61)**.

In theory, the removal of trade barriers, and the imbalances they create, should be effected by a world trade body. Trade did come under some regulation at the conclusion of World War II.[2,105] Under the leadership of the U.S., a series of treaties were established to facilitate free trade. They, and those that followed, have been known as the **General Agreement on Tariffs and Trade (GATT)** and are labelled by the year of the agreement, e.g. the founding "GATT 1947".

Why was the U.S. a strong proponent of the GATT and free trade? Did not the U.S. spend from 1820 up to World War II protecting its own fledgling industries with tariffs under the so-called "American System" and later Smoot-Hawley legislation?[2] There are two views: altruism to provide a more stable post-war world or, more pragmatically, to open markets for its commodities.[2] As noted previously, unlike Europe or Japan, the U.S. homeland had emerged from the war unscathed and the nation had almost two-thirds of the world's manufacturing output. Competition was very limited and new markets were essential.

Management of the GATT became the responsibility of the **World Trade Organization (WTO)** when it was formed in 1995 with 76 members.[106] The WTO presently has 153 members. Its website stated that it is "member-driven" having "decisions taken by consensus among all member governments".[107] Voting can occur under specified circum-stances and is based upon "one country, one vote". The website further noted that "when WTO rules impose disciplines on countries' policies, that is the outcome of negotiations among WTO members". The members enforce these rules, employing trade sanctions if necessary.

The structure of the WTO is illustrated on **Slide 62**, also from a WTO website.[108] Ministerial level meetings are held at least every two years. The day-to-day activities are handled at the next level, the General Council, under its three guises which receive and handle reports from lower echelon Councils and Committees. The "Doha Development Agenda", illustrated on the lower right, comes from the issuance of the Doha Declaration on December 11, 2001 following the 4th Ministerial conference in Doha, Qatar. This declaration stated that this round was to be devoted to reducing trade inequities between the industrialized nations and the Third World.[108]

The WTO website also suggested a largely warm and cordial atmosphere. Why then has the WTO triggered vehement opposition featuring loud protests and riots – such as that which occurred at the 1999 Ministerial meeting in Seattle, U.S.A. – walk-outs by Third World members at the 2003 meeting in

Cancun, Mexico, and collapse of the 2006 and 2008 meetings **(Slides 63)**?

Intransigent views about Third World tariffs and subsidized wealthy nations' agricultural products have been a significant part of the problem.[109,110,111] As a consequence of the WTO failures, there has been a significant increase in more easily arranged bilateral or regional agreements **(Slide 64)**.[112]

The present WTO Director General was well aware of the divergent of views when he assumed the post and has struggled with it **(Slide 65)**.[113] In his 2005 book, Soros summarized these divergent views, and noted that the WTO is "in many ways, the most advanced and fully developed of our international institutions… successful not only in creating international law…in judiciary function…and has found a way to enforce its judgements".[33] He then added "the critics are right in claiming the WTO is biased in favour of the rich countries and multinational corporations." Others agree that the wealthy nations are trying to "lock in" their present advantages through the WTO.[114,115]

Speaking more strongly, Bello suggested in Madeley's publication that the organization is unnecessary.[105] He noted that a 17-fold expansion of world trade occurred between 1945 and 1997 under the flexible rules of GATT with the East and Southeast Asian countries achieving industrialization through then accepted activist state policies. He also argued that the WTO "systematically protects the trade and economic advantages of the rich countries", and suggested that it has as its main purpose the reduction of "the tremendous policing costs that would have to be met if the stronger powers were involved in disciplining many small countries….."

Elsewhere, Bello refers to more specific areas of concern, noting that the agreements on **Trade-Related Intellectual Property Rights (TRIPS), Trade-Related Investment Measures (TRIMS)**, and the **Agreement on Agriculture (AOA)** assign transnational corporations (TNCs) monopolies on innovation, prevent the Third World use of trade policies as a means of industrialization, and commit these nations to accept subsidized TNC surplus agriculture.[27]

The AIDS epidemic forced the WTO to make some accommodation. Ninety-five percent of those living with HIV/AIDS reside in the Third World.[116] The desperate situation in South Africa, in particular, and the strong, unyielding view of 60 WTO members forced the industrialized nations and the Organization to respond **(Slide 66)**.[117,118] While WTO protects drug patent and manufacture for 20 years, the epidemic and the lack of HIV/AIDS anti-viral medication in the Third World pushed the WTO to state in the "Doha declaration" that public health had primacy over commercial interests exempting least-developed countries from patent rules until 2016. Third World countries not capable of producing these anti-virals are now able to import them.[119]

The World Health Organization data suggests that non-infectious disease is responsible for over 40% of deaths in the Third World, e.g. China and India produce over half of the new cases of diabetes. Treatment for these diseases remains under developed world patent pro-tection.[117]

The industrialized world's production and export of arms and munitions – not covered by GATT – not only provides weapon sales to the Third World, but also indirectly provides government subsidies for the innovation and production of spin-off products for peacetime use in such fields as electrical, chemical, aerospace and bioscience.[5]

Why did Third World nations join the WTO if it has been to their disadvantage to date? Perhaps it is the hope of democratic representation – "one country, one vote" – or the hope that membership will mean the entrance into new markets.[2] Also there is the concern about the consequences of not joining – "the equivalent of embargo" – and the strings that may have been attached to World Bank and IMF loans.[2]

How can the WTO address these Third World concerns? The UN-commissioned Zedillo report and the British White Paper on International Development have suggested more flexibility, differential treatment, technical and legal assistance and negotiation reform.[33]

Labour legislation has been recognized to be inadequate as well and it has been suggested that there should be "ratification and enforcement" of the pre-existing **International Labor Organization (ILO)** conventions which have largely been ignored.[33] The WTO also faces criticism for failing to address environmental concerns.

f. Transnational corporations (TNCs), export processing zones (EPZs), and offshore financial centers (OFCs)

Transnational corporations (TNCs), also called "multinational corporations", and "globalization" of the known world stretch back into antiquity.[120] The silk roads connecting Europe and Asia for trade in metals, fabrics, ivory, etc. had been well defined by 2 B.C. Between 50 B.C. and 200 A.D. the Romans established trade routes throughout their empire. Well established trade routes also existed in Africa and on the Indian Ocean long before the disruptive arrival of the colonial powers. One of the first truly TNCs – the Hanseatic League – was officially established in Lübeck, Germany in 1358 with branches in that country, the Low Countries, Scandinavia, Britain and Russia.[120]

Thanks to modern communication and transportation, from these small beginnings there has been an explosive increase in TNCs such that by 2003 there were over 63,000 **(Slide 67)**.[120] As reported then, these TNCs had over 821,000 foreign affiliates, and 60% of the planet's trade is intra-firm trade cobbling together products from inputs created by branches in different lands.[120] While the home offices of TNCs are almost invariably in the wealthy nations, the number in the Third World is on the increase. Sixty-two of the Fortune Global 500 are located in the Third World, largely in the so-called "BRIC" countries (Brazil, Russia, India and China).[121]

The economic strength of the larger TNCs dwarfs that of many nations. By 2003, TNCs represent 53 of the 100 largest economies in the world.[120] By 2008, Wal-Mart, the world's largest private employer, had a revenue of nearly $379 billion and ExxonMobil was second at $373 billion, dwarfing that of many national economies.[122] Even earlier, by 1999, the individual sales of these two companies had surpassed the combined GDP of 182 nations.[123] The size of TNCs means their impacts on nations can be huge. Some of these effects are listed in an **unweighted** fashion on **Slide 68,** and several will be looked at in detail.

Employment. Many TNC affiliates are located in Third World **export processing zones (EPZs)** and, to those among the hundreds of millions who are unemployed, the arrival of an affiliate must seem a godsend. In the year 2000, according to the International Labor Organization, there were close to one thousand EPZs in seventy countries employing roughly 27 million and handling $200-250 billion in trade.[124] The number of factories in these zones has been expanding rapidly with the largest zone economy in China, much to the benefit of its economy and employment. Our closest are the *maquiladoras* of Mexico. Symbiotic corporate "agglomerations", in which a number of companies provide various components, can result in the generation of complex products, such as cars, in these regions.

EPZs create controversy. In her book, "No Logo", author Naomi Klein pointed out that many Third World nations accept EPZs with the thought that foreign investors would stay as lasting development and transfer technology, resulting in the development of local industries, accompanied by a general increase in income through "trickle down" economics.[124] While this has been somewhat true, she stated that in most instances such has not been the case. She noted: (i) factories are usually rented or cheaply constructed on possibly rented land; (ii) companies work through intermediates who squeeze deals by threatening to move to other countries with the intermediates, in turn, squeezed by the TNCs creating bidding wars for the lowest contracts and longest tax free periods; and (iii) low paying non-permanent jobs are created with minimal or no benefits, and low environmental demands. Often there has been an employment preference for young women, far from home and unschooled, as "they are scared and uneducated about their rights."

While these concerns are justified, Kristof has countered: "Sweatshops are not the bottom tier in a country. Even worse are the standard jobs that the poor drift into: farm labour, day jobs on construction sites, sorting garbage, the sex industry and begging."[125] He quoted an interview with an Indonesian woman, surviving by selling what she scavenged in a garbage dump, who "dreamily" reported how she would like her son to get a job in a sweatshop when older. This view is shared by Rivoli who wrote that young Chinese women have enjoyed the transition from the confines, drudgery and boredom of farm life to that in an EPZ.[103] Also commenting about sweatshops, economist Jeffery Sachs noted: "Virtually every poor country that has developed successfully has gone through these first stages of industrialization."[126]

China displays the evolution that Sachs alluded to. There, over 200 million have moved from impoverished rural areas to privately-run factories. Initially they lacked access to labor protection and, as a consequence of long hours of work, could die from "guolaosi" (overwork death).[83,127] This may become part of the past as worker protests have forced the government to bring in social-welfare legislation, minimum wages and allow unions.[128,129] In January, 2008 the Chinese government introduced a national, government run All-China Federation of Trade Unions, which now has a membership of 193 million.[130] As well, China has moved, in part, from labor-intensive textile and toy manufacturing to more high end manufacturing, such as pharmaceuticals.[124] Now, in the endless search for lower costs, some industries have left China for other nations, such as Vietnam or Bangladesh with their lower minimum wages **(Slide 69)**.[131,132]

In an article published in the Canadian Globe and Mail on August 10, 2004, Stephanie Nolen discussed the plight of Lesotho, an impoverished African country surrounded by South Africa.[133] This country has an unemployment rate over 40% and AIDS involves one-third of the adult population. She noted that the textile industry had been present since the late 1980s and the garment *industry had increased by 80% since the passage of the U.S. Africa Growth and Opportunities Act. In 2004 the industry employed 54,000 and each factory worker supported an average of four people, many of whom had been laid off from work in the South African mines. The textile factories apparently had poor ventilation, lighting and sanitation and it is said that salaries for these jobs made it "working poverty". Even more sadly, Ms. Nolen had to append an article on January 14, 2005, noting that Lesotho had lost a quota system providing access to richer markets and textile companies were in the process of fleeing that soon to be forgotten land.*[134]

Non-governmental organizations (NGOs) and protests in wealthy nations can, and have, forced TNCs to make work environments more liveable. Students have forced universities to look at the Third World sources of the clothing in their shops and are keeping a watchful eye on the clothing industry's Apparel Industry Partnership, its Fair Labor Association, and "No Sweat label"[135,136,137] Kristof worries that too vigorous protests could lead to the movement of an industry to a different Third World nation.[125]

The global market place. Todaro and Smith noted that operations of TNCs "tend to be monopolistic and oligopolistic…." and "Price setting is achieved more as a result of international bargaining and collusion than as a natural outgrowth of free-market supply and demand."[93] This control is exemplified by the three companies that control 80% of the bananas consumed in the industrialized world and TNC domination of more sophisticated fields – by 2001 the ten largest corporations in their field controlled 86% of the telecommunications sector, 85% of the pesticide industry, and 36% of pharmaceuticals.[138,139] Price competition though, when it happens, can be fierce – as among the thirty supermarket chains that account for 30% of the world's grocery sales – and when prices are driven down the losses may be felt most by the primary producer who could be marginalized, or driven out of business and replaced.[140] Another concern, noted in the 2005 UN Human Development Report, is the "growing evidence of smallholder exclusion" and "the increased importance of farms owned or leased by the major export companies."[140]

Transfer pricing. The profit-taking in the TNC assemblage of affiliates is directed towards nations where labour costs and/or taxes provide the most financial benefit.[141] For the total profitability of the TNC, it is better that the affiliate in a low taxation country take a large profit in selling a component to its affiliate in a higher taxation country than the alternate: a lesser sum at the lower taxation site with a larger profit in the higher taxation nation. This is illustrated in a very simplified fashion on **Slide 70** which omits, for instance, other capital flows between affiliates and a number of offshore financial centres (OFCs).

This transfer pricing of intra-firm goods is of considerable concern to Third World nations.[141] These countries may lose out if total revenues are misallocated (mis-pricing) and often do not have adequate data ("asymmetry of information"), or the resources to handle the accounting and policing required to look for such. Of the Third World countries capable of making these assessments, UNCTAD reported that 84% felt that "the affiliates they hosted shifted income to their parent companies to avoid tax liabilities and 87% viewed the problem as significant".[141]

Offshore financial centers (OFCs). OFCs, or so-called "tax havens", are part of the pricing process and integral to the function of most TNCs. One-half of global transactions pass through OFCs.[142]

Shaxson noted that tax havens are "a decentralized global terrain tucked away in the interstices between states".[18] They are characterized by one or more of: low/zero taxes; high degrees of secrecy; "ring fencing" separating their own country's tax program from that of foreign investors; and no requirement for "economic substance" in the foreign investor's transactions.[143]

The use of this arrangement allows a company to "sell" its Third World product at a low price to a wholly-owned OFC affiliate, elevate its price for the developed world market there, and avoid, limit or defer taxes. This step in transfer pricing is illustrated in a very simplified fashion on **Slide 71.**

In recent years, more and more intellectual property rights have been transferred to OFCs where they can be charged for and not taxed. "Products are made in a factory but brands are made in the mind", stated Walter Landor, Landor Branding Agency and, therefore, branding can be readily moved offshore.[124]

While many OFCs are island nations, Palan noted: "offshore refers not to a geographical location but rather to a set of juridical realms marked by more or less withdrawal of regulation and taxation…"[142] Seventy or so havens exist, handling between two and three million offshore entities.[142] The Channel Islands are one of these, handling 100,000 or more companies.[144] There, one man on the Isle of Sark was paid to sit as a bogus director on the boards of 2,400 companies – the so-called "Sark Lark" – testimony to the superficiality of the OFC company/board relationships![144] As **Slide 72** indicates, Canadian banks have taken advantage of OFC facilities – and they are only medium sized financial industries.[145]

In 1994 American TNCs had 26% of assets and 31% of profits in tax havens.[120]

A unitary tax, allocating slices of a TNC's total profits to different countries for taxation, might help protect Third World countries from unfair losses through transfer pricing and offshore financial activities.[146]

Shaxson also noted that criminals, corrupted rulers from pillaged countries, and international commerce all use the same mechanisms: "shell banks, shielded trusts, anonymous foundations, dummy corporations and mis-pricing".[18]

What do OFCs mean to a Third World nation? It has been estimated that illicit capital flows from Third World countries amounts to $500-800 billion per year – 64% of it commercial, 31% criminal, and 5% corrupt money.[147] Relative figures, averaged for 2002 through 2006, from that source are illustrated on **Slide 73**.[147]

The use of OFCs to hide problem loans has also been a major contributor to the economic meltdown of some Third World countries, such as Venezuela and Argentina in the past.[148]

<u>TNCs and the WTO.</u> At WTO meetings the industrialized nations, married to their TNCs, argue on their behalf. Third World nations – knowing the impact that TNCs have on employment, national currency values, bond ratings and interest rates on borrowed funds – have limited bargaining chips. The ill-fated 1999 Seattle meeting of the WTO, cut short by rioting, was supposed to be the first WTO meeting totally funded by TNCs.[149] The organizers, Bill Gates of Microsoft and Phillip Condit of Boeing, provided funds and promised other funding TNCs that they would have access to foreign and U.S. government officials proportionate to the sizes of their donations. Commenting about the strength of TNCs ("multinational corporations"), Gabel and Bruner noted:

> *"…there are now WTO agreements that regulate nation-states in regards to their behaviour with multinational corporations, but there is as yet no international body that has jurisdiction over multinational corporations."*[120]

It is this lack of regulation that brings out opposition to TNCs and globalization. Todaro and Smith (based upon earlier work by T. Biersteker) brought forward a list of questions that must be asked in assessing the value of a TNC to a Third World country.[93] Keeping to much of their phraseology, here are some of the questions they posed:

Does it bring in much capital?

Does it improve the balance of payments?

Does it employ transfer pricing and disguise capital outflows?

Does it generate significant tax revenues?

Has it established links to the local economy?

Has it bought out existing import-competing industries?

Has it developed allied local groups through higher wages and displaced local entrepreneurs?

Does it keep all research and development in its home country?

Has it adapted technology to local factor endowments?

Does it encourage inappropriate patterns of consumption?

Does it foster alien values, images and lifestyles?

Does it contribute to a widening gap between rich and poor or rural and urban?

Difficult questions – and responses that vary from company to company, nation to nation.

Unfortunately, for Least Developed Countries (LDCs), the 2007 UN Conference on Trade and Industry (UNCTAD) report came to some negative conclusions.[150] They noted, in particular, the very limited benefit to Africans of the profitable foreign mineral extractive industries and the narrow benefit of the foreign textile industries to Asians.

g. Poverty, democracy and civil war

> *"People who are hungry, people who are out of a job are the stuff of which dictatorships are made."*
> *- Franklin Delano Roosevelt*[151]

Democracy is "a long haul" noted David Brooks recently, adding that "After revolution and chaos comes a desire for security" and "Reforms can take decades".[152] In a thorough discussion of this issue, Handelman noted: "there are no simple answers" to explain why countries become democratic.[153] In an earlier volume, he commented that "Third World countries are very unlikely to become democracies unless they have attained a minimal threshold of socioeconomic development."[154] He cited the 1959 publication of political economist Seymour Lipset who reported the strong correlations between democracy and wealth and education.[155] Subsequently, Seligson and Prezowrski et al, published supporting evidence.[156,157] Seligson, working with Latin American data just before 1990, drew a democracy threshold at $2000. Prezowrski and colleagues found that democracy was "fragile" with 1990 incomes less than $1000 and "stable" when over $6000. Inflation has pushed all these numbers higher today. Citing various sources, Handelman also added: "…countries whose populations are over half literate are far more likely to sustain democracy…"[154] Others have suggested that the correlation between education and demo-cracy simply reflects the wealth of the nation and that the former could be removed from the equation.[158]

Let's explore the conclusions of Prezowerski et al and Seligson further by superimposing their results upon a graph correlating longevity and GNP which was prepared at a near similar time.[159] Even though this data is from around 1990, it is worth combined analysis for the information it conveys. We'll look at the graph first **(Slide 74)**. The shortened longevity on the left reflects failure of the state to meet the basic needs of its people, such as the absence of adequate pubic health measures – commonly with regard to infectious diseases – a lack of adequate nutrition, and, possibly, the presence of physical strife. The plateau in longevity, reached at that time at about $6,000, indicates nations that had largely passed the basic needs hurdle, and had older populations dying from degenerative diseases and cancer (**Slide 75)**.

Superimposition of the data from Prezowerski et al and Seligson on this graph is shown on **Slide 76**. The "fragility" of democracy is clearly evident where basic needs cannot be met.

How can a country achieve prosperity? In a text devoted to this topic, Bernstein emphasized four major ingredients for prosperity – property rights, scientific rationalism, capital markets, transportation and communication – and stated that prosperity was the first step in the evolution of democracy **(Slide 77)**.[158] He quoted Barro who commented that democracy usually trails prosperity by decades.[160] Bernstein also added that there is no real evidence to support the reverse pathway, namely, democracy leading to prosperity.

Failure to achieve a degree of prosperity can lead to social unrest and civil war – problems that certainly deserve brief mention.

Internal conflict has been a major problem in the evolution of democracy in the Third World nations (**Slide 78).**[161,162] The incidence has a strong bivariate correlation with the degree of poverty.[162]

The former World Bank President, James Wolfensohn, stated:

> *"Globally, the incidence of civil war has increased substantially over the past 40 years, concentrated in the poorest countries which have three times the number of civil wars than middle income countries do. Many of them seem to be in a trap where economic decline and natural resource dependence fuel conflict….."*[35]

Sachs added:

> *"…there is a powerful and disturbing overlap between dryland regions and many of the sites of ongoing violent conflicts in 2007".*[163]

Many of these nations are "quasi-nations", with features described by de Rivero, which we noted earlier in the section "Politics by Sword" (page 35).

When peace is finally achieved following conflict, it is associated with a lower GNI or GDP. Some counties suffer far more than others (**Slides 79, 80)**.[161,164] Collier and associates also demonstrated that there is also a high likelihood of return to civil war for the causes of social disequilibrium are seldom resolved, especially in economically marginalized countries with sustained military spending **(Slide 81)**.[161] In these nations the average duration of democracy has been just nine years and only one-half have survived following the first election. A degree of prosperity reduces the likelihood of a return to civil war **(Slide 82)**.

Democracy had been said to be "catching" with rapid democratic revolution beginning in 1974-5 in Portugal, Greece and Spain, subsequently in Latin America, followed later by changes in Asia, then Russia, Eastern Europe and now additional countries in Africa and the Islamic world. By 2003 55% of the world's countries were democracies, including two-thirds of African nations **(Slide 83)**.[140] This move to democracy, however, does not necessarily mean a desire to "westernize" but rather to provide more freedom and modernize.[165]

Unfortunately, many of these new democracies are in "fragile" low income countries. Data from Freedom House suggests that an unstable plateau in democratic evolution has been reached with worrisome recent "declines in freedom of expression and association, and a weaker rule of law **(Slide 84)**."[166]

For example, let's look at struggling Haiti, the poorest nation in the western hemisphere. **Slide 85** places today's data on the 1990's graph you've seen before. Ignore the GDP vs. GNP – for Haiti they might be near similar – and ignore the fact that 20 years of inflation since the graph was drawn would push the curve to the right.[44] The country's very marginal stability is not be unexpected, is it **(Slide 86)**?[167]

h. Where do we stand today?

As just mentioned, the march to democracy appears to be arrested for the moment. With regard to other areas of concern, however, Bernstein has noted that, in absolute terms we are winning the battle with major improvements in literacy, life expectancy and child mortality and with a significant reduction in the incidence of famine.[158] However, he also noted that, in a relative sense, we are losing the battle with increasing disparities between rich and poor.

James Wolfensohn, former President of the World Bank, commented that "One of the most important developments of the 1990s was the sharper focus on poverty reduction as the major goal of development and development assistance."[35] As we move into the 21st century, those thoughts are underscored by the **United Nations Millennium Development Goals**.[34] These Goals, discussed earlier (page 48 and reiterated on **Slide 22**), are aimed at the eradication of extreme poverty and hunger, universal primary education, gender equality, reduced child mortality, improved maternal health, the combat of significant diseases such as malaria and AIDS, environmental sustainability, and a global partnership for development. A large order – and we are falling behind in our schedule to finance and reach these targets![34,82] Will we be willing to fully commit ourselves to these ends?

The imbalances between the developed, industrialized world and the Third World must change. Many would agree with Lula de Silva, President of Brazil, who noted to the U.N. General Assembly on September 21st, 2004:

> ***"The perverse logic of draining the needy to irrigate the bountiful still stands."***[168]

As illustrated on **Slide 87**, on February 3, 2005, before a large crowd in London's Trafalgar Square, Nelson Mandela added:

> ***"Overcoming poverty is not a gesture of charity. It is an act of justice."***[169]

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WHAT CAN ONE DO?

(Blue numbered Slide 1)

What can we do about the imbalances that exist? **The following are some thoughts.**

"A first step is getting alternative sources of information."(Slide 2)[1]

You must add to your knowledge and this means finding a variety of sources. The media needs to sell advertising to exist and this influences what is published. **Slides 3 and 4,** taken from the third volume of Bagdikian's book "The Media Monopoly" illustrate the source problems in North America.[2] His subsequent volumes have reinforced concerns about the control of the media. In his latest volume, published in 2004, he noted: "Five global dimension firms, operating with many of the characteristics of a cartel, own most of the newspapers, magazines, book publishers, motion picture studios, radio and television stations in the United States."[3] He added 'Ideas, views, and proposed programs that go beyond those established power centers are the domain of small-circulation political journals and magazines on what, in the United States, is called "The Left"…..Their criticisms and proposals only slowly, and in fragments, move by osmosis into mainstream news.'

A 2003 U.S. poll found that more Fox News viewers had a distorted view of the Iraq war than did viewers of the more moderate U.S. Public Broadcasting System (PBS). A higher percentage of the former believed that weapons of mass destruction and associations between Saddam Hussein and al-Qaeda had been discovered.[4] However, even PBS has had to edit its material to maintain funding. The abrupt loss of financial support by Gulf + Western following the WNET, Detroit program "Hunger for Profits", concerning the transgressions of TNCs in the Third World, brought self-censorship.[5]

As far as Canada is concerned, international journalist Gwynne Dyer noted: "Canada now has the most highly concentrated newspaper ownership of any G-8 country, and that seriously constrains the range of opinions…."[6] Dissection of a headline from a popular national Canadian news magazine illustrates how one must delve further **(Slides 5)**.[7]

With these concerns, you must broaden your sources beyond the traditional industrialized world media. We had to draw upon authors more knowledgeable and experienced than ourselves to prepare these notes. Read in detail what these talented people have to say. Authors like Harrison, Isbister, Todaro and Smith, Sachs, Collier, and Bagchi have provided excellent, provocative and comprehensive reviews.[8,9,10,11,12,13] Talk to local international groups about their reference materials and delve into the internet with caution.

Secondly, find areas where progress has been made

One must try to be optimistic. What progress have we seen? The most important is the worldwide recognition of the imbalances on this planet. There is also awareness that "in an increasingly interdependent world it can be argued that altruism and enlightened self-interest converge".[14] As **Slide 6** suggests, social unrest and disease spread globally, presenting "waves of danger" as World Bank President, Robert Zoellick has noted.[15] The developed nations need the Third World to purchase their products; and we can benefit greatly from the Third World's own energies, inventiveness, cultures and ideas.

Thanks to the internet and cheap wireless communication, Third World development can occur more rapidly and efficiently. No more can most governments and others hide facts from the public for very long. Jeffery Sachs noted, "Mobile phones are perhaps the greatest developmental tools of our age."[11]

New generations have also been informed about the problems of the Third World through the media activism of "U2" lead singer Bono and "Live Aid" originator Bob Geldof and by the announcements of large monetary contributions from such individuals as Warren Buffett and Bill and Melinda Gates.

Next in importance has been the spread of democracy with the empowerment of the public it has brought. Its recent plateau is, hopefully, a temporary one. Despite the extreme problems in Sub-Saharan Africa, in 2005 the Commission for Africa noted that "in the past five years more than two-thirds of the countries…have had multi-party elections – some freer and fairer than others – with a number of examples of peaceful democratic changes of government".[16] Stephanie Nolen, a writer well-acquainted with Africa, noted:

> *"I realized that in my bleaker moments, I was doing what I often chided others for – seeing Africa an unchanging disaster and not realizing that between this coup or that rebel insurgency, change was happening – sometimes almost imperceptibly slowly, but definitely, defiantly happening."*[17]

There has been progress towards the Millennium Development Goals. For example, on the disease front, the global increase in the number living with HIV/AIDS has, at least, been blunted, and the number dying from this disease has fallen slightly, as more anti-viral medication has become available **(Slide 7)**.[18,19] In East Africa, malaria cases are down from Tanzania to Zambia due to bednets, new anti-malarials, and insecticides.[20] As well, there have been partially successful trials of anti-malarial vaccines.[21]

Other advances have been made**,** but there is a long, long way to go, habits to change, and increasing environmental concerns compounding the problem.

Finally, if possible, contribute!

You are needed. Small actions can have large effects. Nobel laureate Muhammad Yunus, originator of the microcredit Grameen Bank, started with a $27 loan to a group of Bangladesh villagers in 1974 **(Slide 8)**.[11,22] By 2007, 7.4 million had benefited from his program and microcredit banks had spread throughout the Third World.

Students were a major factor in the highly successful "Jubilee 2000" campaign. This campaing originated in 1990 at Keele University, U.K. when Martin Dent and his students prepared a petition to present to the UN Secretary General concerning Third World debt.[23] In 1993, with co-founder William Peters, the organization formed a small charity using the name "Jubilee 2000", drawing upon a biblical injunction about debt forgiveness. By the year 2000 the organization had 24 million signatures demanding debt relief! As a constant prod to the industrialized, developed nations, it has had an impact on the acceleration of debt reduction and forgiveness and the ultimate goal of debt cancellation **(Slide 9)**. The G-7 (rich nations) summit in 1999 extended the HIPC initiative by pledging $100 billion, possibly influenced by this pressure.[24] In the summer of 2005 at Gleneagles, Scotland, accompanied by further public demonstrations, the G-8 agreed to cancel the debts of eighteen of the world's poorest nations – fourteen in Africa – and augment their aid contributions.[25] At a simultaneous meeting in Sirte, Libya, the African Union acknowledged that it must help itself through better governance.[26]

University student protests have forced TNCs to correct injustices in workers rights in the Third World. Nike, Nestlé, DeBeers, and Royal Dutch/Shell have listened, to list a few.[27]

Seek out and contribute to local organizations with Third World interests and talk to your local politicians. The role of university-based organizations, such as GHEC, must be underscored.[28] Talk to your friends and see what you can achieve. What starts small in your own backyard can grow and grow.

Finally, on concluding **Slide 9**, we noted the thoughts of social anthropologist Margaret Mead:

"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it's the only thing that ever has."

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