Global Trade, Justice, and the Bretton Woods Institutions

At the end of this session, you should be able to understand

- Two pillars of the UN system: economic & social development and peace & security
- The issue of global inequality and poverty eradication and foreign aid
- The pros and cons of involving corporations and/or international organizations
- The role of technology for global development
- The role of the United Nations (Ecosoc, Security Council) in development issues
- Examples of development: Africa, gender gap, debt relief, conditional funding, infrastructural reforms, population control, first world protectionism

Video Conference with United Nations Ambassador Kamal (Pakistan) & Ambassador Insanally (Guyana). Recording of March 15, 2001

Ambassador Kamal was Pakistan’s former UN Ambassador and involved in various UN organizations. He is now President of the UN’s Ambassador Club and involved in educating the public about the UN. Ambassador Insanally’s credentials include serving as president of the UN General Assembly in 1993 and president of the G-77 in 1999.

Ambassador Kamal began with a brief introduction to the topic of economic and social development. He explained that the two main pillars of the UN are economic and social development as well as peace and security. They are interrelated, and there is much debate in the UN as to whether economic and social development leads to peace and security, or whether peace and security are necessary for economic and social development. An important fact that Ambassador Kamal pointed out is the large and increasing gap between the wealth of the richest and poorest nations. This gap has grown by over 100% in the last twenty years.

Ambassador Kamal cited four main issues in economic development in the UN.

- The first issue is the overall amount of money available for developing countries. It has been agreed that .7% of the GNP of the richest nations should be given to the poorer nations for their development, but most countries have not met this.
- Second: The major priority of the poorer, developing nations is poverty eradication, while the richer nations have other priorities.
- Third: Most of the world’s money is tied up in the private sector. The motive for involvement of private enterprise in developing countries is profit, not poverty eradication. The private sector will only invest money where it will generate the greatest profit, and this is not usually where it is needed the most. The private sector is also involved in very volatile, high speed, short-term investments, while development relies on long-term investments.
- The fourth issue is the question of whether new technologies will increase or reduce the gap between the rich and poor nations.
Ambassador Insanally added that what the UN really needs is a vision and strategy for development. He feels that peace and development are interlinked, and that without peace and stability one cannot achieve development. His main goals for the UN in terms of development are “reform and revitalization”. He thinks that before the UN can make any progress towards development issues, it must reform the Security Council and revitalize ECOSOC.

The ambassadors pointed out important issues that are responsible for many of the problems in the international arena. The Security Council is made of the world’s wealthiest powers. If their decisions dominate the rich continue to get richer and the poor even poorer. Security Council reform is a must if the economic disparity between the developed and developing nations is to be alleviated. Ambassador Insanally stated that his goals for the UN in development are “reform and revitalization.” The UN has long known that Security Council reform is needed to alleviate economic disparity but many stumbling blocks have been erected along the way to prevent just that. One of the biggest hurdles is of course, amending the UN Charter.

Student Questions:

Q.) Is the UN trying to redirect private funds to Africa?

Ambassador Kamal responded that there are talks by the international community but only in the future tense, and no action. Ambassador Insanally argued that Africa represents less than 2% of world trade, and that it has weak infrastructure. A country needs the underpinnings before it can achieve development. Ambassador Kamal agreed that the secret to success is the improvement of infrastructure. Although Africa is among the richest continents but the stripping away of its wealth (minerals, natural resources) has been going on since colonial times and continues to today. The UN has done little to reform the system.

Q.) Social and economic development go hand in hand most of the time, but sometimes the money allotted for the country’s development is not enough to fund both economic and social programs. How does the UN decide which programs the resources go to? For example, if there is not enough money to pay for building a school, does it make sense to invest this money into business proliferation in the same area?

Ambassador Kamal responded by saying that ECOSOC does nothing but talk because it has only brains and no money. The ECOSOC can reach a consensus, for example that “poverty eradication is priority”, but it cannot force action by others. Ambassador Insanally agreed, adding that development lies with the Bretton Woods Institutions, not with ECOSOC. He re-emphasized his position that ECOSOC needs to be strengthened, and stressed that development projects need to be decided by relevant agencies that must be aware that the countries must own the projects for them to be successful.

Q.) Advanced telecommunications are necessary tools for underprivileged nations to join in the educational and economic benefits of an Internet connected world. The fact is that telecommunications comes with a lofty price, which is unaffordable for many Third
World states. What is being done by the UN to bridge the gap between the underdeveloped states and the industrialized states?

Ambassador Kamal pointed out that nothing was being done. He described the Internet as an “actor” which the UN has had problems adjusting to. He agreed that the Internet is beneficial because it “levels the playing field” in terms of access to information. He reminded us that many tools, such as hardware, electricity, software, ISP’s and especially training, are necessary before one can gain access to the Internet. The UN Millennium Summit was not really a progress because it created a general, rather than a concrete projection of what should be done. Ambassador Insanally informed us about the Working Group for Informatics, which is a committee for promoting awareness and education about the Internet among the UN diplomats. He confirmed the importance of spreading knowledge about new technologies and education and proposed the idea of taxing the Internet and using the collected funds for development. Unfortunately many developed nations, such as the U.S., are very protective of their “sensitive” technologies which give them an economic, political, and military edge and are unlikely to support such an idea with great force. And many Americans are adamant about free Internet access and so taxes would not be seen upon kindly. But the Internet is a great resource and more research should be done on how it can be better used by the international community in helping to solve problems of development.

Q.) Has the “Women in Development” movement caused problems in terms of opposition to the transcendence of women out of traditional roles, particularly in Third World countries where women are more likely to be highly confined to these roles? If so, what are some examples of this? How do these countries view feminism in the United States?

Both ambassadors deflected from criticism of women in Third World countries and argued against the notion of a superiority of Western feminism. Ambassador Kamal pointed out that there has never been an elected female president in the U.S. in contrast to Pakistan and India. Ambassador Insanally supported Ambassador Kamal, stating that Guyana also is a relatively new country and has already had women elected in important political positions. He said that women are a resource the Third World cannot afford to ignore. The UN has recently made special efforts to include more women in development projects. Nevertheless, questions concerning the role of women are often very touchy. Cultural values are tied to the role of women in many nations. This makes it difficult to judge what is right or wrong.

Q.) What actions will the UN take in debt relief to developing nations that have accumulated such enormous debt?

Ambassador Insanally talked about the debt initiative for Heavily Indebted Poor Countries (HIPC), proposed at a recent conference in Mexico. He felt that there has been considerable progress in the HIPC initiative, but it is still limited. He wants to completely eliminate the debts of the poorest countries, and thinks that the U.S. needs to be pressured for a more comprehensive approach to the debt issue. Ambassador Kamal distinguished between deficit financing, which is good for development, and debt, which is bad and not
sustainable for developing countries. He feels that the HIPC initiative is good, but not large enough. In the early 1980’s, many banks in MDCs that had given out loans to LDCs had to write off unpaid debt as bad loans when they realized that many countries could not repay the loans. This caused a global financial crisis that was in part responsible for the recessions of the eighties in the US and Europe. The rise of Third World debt has led to high interest rates in the MDC’s. One of the important problems is that in the last five years the poor were sending more capital to the rich than they were receiving from them. Ambassador Kamal touched upon is issue. Debt is of course the greatest problem in Africa but many counties are struggling with it worldwide. Twenty countries have reached such a high debt level that they are now excluded from international capital markets (New York Times 1996).

Q.) What conditions should be given to debt payment plans?

Ambassador Kamal stated that nations should try to forgive debt. Ambassador Insanally considered the problem of debt payment, versus other allocations of funds. He stated that the policies should be humanistic, that they should not have a deleterious impact, and that the country needs to first reach a threshold of funds before it can begin to pay off debt. Ambassador Kamal provided the class with some statistical information to illustrate the problem: Pakistan puts 40 cents from each dollar, and Guyana puts 70 cents for each dollar towards debt repayment. High interest rates will not help nations in debt. The problem is so grand that more debt relief measures are needed. The concept of “trade not aid” is an important one as well. With 85 percent of the world’s population, the LDCs had only about 24 percent of the world’s exports in 1998 (UNDP). Like foreign direct investment, trade is concentrated in the more prosperous LDCs.

Q.) Should funding organizations prohibit “unnecessary” projects so that money can be allocated for debt? Isn’t arms build-up, for example, an “unnecessary” expenditure of poor countries?

Ambassador Kamal answered that in most instances arms are necessary for defense (after all, peace and security are necessary for development) and that conditions of funding organizations often do not remove the source of conflicts but rather widen the gap between developing and industrialized nations. Ambassador Insanally objected the (often hypocritical) dictates from industrialized countries who argue, “Do as we say, but not as we do.” Ambassador Kamal added that states providing aid should not point fingers but understand conditions and help accordingly.

Globalization has brought much change to the world. National economic problems have international/global repercussions. Modern technology has helped to create new international financial institutions and tools. Similar to the use of technology, these economic institutions can be used for good or for bad. International capital aids in the global transportation of goods, services, and financial savings. These flows can engender international economic growth, integration and justice without asking LDCs to give up the right to defend and protect themselves (rights that MDCs take for granted).
Q.) How can Guyana develop economically without depleting the country’s natural resources, especially minerals and timber? Are there other sources of economic strength that the country can draw on?

Ambassador Insanally stated that all countries have to take advantage of their specific resources. He argued that the Guyana government does not intend to harm itself and its citizens when it exploits its own resources. He also stated that Guyana is fully committed to the protection of the environment. For example, Guyana has set aside forests for biodiversity research. The argument of "harmful resource exploitation" is often used to deny underdeveloped countries the chance of development.

The debt for nature swap is one way to address the link between economy and the environment. Financial institutions, NGO’s, and states negotiate an arrangement that reduces the state’s international debt while also preserving some of its forests for conservation and sustainable development. Most states that have a lot of forest area are also in a lot of debt. The idea itself is good because all parties benefit. The financial institution gets something for a debt that may not otherwise be repaid; the state gets part of its international debt relieved; and the NGOs help to save part of a natural forest system that contributes to the global climate system and thus helps to reduce global warming. However, this program also has problems. Many banks are either unwilling or not allowed to sell the debt at a reduced rate. For example, about 60% of global debt is beyond reach of the "debt-for-nature" process. After some changes have been made in the system, "debt-for-nature" swaps might be a valuable model for alleviating problems surrounding other natural resource issues.

Q) According to the Indian government, Pakistan supposedly has supported "terrorist" activities in the State of Jammu and Kashmir and taken illegally and forcibly control of part of the state's territory after 1947. Why does Pakistan spend money for this conflict although it has such huge debts? Wouldn't their resources be better spent focusing on their economy?

Ambassador Kamal explained the historical background of the conflict from the Pakistani point of view. According to UN resolutions the territories are disputed between India and Pakistan and not a legitimate Indian possession. Furthermore, the Muslim majority in Jammu and Kashmir are being subjected to terrorism by Indian occupation troops. From the Pakistani point its involvement in the conflict is entirely defensive. Channeling all defense funds into development funds is impossible because Pakistan is afraid of its powerful and dominant Indian neighbor and must be ready to defend itself.

In order to find out what is best for Jammu and Kashmir, we must look to the will of the people living in those two states. India promised elections to determine the people's voice but has not followed through. On the other hand, according to the Indian government, parts of Northern Kashmir, which are Pakistani occupied, have never been granted voting rights. India also claims that Pakistan has targeted Muslim political leaders to aid them. The conflict in Jammu and Kashmir like the Arab-Israeli, and other conflicts over disputed territory, are very difficult to deal with because both parties believe they are right and oppose different point of views.
Q) The prior question on women and development is clarified and the ambassadors are asked for additional responses.

Ambassador Insanally said that the UN has been very consciously, and actively trying to promote women’s rights, and most countries have taken positive steps. Ambassador Kamal agreed with the feminist concerns. He re-emphasized that the UN is deeply concerned with gender issues. The policy of the UN is 50/50, and presently 38% of its diplomats are women. Ambassador Kamal raised the problem of cultural diversity, specifically in regards to the Muslim culture. He stressed the difference of precept vs. practice and rights vs. implementation, stating that women must be guaranteed implementation of their rights.

Q) What role should population control have in economic development? Do you feel that programs like China’s one-child policy have merit? Could such a policy be used in India?

Ambassador Insanally answered that population policies must be tailored to the individual country, and that the international community is trying to address this issue. Ambassador Kamal added that Pakistan has a very large NGO for family and population planning, and he believes that it is essential and effective to some degree. Although the one child policy is working in China and has many benefits, India will be reluctant to use this policy. India as the world’s largest functioning, stable, and secular democracy. India views the Chinese policy as being anti-democratic. India continues a massive family planning campaign but is having problems due to the fact that large portions of its population are poor and uneducated. Measures to revive and reform family planning in India are currently underway.

Q) How did developing countries acquire such great debt?

According to Ambassador Kamal colonialism is at the root of the debt problem in many cases. Trade protection measures by the First World continue to exacerbate this inherited inequality. Ambassador Insanally argued that a "conspiracy of circumstances" and forced loans have also contributed to the debt trap in which LDC’s are caught.