

OPINION & ANALYSIS

PERSONAL VIEW

NAM summit can and must tackle Third World debt trap

Since World War II, the proportion of the world's population living in poverty has declined more than over the previous five decades, a transformation that can be attributed largely to economic growth spurred by the free market system.

At the same time, natural scarcities in the free market system have brought about an enormous concentration of economic gains in a few hands. The absolute number of people on the globe has never been greater. More than 1 billion people live on less than a dollar a day. Every day 100 000 people die the global labour force but only one in five can expect to find formal employment.

The persistence of such mass unemployment and poverty is the most pressing problem in today's world. Those worst affected are the 113 poor and developing nations of the Third World of

Africa, Asia and Latin America who are the members of the Non-Aligned Movement (NAM) which is holding its twelfth summit meeting in Durban this week.

It is therefore not surprising that one of the central issues at this summit, to which First World nations, including the US, the UK and Western European countries have been invited as observers, is that of employment and poverty eradication in the context of Third World development within a global economy.

This means thrashing out questions of how poorer nations can have their currencies, markets and economies protected from the ills of physically remote, but market-linked economies — like the Russian one — which has traumatised our stock exchange.

The economies of the poorer and developing nations of the south are less able to withstand

such onslaughts than those of the industrialised nations of the north. These collapses bring their people even closer to starvation.

It also means looking at trade liberalisation and access to foreign markets through the lens of a positive contribution to poverty alleviation, sustainable development and economic growth.

The complexities are illustrated through the reduction of import barriers. Cutting down import tax on clothing from some of our trading partners meant cheaper imported clothing flooding the South African market, causing South African workers in this industry, mainly women, to be retrenched.

Offsetting such negative effects of globalisation against the



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opportunities offered needs to be addressed by NAM.

It means looking at issues of national security local and foreign investment and debt relief. Here it is worth noting the ideas of Professor Muhammad Yunus of the Grameen Bank mentioned in earlier columns, who initiated the idea of micro-finance for the poor. It is a segment of banking being recognised at the highest levels worldwide, as the way forward to eradicate poverty and promote economic growth.

Yunus says private, micro-enterprise trusts need to be established in countries such as ours, which have large, poor populations. These trusts should be managed at the national level by well-respected individuals in poverty alleviation efforts, with

government involvement kept to a minimum. Money from the trusts would be lent to micro-finance organisations as start-up or expansion funds, provided the organisations met annual performance targets.

He suggests further that Third World governments, burdened by foreign debt, be permitted to repay their loans directly into trusts that would be used for domestic micro-enterprise lending.

"Much of this debt was contracted by undemocratic governments and used for questionable purposes," he says. What if this "law in the global economy" could be addressed while at the same time raising capital for micro-enterprise lending?

"For each sum of local currency deposited into the micro-credit fund, that country's government would have its foreign debt reduced by an

equivalent amount of hard currency at a mutually agreed exchange rate. This would stop one of the most troublesome aspects of the debt crisis: the bleeding of hard currency from Third World countries," says Yunus.

This should certainly be considered at the NAM summit where some of the poorest nations in the world will be represented. This summit distinguishes itself from previous summits by starting to engage the industrialised north as partners in Third World development, towards a more equitable share of the world's resources.

Such engagement means putting into place arrangements, groupings, structures and institutions which are regional and international to ensure that globalisation helps rather than hinders the social and economic advancement of the south. A tough job lies ahead.