NEO-LIBERALISM AND GLOBALISM, FAILING IDEAS FOR SUSTAINABLE DEVELOPMENT AND POVERTY ALLEVIATION FOR THE DEVELOPING WORLD: THE EXPERIENCES OF ASIA, SUB-SAHARAN AFRICA (SSA) AND LATIN AMERICA

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Abstract
This article mainly addresses the question; can globalization ‘eradicate’ poverty and induce and/or maintain sustainable development? It serves as a pragmatic development policy critique of the world’s strongest conviction and flawed obsession in neo-liberalist-globalization perspective in development and policy debates for sustainable development. The paper sets out to examine whether this strongest conviction and world’s obsession in neo-liberalist-globalization perspective for sustainable development can be true or correct, based on the experience of the three regions where the neo-liberal policies were implemented. It covers poverty in its broader sense, definitions on both globalization and neo-liberal agenda and focuses on three regions where these policies have been implemented; Asia (North East and South East), Sub-Saharan Africa (SSA) and Latin America. Experiences of SSA and Latin America illuminate the various negative impacts of globalization within the neo-liberal framework while South East Asia illustrates two different things; that globalization outside neo-liberal framework can at least lay foundations for poverty eradication/sustainable development, through stimulating growth but with some equity and that globalization within neo-liberal framework does not work. It concludes that globalization within neo-liberal framework cannot work to eradicate poverty and induce sustainable development. It is rather the cause of poverty and thus underdevelopment for the millions living in developing countries.

Keywords: globalization, neo-liberalism, sustainable development, poverty alleviation, underdevelopment.

INTRODUCTION
Throughout the world there is an increasing alarm caused by the poor conditions, in which millions of people live, which seem to be worsening from year to year. There are many accounts of the problem of poverty and lack of sustainable development and from these many accounts come many policy recommendations. The most recent and controversial account of the causes of poverty and non-sustainable development can be found within globalization debates, which is most often associated with the neoliberal agenda. It is argued that globalization within this agenda is the only way poverty can be eradicated and obtain sustainable development the world over. This essay sets out to examine whether this argument can be true or correct, based on the experience of the three regions where the neo-liberal policies were implemented. I will first start by defining poverty, in its broader sense. This will be followed by the definitions on both globalization and neo-liberal agenda. The last part will focus on three regions where these policies have been implemented; Asia (North East and South East), Sub-Saharan Africa (SSA) and Latin America. The experiences of SSA and Latin America will illuminate the various negative impacts of globalization within the neo-liberal framework while South East Asia will illustrate two different things; that globalization outside neo-liberal framework can at least lay foundations for poverty eradication/sustainable development, through stimulating growth but with some equity and that globalization within neo-liberal framework does not work. This essay sets out to examine whether this argument can be true or correct, based on the experience of the three regions where the neo-liberal policies were implemented.

CONCEPTUALIZATION AND ANALYTICAL FRAMEWORK
The Multidimensionality of Poverty
As mentioned earlier, there are many concepts of poverty, which lead to various policies of poverty eradication and sustainable development. In this essay, a combination of International Labour Organization's "Social Exclusion", "Sustainable Livelihoods Approach", and capabilities approaches will be used to define poverty. The concept of social exclusion sees poverty not only as material deprivation measured by income or consumption. It links poverty with productive employment and social integration and explains how the last two affect the first. Like the capabilities approach, it emphasizes the importance of an individual's active participation in all spheres of public life in order to realize own rights. It relates poverty to various forms of exclusion, agency of individuals within the existing economic, political and social structures. It further shows how access to productive resources, employment, organization, representation and social services can affect the material wellbeing of people. Poverty, in this sense can be summarized as lack of basic necessities of life, low achievement in education and health, powerlessness, voicelessness, vulnerability and exposure to risks as well as marginalization. Rehman [2001:5-10], argues that poverty has structural dimensions and categorizes them as follows; unequal access to assets such as land, water and water bodies, unequal participation in the market, unequal access to human development, education and health care
and unjust governance. All these point to the underlying structural problems, which must be tackled in order to eradicate poverty and attain sustainable development. The question one can ask then becomes, is globalization enforced through neo-liberal reforms a sufficient tool to handle this multitude of problems?

CONCEPTUAL PERCEPTIONS ON GLOBALIZATION

There are many debates in the field of development studies regarding the nature and impacts of globalization on the nation states and their economies. One can clearly discern two opposing views concerning globalization; one that sees globalization as positive and ultimate and the other, which sees globalization as bad and in need of transformation. Those who see it as good define it as a process whereby the world becomes a single country with no barriers between states, connected by tight economic, political, social and cultural interactions. In economic terms, it refers to the free movement of finance, goods and services. In political terms, it presupposes the shift towards democracy worldwide, where citizens have civil and political rights to make choices of leaders and policies and to participate effectively in the affairs of their countries. Socially it refers to the existence of globally shared values and norms, envisages globalization as mutual interdependence and unity of one world as heralded by Fukuyama as the ‘end of history’ [Pieterse, 2003:42]. In this sense, globalization is regarded as a tool for solving the many problems of developing world such as poverty and lack of sustainable development, illiteracy and other problems; economic, social and political, a tool for equalizing international incomes.

The other side sees globalization as a malignant force whereby developing countries are integrated into the global economic system by ‘coercion and brute force’. Harris and Seid [2000:5] explain the phenomenon as follows, “In the last two decades, nearly every major aspect of contemporary economic, political, social, and cultural life in the developing world in developing countries of the world has been affected by the accelerating integration of their economies into the expanding global capitalist system…nearly every corner of the world is rapidly becoming an integral part of a global economic system …dominated by large transnational corporations.”

They continue by arguing that these transnational corporations have the support and protection of the dominant forces in the regulation of international finance and trade, such as the International Monetary Fund/IMF, the World Bank, the World Trade Organization and governments of strong countries such as the United States, Britain and Japan. Others, like Pieterse [2003], argue that it is not globalization but the American neoliberal empire seeking to advance the interests of strong American corporations. Through economic power and wealth, the corporations shape the policies of the countries in which they invest, produce and sell their products, shaping in turn the economic, social and political developments of these countries. To assess the importance of these positions on the impact of globalization on developing economies, one must look at how the neoliberal project is implemented.

THE NEOLIBERAL PROJECT

Convinced by the transnational companies supported by their strong governments in the North in their quest to penetrate the developing world economies, international financial institutions; World Bank and International Monetary Fund have required the developing countries to carry out major structural reforms of their economic systems. Neoliberalism is both an ideology and a strategy which is often termed "Reaganomics", "Thatcherism", "supply-side economics", "monetarism", "new classical economics", and "structural adjustment". The ideology of neoliberalism is the worship of the "market" and subordination of all other economic actors to its demands, including government and individuals. It believes that once markets are freed from the oppression by the state’s regulation, market forces (‘the invisible (distributive) hand’ unfortunately only cash-backed-capital-operative) will bring world prosperity, democracy, justice and respect for human rights [Harris and Seid, 2000:11].

The strategy of neoliberal economics can be summarized as including; (1) Fiscal discipline, (2) A redirection of public expenditure priorities towards fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure, (3) Tax reform (to lower marginal rates and broaden the tax base), (4) Interest rate liberalization, (5) A competitive exchange rate (6) Trade liberalization (7) Liberalization of inflows of foreign direct investment, (8) Privatization, (9) Deregulation (to abolish barriers to entry and exit), (10) Secure property rights [The World Bank Development Observer, 2006: 251-264, Vol. 15, No. 2 IBRD/ The World Bank].

According to the neoliberal argument, globalization in this sense benefits the world in the following manner. (1) Both the nations comprising the world economy’s industrial core and those in the developing periphery benefit massively when the capital-rich core (where interest rates are low) loans to the capital-poor periphery (where interest rates are high). (2) Consumers benefit when lower transport costs and reduced tariffs make goods produced far away more affordable. Producers of goods that are exported gain as well because they sell into a wider market. Producers of goods for home consumption do not gain, but there is nothing like competition from abroad to keep them on their toes, alert to ways in which they can improve efficiency and better satisfy their customers. (3) The more internationalized the world economy, the more use producers in each country can make of commodities and production processes invented elsewhere. Faster diffusion of knowledge raises the level of productivity and technology worldwide.
THE CASE STUDIES
Asia: The Economic Context of Globalization
The experience of Asia shows that globalization outside the neo-liberal framework can help to increase economic growth and welfare in the long-run. In development debates the Asian states, originally Japan, South Korea, Singapore, Hong Kong and Taiwan and lately South East Asia, are described as the ‘developmental states’ which denotes the state whose development strategy is based on labour intensive industrialization, grounded on learning processes and technology borrowing from the West, with limited use of expatriates. These states are greatly involved in the economy and engage in effective creation of winners through policies such as targeted taxation, limitation of foreign ownership and shareholding, protection of infant industries, incentives in the banking sector and financing of firms, training in technology, forging the links between bureaucracy, business and financial sector, provision of factories for rental and sale to local firms [Sindzingre, 2004:3]. Most of these countries, apart from South East Asia, have populations largely resident in the urban areas and make a living out of employment in industries and tertiary activities. They have small internal market and therefore have to engage in international trade to expand their market.

These countries also have advantageous geographic location for international trade and have capitalized on this by focusing on the development of ports and specialize in two important sectors in a global world; financial sector and industrial processing for exports that is highly import intensive for products such as electronics, computers, watches and textiles. The banking sector is highly dominated by the state, through ownership of banks and controlling savings and investment that helps government to mobilize private savings sometimes used to buy foreign exchange reserves. The state does not only help create and protect industries but is also directly involved through ownership of enterprises. Dasgupta [1998:323], points out that in Singapore the state owns a large number of enterprises that account for 25 percent of the GNP. The state also provides subsidized accommodation to around 75 percent of its population. The mixture of all the characteristics of the developmental states helped them to avoid the clutches of neo-liberalism and reduce poverty with a significant extent of sustainable development. It helped to develop institutions and to stimulate economic growth.

On the other hand, South East Asia has been greatly under the influence and domination of the International Financial Institutions (IFIs). Even though the states in this area became somehow interventionist in their economies, they did not have the advantages enjoyed by the East Asia. Dasgupta [Dasgupta, 1998: 342], points to the heavy dependence on foreign firms for almost all their important economic activities, without a strong infrastructure and industrialization without technology and loosely linked to the local economy. However, this managed to stimulate growth though later proved unsustainable in the face of crisis of the late 1990s.

IMPACT OF NEO-LIBERAL GLOBALIZATION ON WELFARE AND POVERTY IN ASIA
Although these countries seem to have achieved growth, it appears from a lot of literature that this has however not translated to welfare for most people in the subcontinent. In fact what can be said is that globalization within the neo-liberal framework has worked to destroy the traditional forms of social security/sustainable development and welfare, which were based on family ties and kinship due to migration to urban and industrial centres. Schmidt [2000: 220-221] argues that governments and their coalition groups of the rich have “deliberately encouraged economic growth by emphasizing international competition through a calculated export-led strategy and avoidance of social welfare programmes.” The governments justify this by blaming individuals’ relations with kinship and family for social insecurity and poverty. Ideologically, social programmes are said to be counterproductive and the poor are characterized as lazy and socially deviant. Singapore is a good example of this. Schmidt (2000) further argues that social welfare expenditures are a privilege of civil servants. He contents that “Since investment in manufactured production…favours…countries with low wages, minimal social security, health, safety and environmental costs, global competitions…becomes a zero-sum social game.” Constitutionally, states are supposed to provide basic social services but practically there is no entitlement. In most cases, social security programmes are employment based in the formal sector, thus excluding the informal sector and the unemployed. Governments are spending less and less on social security provision. The cutting on social spending is often a result of debt repayment.

In addition to the above, the governments adopted tight and repressive labour market regulations to ensure ‘labour discipline’ and ‘industrial peace’, which are the requirements of export, oriented industrialization. In Singapore, government banned all forms of organization outside government created structures, closely tied to itself or the ruling party to represent workers within companies. The government also kept wages low to make their firms competitive with those from low wage countries. Other ways of marginalizing workers include forming alternative unions by companies, employment of temporary workers during strikes. In some countries, labour’s voicing of concerns such as salary increases and working conditions are severely punished, sometimes by death [Schmidt, 2000:227]. Thus, workers have to contend with low wages, poor working conditions. This is clearly an explanation of why despite the report of high rates of growth there are still many poor people in the subcontinent. The bulk of the growth goes to the capitalists, thus no trickle-down effect or equity.

Globalization is also blamed for myriad ways in which it causes poverty. Bello [1997:155-156], points to social inequalities despite rapid growth. This raises the questions about social equity and redistributive justice. Pasha [2000:78], asserts that in South Asia the adjustment programmes met a lot of resistance that reshaped them
and in the process determined winners and losers. Those who won took everything that the governments in their patronistic relations could offer. He mentions the loss suffered by industrial workers, small-scale producers, unskilled workers and skilled workers to a small extent. There has been increased vulnerability of the poor workers due to massive retrenchments, new entrants into the labour market seem difficult, and the unorganized informal sector seems to be increasing in size. There are also claims that the living standards of the urban poor have deteriorated in most of Asia. Pasha [2000] also blames the new culture of consumerism for tearing the social fabric thereby causing indifference towards weak sectors of society. Ecological mismanagement and destruction are also one of the arguments against globalization. It is argued that, in Asia the depletion of natural resources is not accounted for in production, actually the environment is exploited to increase growth. This has resulted in a lot of air and water pollution caused by chemical industries, which lead to a host of diseases to those in Asia. The presence of transnational companies in agriculture in the age of globalization has also marginalized small farmers in international trade. The transnational companies work mostly with contract farming. Llambi [1994:189], using an example of coffee illustrates how the multinationals have cut Latin American coffee producing farmers from the market, through control of the products. The multinationals are said to control between 55 and 60 percent of trade in coffee through processing. Llambi [1994] also shows how European countries have tried to break down Brazil’s coffee production through encouraging coffee plantations in former colonies. This has been the case mostly with the outward-looking strategy of export cash crops. In the time of oversupply also, poor farmers loose bargaining power with multinationals on prices. Thus, they get less for their produce. This is anti-sustainable development and therefore underdevelopment.

Latin America has also incurred social costs to neoliberal ascendency. Many countries of the region have seen deindustrialization of their economies, leading to loss of employment by laid off workers due to trade and financial sector reforms. The privatization of public enterprises has led to retrenchment of workers and coupled with labour market flexibilization measures have led to job insecurity, lower wages, decline in social protection and erosion of workers’ rights and bargaining power [Green, 2003:224]. In Chile, for example, labour suffered most due to reforms. There was increasing unemployment, ranging from 15 to 31.1 percent between the years 1975 and 1982. The military government did all it could to minimize opposition from labour which was

**IMPACT OF NEOLIBERALISM IN LATIN AMERICA**

Given the economic setup in Latin America, it becomes clear that the impact of globalization will be different from those in Asia. In Latin America, poverty has always been described in structural terms, relating it to the way the economy is socially organized and how it is integrated into the global economy. Here, unfair international terms of trade against the region’s exports are blamed for poverty and underdevelopment. One can refer to the farm policies of the United States and other developed countries and how they affect the patterns of international trade and the output of the poor countries’ agriculture. By heavily subsidizing their farmers, they have led to the decline in the prices of agricultural products in world markets, forcing the poor countries of the region to produce more in order to be able to meet their required foreign currency requirements. Thus, the poor farmers are precariously integrated. This has had consequences for food security, whereby there has been a shift to cash crops away from production for basic consumption.

The reliance on FDI has proved particularly destabilizing to the region’s economic development and on many occasions plunged countries deep into recessions when instability occurred at far places such as Asia and the US [Green, 2003:225], thus Latin America has not been able to benefit from FDI.
regarded as a political enemy of the government. The 1981 Labour Code contained harsh provisions whose aim was to limit the union organizing and bargaining power. This led to the decline in union membership [Velasco, 1994:408]. The dictatorship introduced a “flexible” labour system that left workers with the formal right of individual contract, but stripped them of any right to organize and bargain collectively. Power shifted to the employers in the mines, factories, fields, and ports. The dictatorship spared no form of state intervention to crush workers' power.

Privatization of state enterprises has also had negative impact upon the poor, through the introduction of user fees. Beharie [1987:283] argues that, “Although overall public sector expenditure declined…the proportions allocated to social services also declined....” This coupled with increased unemployment and lack of income have badly affected the quality of services and denied the poor access. This has in turn increased the number of the below poverty line. Green [2003] estimates that 44 percent of Latin Americans now live below the poverty line. Thus, reforms have caused unemployment and underemployment, decline in real incomes, income inequality and reduction in the level and quality of services, with devastating consequences for the poor. Beharie [1987: 283] points that:

“There has been serious deterioration of physical infrastructure in education, health/sanitation and housing sector: erosion of teacher salaries, increased student/teacher ratios and overcrowding of facilities…increasing…nutrition related ailments, fewer facilities to pregnant women and nursing mothers… evidence of lower birth weights, and increased child abandonment and youth delinquency.”

NEO-LIBERAL GLOBALIZATION IN AFRICA: ECONOMIC CONTEXT
The World Bank and IMF became increasingly powerful in Africa with the economic crisis of the early 1980s. In the late 1970s, rising oil prices, rising interest rates and falling prices for other primary commodities left many poor African countries unable to repay mounting foreign debts. In the early 1980s, Africa's debt crisis worsened. The ratio of its foreign debt to its export income grew to 500%. African countries needed increasing amounts of "hard currency" to repay their external debts (i.e. convertible foreign currencies such as dollars and deutschmarks). Nevertheless, their share of world trade was decreasing and their export earnings dropped as global prices for primary commodities fell. The reliance of many African countries on imports of manufactured goods, which they themselves did not produce, left them importing more while they exported less. Their balance of payments problems worsened and their foreign debt burdens became unsustainable [Engberg-Pederson, 1996]. African governments needed new loans to pay their outstanding debts and to meet critical domestic needs. The World Bank and IMF became key providers of loans to countries that were unable to borrow elsewhere. They took over from wealthy governments and private banks as the main source of loans for poor countries. These institutions provided "hard currency" loans to African countries to insure repayment of their external debts and to restore economic stability [Dasgupta, 1998:342-8].

When privatization started, most of the countries had small and weak business communities to take over previously government owned enterprises due to previous lack of concern on the part of governments to build strong business culture. In Africa almost every country has implemented various reforms; privatization, financial liberalization, cutting of government spending and trade liberalization. This has had devastating impact on their economies.

EFFECTS OF STRUCTURAL ADJUSTMENTS IN AFRICA
Structural adjustment programmes have had a devastating impact on the poor in Africa and have even pushed more below the poverty line like in Latin America. A few examples can illustrate this. Agriculture, which is the main sector in Africa, for both income generation and subsistence, has been badly affected by devaluation, deregulation and privatization. Engberg-Pederson [1996:33], points out that during adjustment investment in agriculture has declined due to elimination of subsidies and squeezing of agricultural departments and parastatal budgets. This has caused loss of income for farmers who cannot afford expensive inputs sold by the private sector. Currency devaluation has increased the price of imported inputs such as fertilizers and machinery and has also made extension services expensive for governments and farmers. This has resulted in low farmer productivity due to decline in input use. African farmers are not only excluded from the factor markets by adjustment but also from the products market where they are marginalized by big monopolies (MNCs) in contract farming of various forms and also through dumping by highly subsidized agribusiness in the North which produce more than their local markets can consume and export the surplus cheaply to Africa where they displace locally produced goods, leading to loss of income and livelihoods to the poor farmers. The state also fails to provide necessary infrastructure to facilitate rural farmers’ access to markets. This explains the persistence of rural poverty and anti-sustainable development in Africa.

The policies dictated by the World Bank and IMF exacerbated poverty, providing fertile ground for the spread of HIV/AIDS and other infectious diseases. Cutfbacks in health budgets and privatization of health services eroded previous advances in health care and weakened the capacity of African governments to cope with the growing health crisis. Consequently, during the past two decades the life expectancy of Africans has dropped by 15 years. Zambia is a good example of this damage where hospitals have fewer beds, not sufficient equipment, medications and insufficient food rations for the sick. Lynas [2000:1], points out that those patients have to provide for themselves and those who cannot
afford are left to die, more often from preventable or curable diseases. This has also been compounded by cutting of subsidies for basic foodstuffs and other basic services like transportation, which have driven the middle classes into poverty and pushed the poor into destitution.

The privatization of public enterprises has had a terrible effect on poverty. It has led to industrial decline as weak local firms become unable to get credit and cannot compete with cheap, imported goods due to removal of protection. Ghana is given as an example where 120 factories were closed within four years. This has devastating consequences for workers who lose their jobs. They lose access to productive employment and livelihoods for themselves and their families and this is how poverty has increased in Africa. This has to large extent led to the growth of the informal sector where there are low restrictions to entry, making it impossible for participants to make profits [Engberg-Pederson, 1996:44].

Structural adjustments also caused inequalities in Africa. New agricultural policies in marketing and pricing have created winners and losers among farmers, leading to the abandonment of agriculture in search of wage labour and off-farm employment. Slow laying off in the public sector, increased aid and cheaper imported goods, which eliminate locally produced, have worked to increase inequality between rural and urban areas in favour of the latter. Thus, poverty in Africa is more of a rural phenomenon, in monetary and access terms though the urban with enlarging informal sector also still experience cyclic poverty.

In Africa, like in other developing countries, globalization has caused a lot of environmental problems. Population pressure and the shift to commercial farming are the two main causes. With an aim to meet debt repayments, more and more land is exploited to increase output for export, like in Kenya where vast lands are turned into plantations. There is also pollution problem in industrial sites, which polluting water sources, soil and air like mining ventures, thus posing risk to human life. The privatization of public enterprises has had a terrible effect on poverty. It has led to industrial decline as weak local firms become unable to get credit and cannot compete with cheap, imported goods due to removal of protection. Ghana is given as an example where 120 factories were closed within four years. This has devastating consequences for workers who lose their jobs. They lose access to productive employment and livelihoods for themselves and their families and this is how poverty has increased in Africa. This has to large extent led to the growth of the informal sector where there are low restrictions to entry, making it impossible for participants to make profits [Engberg-Pederson, 1996:44].

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CONCLUSIONS
Having discussed the above, one can safely conclude that globalization within the neoliberal framework cannot be an adequate strategy for poverty eradication and attainment of sustainable development. In Latin America, it has caused macro economic stagnation, accompanied by all social consequences. In Africa, this has caused decline in economic growth, which gradually turned into negative growth and all other forms of poverty. In East Asia, growth has been achieved at the greatest human cost. In Southeast Asia, the financial crisis of the late 1990s proved that globalization within this framework does not only fail to increase growth but also destabilizes well performing economies. Globalization and neoliberalism destroy welfare and potential sustainable development; hinder human development, increase inequalities, cause unemployment, social exclusion and poverty. In all the three regions, this globalization has undermined democracy and human rights by creating institutions that lack transparency and democratic accountability. This is the essence of neo-liberalism. It claims that the economy should dictate its rules to society, not the other way around. Democracy is an encumbrance, neo-liberalism is designed for winners, not for voters who, necessarily encompass the categories of both winners and losers.

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