

UN report on least developed countries shows worsening poverty and debt

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A new UN report on 48 of the Least Developed Countries (LDCs)—mainly in sub-Saharan Africa—reveals the devastating result of Western policies towards the world's poorest countries over the last decade.

The United Nations Conference on Trade and Development (UNCTAD) states that the current approach of the IMF, World Bank and Western governments to LDCs “is flawed in several crucial respects”. The “most likely outcome at the end of the coming decade will be a new round of aid fatigue for the new approach and a new round of debt relief to pay off the latest wave of ineffectual loans,” it concludes.

UNCTAD is critical of the promises of greater debt relief, much heralded last year by US President Clinton and British Chancellor Gordon Brown, stating: “It is not just that the debt relief being provided is coming too late and too slowly, but that the magnitude of assistance is quite simply too little.”

The report predicts that even if the GDP growth rates of the 1990s were to continue, of the 43 LDCs with GDP per capita now below \$900 a year, only one country would progress beyond that level in the next 15 years, and only eight would reach it in the next 50 years.

“An increasing number of the 22 LDCs where real GDP per capita either declined or was stagnant during the period 1990-1998 can be expected to become caught in a situation in which economic regress, social stress and political instability interact in a vicious circle. Even for those LDCs which are growing, there will be an ever-present danger that external shocks, natural disasters, or negative spill over effects from neighbouring LDCs, will disrupt economic activity and throw them off their fragile growth trajectories.”

The report predicts “citizens of LDCs will

increasingly face an unenviable choice between either poverty at home, or social exclusion abroad, as illegal workers or second-class citizens in other countries.”

In terms of percentage growth, “32 LDCs have either fallen behind the other developing countries in terms of per capita income, or have experienced absolute deterioration in living standards, during 1990-1998.”

One of the main reasons for the decline in real per capita GDP has been the decline in prices for primary commodities, on whose export many of the LDCs depend. “The terms-of-trade of the LDCs worsened in 1998 and 1999 with a drop in commodity prices whose breadth and depth has not been seen since the early 1980s.” Apart from oil-producing countries, “the commodity price movements since 1998 have exerted a significant squeeze on the LDC economies.”

In terms of social trends the report states, “The LDCs are not just the poorest countries in terms of per capita income, but most of them also have by far the lowest human development and poverty indicators ... On average, 15 per cent of all children born in LDCs do not survive to their fifth birthday—a rate almost double the developing country average—while the average life expectancy is no more than 51 years, compared to 65 years for the developing countries and 78 in OECD countries. Among the LDCs are also the countries with the highest illiteracy rates, the lowest rates of primary school enrolment and the widest gender disparities between males and females in education”.

For LDCs with “very low levels of socio-economic infrastructure, a high degree of vulnerability to external shocks, high rates of environmental depletion” together with the impact on labour arising from diseases such as AIDS, the only way to “raise investment levels” is to turn to “external finance”.

But in order to gain foreign investment the LDC's are

forced into programmes of “economic liberalisation”—a euphemism for opening up their economies to international investors, eliminating state control and ownership and whatever minimal forms of social provision may exist. The UN report naturally does not oppose these measures, which by necessity lead to the further impoverishment of the masses. But it is forced to address what has actually happened under these arrangements to date.

At the previous UN Conference on the LDCs, held in Paris in September 1990, a declaration was drawn up committing the LDCs to deregulation and privatisation measures. In return the Western governments would “make available a significant and substantial increase in the aggregate level of external support.”

The present report shows that in the main the LDCs had carried out their side of the commitment. 33 out of the 48 LDCs took up IMF Structural Adjustment Facilities. Trade liberalisation “has proceeded further in the LDCs than in other developing countries” with drastic reductions in tariff barriers.

In return, however, the richer countries actually *cut* the percentage of their GDP spent on aid from 0.09 per cent to 0.05 per cent. Overseas Development Aid (ODA) declined overall from \$12.6 billion in 1997 to around \$12.1 billion in 1998. “In real per capita terms, net ODA to LDCs has dropped by 45 per cent since 1990 and is now back to the levels at which it was in the early 1970s.”

The IMF and World Bank argued that the LDCs would be able to obtain more investment from the private sector. But Foreign Direct Investment (FDI) has almost exclusively focused “on natural resource exploitation”, particularly on oil and gas development. Moreover, compared with the huge increase in FDI flows throughout the world associated with globalisation, in the LDCs “real per capita long-term capital inflows are down by 39 per cent since 1990.” Relative to other countries, the LDCs have fared worse: “The share of net FDI received by LDCs has fallen from 3.6 per cent in the period 1975-1982 to 1.4 per cent in the 1990s.”

While aid and FDI is going down, the level of LDC indebtedness has increased: “For LDCs as a whole, according to World Bank statistics, the nominal value of the total external debt stock rose from \$121.2 billion in 1990 to \$150.4 billion in 1998, and the total debt

service paid by the LDCs amounted to \$4.4 billion in 1998 as compared with \$4 billion at the start of the decade.”

The debt is now equivalent to “an estimated 101 per cent of their [the LDCs] combined GNP, up from 92 per cent in 1990.”

The UNCTAD report advances its own palliatives to the impact of global capitalism on the LDCs, such as the doubling of foreign aid from the rich countries. But its findings reveal that the supposed “debt relief” efforts of Western governments have in fact led to an increase in indebtedness accompanying the cuts in aid.

Overseas Development Aid payments in the 1990s, UNCTAD admits, “were closely related to debt service payments”. In other words any lessening of debt payments has been accompanied by a lessening of aid, so the LDCs end up having to make the same or even higher net payments to the West. Even the IMF's own figures show that a number of countries such as Tanzania, Zambia and Senegal, have come out of the HIPC initiative paying more in debt repayments than before. Most countries that have entered the HIPC are still paying more to their creditors than they are spending on health and education.

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