Oxfam report says "rigged trade" is widening gap between rich and poor countries

Trevor Johnson
16 June 2001

A recent report by the charity, Oxfam, contains figures showing how the richer more industrialised nations rig trade in their favour, at the expense of the poorest countries.

Rigged Trade and Not Much Aid: How Rich Countries Help to Keep the Least Developed Countries Poor provides statistics to show that the gap between the world's richest and poorest states is widening. Twenty years ago, the ratio of average income in the Least Developed Countries (LDCs) to average income in rich countries was 1:87. It is now 1:98 and the gap is widening at an accelerating rate. Oxfam says that average per capita income in the LDCs is now $287, less than one-quarter of the level for all underdeveloped countries.

LDC status is currently based on a threshold of $900 average per capita income. If current trends continue, only one country (Lesotho in Africa) of the 43 with incomes below this level will reach the threshold in the next 50 years.

In 1990, at the Second United Nations Conference on Least Developed Countries (UNLDC II), claims were made that poverty would be halved by 2015, child mortality reduced by three-quarters, and primary education guaranteed in even the poorest countries. In fact, poverty in many of the poorest countries is on the increase.

Approximately 40 percent of the LDC population live on less than $1 a day, according to the Oxfam report. Bangladesh accounts for the largest number of poor people, with around 35 million people living below this threshold. While Oxfam says that the incidence of poverty in Bangladesh has fallen, with per capita incomes increasing by 3 percent per annum over the past decade, many even poorer countries have either remained static or fared worse. This is true for almost all of the sub-Saharan African LDCs. Since the incidence of poverty in many of these countries—such as Zambia, Mali, and Niger—is over 60 percent, the overall number of poor people in the world has increased.

On the issue of child mortality, the Oxfam figures also make grim reading. Only four countries, accounting for less than 2 percent of the total LDC population, are within range of the target of cutting child deaths by three-quarters by 2015. In many LDCs, child death rates were found to be “exceptionally high”, with 15 per cent of children not reaching their fifth birthday. In 12 countries—including Afghanistan, Malawi, Mozambique, and Zambia—mortality rates up to the age of five were more than 20 per cent. If the current trends continue, the average LDC child mortality rate in 2015 will be more than 110 deaths per 1,000 live births, more than double the average for all “developing” countries. So, well into the 21st century, a significant proportion of the world's population can expect that more than one in ten of their children will die in their early years.

Average life expectancy in the LDCs is 52 years, which is 13 years less than the average for all developing countries, and 25 years less than in developed countries. During the 1990s, at least 11 LDCs, including Tanzania, Zambia, Malawi and Uganda suffered an overall reduction in life expectancy.

Oxfam shows that indicators for education for the LDCs are also dire and comments that this raises “serious questions about their capacity to participate on more equitable terms in an increasingly knowledge-based global economy”. The report states that “Nearly half of all girls and one-third of all boys aged between six and eleven are out of school. This represents a massive waste of human potential...” The gender gap in education also widened during the 1990s, reinforcing other aspects of deprivation affecting women in areas such as health and employment. Mirroring the situation on poverty, Oxfam shows that while progress has been made in Bangladesh, “this is massively outweighed by the problems facing sub-

Saharan Africa, where enrolment rates are rising more slowly than population, so that total numbers out of school are increasing. If current trends continue, there will be 46 million children aged between six and eleven not attending school in the LDC in 2015—nearly seven million more than today.”

The report states that the UNLDC II had promised “urgent and effective action” to support LDC development efforts. It complains, however, that despite pledging improved market access, increased aid and effective debt relief, the industrialised countries have used their dominance in world markets to economically squeeze the poorest nations of the world even more. The International Monetary Fund (IMF) and World Bank (WB) have pushed the LDCs into opening up their home markets to foreign penetration, while the industrialised countries continue to restrict access to their own markets. The charity says, “Approximately two-thirds [of the LDCs] now have average import tariffs of less than 20 per cent, with moderate or negligible non-tariff barriers.” In contrast, the amount of overseas aid from many industrialised countries is dwarfed by the cost of the sanctions and tariffs they impose on imports from the LDCs.

Oxfam says that although “industrialised countries make much of the trade preferences provided to the LDCs under various schemes... the advantages of these preferences are wildly exaggerated”. Industrialised countries purposefully concentrate trade preferences on goods from which the LDCs will benefit least, while goods such as textiles, footwear, and agriculture are “conspicuous by their absence”. In addition, many such schemes require LDCs to use raw materials originating in the country providing preferential market access, a practice described in the report as “Byzantine”. The result, Oxfam points out, is that “LDCs often face trade barriers which are higher than those faced by their competitors”.

It also points out the hypocrisy of the “Africa Growth and Opportunity Act”, passed by the US Congress last year: “Unveiled as a radical move to grant completely unrestricted access to US markets for all sub-Saharan African exports, it offers almost nothing, since the US market is already quite open. The area's in which it is not open, such as textiles, are of limited interest to Africa because the region is not competitive. Just to ensure that the textile sector was protected, the recent US-Africa-Caribbean trade bill stipulates that exporters of apparel from Africa are required to use yarn and fabrics imported from the USA to benefit from duty-free access.”

The report says that the Japanese government's offer of “free market access” is also focused on those industrial products which are not exported from LDCs, while excluding sensitive agricultural products in which LDCs may have a competitive edge.

The combined effect of the forced removal of trade barriers by the LDCs, and the industrialised countries' practice of subsidising their own products, means that “some of the world's most vulnerable rural producers competing against the treasuries of Europe and North America.” Oxfam estimates that the OECD countries are currently spending around $1 billion per day in agricultural subsidies, “equivalent to 40 per cent of the value of farm output,” a figure that is also “roughly equivalent to the combined GDP of the LDCs.”

Whilst the report gives some insight into the way that the major Western counties maintain their economic domination over the world's poorest nations, its own recommendations offer no way forward.

Oxfam do not protest the profit system per se, just call for it to be organised more fairly. Despite its criticisms, it welcomes the forthcoming Third UN Conference on the LDCs in May, claiming that it will provide an "opportunity to show that international co-operation in the interests of poverty reduction and more equitable globalisation is possible".

Moreover, the report claims that the rise of income poverty is the outcome of slow economic growth in the LDCs, which account for 32 of the 35 countries in the lowest category of the UN's Human Development Index. It argues that if only the major industrialised countries could be persuaded to trade fairly, this problem could be overcome.

This is just a variant of the so-called "trickle down" theory promoted in the industrialised countries, which have also recorded increases in social inequality despite economic growth. It also ignores the report's own findings, which show that the impoverishment of the LDCs is a deliberate policy of the western powers.

The full Oxfam report is available at:
http://www.oxfam.org/what_does/advocacy/trade.htm