

TRICKLE DOWN MISERY

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Voices of the South on Globalization is a monthly newsletter intended to inspire a meaningful North-South Dialogue by raising awareness for global interdependences and by offering a forum for voices from the South in the globalization debate. Each edition will present short analyses or commentaries from a Southern perspective on one particular issue of the globalization process.

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IN DIRE NEED

"There is no longer a question that developing countries are being hit severely by the global crisis. Instead, there is the very distinct possibility that they end up as the worst-hit victims, while already being the most vulnerable," said Eckhard Deutscher, Chair of OECD's Development Assistance Committee (DAC) presenting preliminary figures for 2008 Official Development Assistance (ODA) on March 30 in London. "The need for aid has increased dramatically," he added.

This part of his statement was in stark contrast to the upbeat key message, the DAC chair intended to convey. "As recently as several months, aid targets seemed to be slipping out of reach. Now, the situation is reversed. The aid commitments undertaken by donors, notably the Gleneagles commitments of G8 countries, have come within very realistic reach."

Yet, said Deutscher, "aid increases are of vital importance because progress the world has seen towards the Millennium Development Goals is being eroded as the crisis unfolds".

He pointed out that already in 2008 100 million people were estimated to have fallen back into absolute poverty due to the food and fuel crisis. Tens of millions more would join them this year as a result of the global financial crisis - and this was a rather conservative estimate. As a result, one billion people would suffer hunger this year - and indeed did so already.

According to preliminary ODA figures, in 2008, total aid from members of the OECD's DAC rose to 119.8 billion dollar, corresponding to an increase of 10.2 percent in real terms. "This is the highest dollar figure ever recorded," Deutscher said. However, he warned in the next breath that the increase in aid figures was not a cause for self-congratulatory complacency.

It should spur all to undertake further efforts, he urged. Because "fulfilling commitments made repeatedly at head-of-state level is not an optional luxury". The viability of many developing country plans and strategies depended on them - and with that the long-term economic prospects and political stability of many poor countries. In today's evermore-interconnected world, this concerned everybody. "Development co-operation is no charity. It is a strategic investment we need to make in a common future," the DAC chair said.

Especially in the current crisis, honouring commitments for development assistance was an important touchstone for the credibility and viability of international co-operation in addressing challenges shared by all. "And it is perfectly clear that this crisis will not be overcome by domestic action alone. International co-operation is absolutely essential," Deutscher said.

Nevertheless, the questions asked as the month of March inched towards a close were, will countries not in a position to mobilise billions and billions of dollars to stave off the worst crisis threatening them find a way out. Will they obtain the required succour from the countries that have dragged the world to the edge of an abyss? Or will they be left to fend for themselves? - Ramesh Jaura

RELIEF LONG WAY OFF

By Abid Aslam

The world's poorest people had nothing to do with the financial gimmickry that has brought the global economy to its knees but they are paying a heavy price for it and relief seems a long way off.

Poverty is increasing and the spectre of political upheaval looms over developing countries whose export earnings have dwindled amid tumbling commodity prices and sluggish global trade. Foreign investment and aid budgets are being cut. The resilience of remittances from migrant workers is being tested by a deep and still-unfolding recession.

As Dominique Strauss-Kahn, head of the International Monetary Fund (IMF), puts it: "After hitting first the advanced economies and then the emerging economies, a third wave from the global financial crisis is now hitting the world's poorest and most vulnerable countries." In jeopardy, he adds, are "the major achievements of higher growth, lower poverty, and greater political stability that many low-income countries have made over the past decade."

Soaring food and fuel prices pushed 130 million to 155 million people in developing countries into poverty in 2008 and the World Bank reckons another 53 million people could join them this year. This would bring the total of those living at or below the international poverty line of two dollars a day to more than 1.5 billion people.

In Africa south of the Sahara this year, the crisis will rob 18 billion dollars from 390 million people who eke out a living below the international extreme-poverty line of one dollar a day. At 46 dollars per person the figure seems small but it represents fully one-fifth of their annual earnings, says the UN Educational, Scientific and Cultural Organisation (UNESCO).

An additional 200,000 to 400,000 children will die every year that the crisis persists, says the World Bank. By 2015, the additional death toll could rise to 2.8 million people. Those who survive will face cognitive damage inflicted by malnutrition as more go hungry. Yet, according to UNESCO, 43 of the world's 48 low-income countries lack the money to provide a "pro-poor fiscal stimulus".

Worse still, says the IMF, at least 22 of these countries could go bankrupt this year. Depending on just how bad things get, the cash-strapped governments will need an extra 25 billion to 140 billion dollars in grants and cheap loans to keep their external reserves at a "safe" level of around three to four months of imports. Even at its smallest, the sum represents about 80 percent of annual aid to all low-income countries in recent years.

Despite the additional need, the fund expects donors to cut their giving this year to 30 percent less than in 2008. The European Union (EU) has promised to provide 0.56 percent of national income in aid by 2010. Even if it

keeps its word, the actual financial value of this commitment will shrink as member economies stall. If current trends do not worsen in the interim, the EU commitment will have shrunk by 4.6 billion dollars, according to UNESCO. Kevin Watkins, the agency's top expert on education financing, says donors "could clearly do more to protect the world's poorest people from a crisis manufactured by the world's richest financiers".

Banks in rich countries lapped up 380 billion dollars of public money in the last three months of 2008 alone, he says. By contrast, seven billion dollars in extra aid would enable low-income countries to meet key education goals agreed by the international community.

Nor are global investors likely to be of use. Net flows of private capital to emerging markets - the wealthiest of the developing countries - plunged by nearly 50 percent from 929 billion dollars in 2007 to 466 billion dollars in 2008, according to the Institute of International Finance. The global banking lobby expects this year's total to fall to 165 billion dollars.

In many cases, critical financing will have to come not from donors or investors but from migrant workers who send money to their families back home. In good times and bad, these remittances have eclipsed official aid to countries ranging from Jamaica to Pakistan and the Philippines, in some cases generating up to one-fifth of national income.

Migrant workers sent home 305 billion dollars in 2008, up from 281 billion dollars in 2007, even as private investment in the developing world collapsed, the World Bank reckons. Unlike donors, almost all of which have yet to honour 1970s promises to allot less than one percent of national income for aid, migrants typically remit around five percent of their earnings.

Here, too, the outlook is worrying. Remittances grew last year but at a slower rate. In Mexico, they actually fell by 3.6 percent. No one seems to know what impact a severe global recession would have but the bank expects remittances to fall by about six percent this year before recovering in 2010.

The bank's prediction could prove overly optimistic. Jobs are evaporating everywhere as businesses fold or announce cuts in posts and plant. The International Labour Organisation (ILO) expects the global unemployment rate to reach 6.5 percent this year, with 30 million more people out of work than in 2007. The rate could rise further, to 7.1 percent for a loss of 50 million jobs since 2007, it says. Official figures tend to understate the problem. Even those with jobs will find themselves increasingly vulnerable. - IPS ☑

MIXED PROSPECTS FOR SOUTH ASIA

By Prime Sarmiento

The global recession will raise the already high incidence of poverty in South Asia on the back of layoffs, decreased foreign aid and dwindling resources for social welfare, say economists and experts.

But the good news, according to a study commissioned by the Asian Development Bank (AsDB), is that the South Asian economies, particularly India, owing to limited exposure to the global financial system and lesser dependence on exports, can stay afloat amidst the crisis.

The AsDB study, presented at a forum in Manila early March, expects a 6.7 percent growth for South Asia in 2009. This may be modest compared to the 8.6 percent growth posted in 2007, but still implies that the AsDB does not expect the sub-region to fall into recession anytime soon. Participants at the forum were agreed that the poor, especially in countries like Nepal and Bangladesh, whose economies depend heavily on remittances from its nationals working abroad, were likely to be worst hit.

"While some countries in South Asia have had relatively less exposure to the crisis from the adverse impacts of capital flows, more than half of the 900 million people in developing Asia who survive on 1.25 US dollars a day live in the sub-region, so any tempering of growth is a serious cause for concern," AsDB president Haruhiko Kuroda said at the forum.

Arun Shourie, member of India's parliament and former minister of public sector divestment, noted that behind all the macroeconomic data are people who will lose their livelihoods or cannot send their children to school.

South Asia may be home to some of the world's growing economies but positive fundamentals have not done much to improve the plight of the sub-continent's poor. India, one of Asia's economic powerhouses, has posted an impressive eight to nine percent growth in the past few years. But 30 percent of India's one billion populace subsists on less than two dollars a day.

The situation is worse in poorer economies like Nepal and Bangladesh where nearly 40 percent of the population live below the poverty level, experts at the forum said. The crisis will further intensify inequities with the wealthy remaining unscathed and the poor suffering more.

In an interview, Manu Bhaskaran, author of the AsDB study and chief of the Singapore-based consultancy firm Centennial Asia Advisors, said among South Asian economies it is India's which will be most resilient while Bangladesh's and Nepal's are the most vulnerable. Bhaskaran said that steady consumption will continue to support India's economy. The implementation of the Sixth Pay Commission Awards which will increase the wages of civil servants and the expected bumper crop will promote consumption.

India is still predominantly agricultural and employs 60 percent of the country's labour force. The central government is also one of India's biggest employers, with 4.5 million people on its payroll.

He added that India's well-supervised banking system and slowing inflation level will bolster consumer confidence. The AsDB forecasts India's inflation to ease at 7.5 percent compared to last year's 11.5 percent.

Bhaskaran said a contraction in remittances by workers in the Middle East will hurt Bangladesh and Nepal. A possible slowdown in the construction business in the Middle East may lead to lay-offs of Bangladeshi and Nepali workers there, he said.

He also noted that falling tourism receipts in Nepal and expected slowdown in Bangladesh's textiles and footwear exports are putting these two economies at risk. The expected decline in foreign aid - which has been instrumental in alleviating poverty - will further hurt the Bangladesh and Nepal economies.

South Asia needs to implement a social safety net to address the twin burdens of poverty and unemployment, says Ashok Sharma, director of AsDB's South Asian financial, public management and trade division.

"There's a consensus among forum participants of the need to establish a social fund," Sharma said in an interview. Such a social fund should be separate from the economic stimulus packages and should specifically address how the workers and their poor families will survive if they get fired. Sharma did not say how this social fund will work but noted that AsDB is thinking of increasing its capitalisation to increase lending to help developing countries survive the crisis.

Kuroda said the bank will be increasing its current fund of two billion dollars "by several billions" to assist developing member countries.

Among South Asian economies only India has so far offered a stimulus package. This eight billion dollar package includes a 1.5 billion dollar credit window for smaller businesses, to be handled by the Small Industries Development Bank of India.

Bhaskaran believes that the crisis is likely to recede in 2010 when Asia could see a phase of vibrant growth. Prospects for growth in South Asia "remain good". Asia's problems, said Bhaskaran, stem from problems in the developed economies rather than any "structural economic breakdown". "There is every reason to believe that the growth engines unleashed in many parts of Asia will stay strong." - IPS ☑

'SACK FOREIGN WORKERS FIRST'

By Anil Netto

An official guideline of the Malaysian government for employers to retrench their foreign workers ahead of local employees has alarmed civil society groups who fear that indebted migrant workers could be sent home with inadequate compensation.

Worries about retrenchment and unemployment have been mounting as Malaysia sinks into a recession, its export-oriented economy taking a hit from a slump in global consumer demand. In the last quarter of 2008, the economy grew by just 0.1 per cent and many fear the economy will shrink this year despite a huge 60 billion ringgit (16 billion US dollars) government stimulus package.

In January, exports dropped by 28 percent and the number of workers employed by the manufacturing sector fell by nine per cent against the previous year. Thousands have been retrenched in the last few months. Labour Department statistics for the month of January alone show 4,325 workers retrenched of which 2,153 were local and 2,172 foreign. These of course are only reported figures.

The steady rate of retrenchments has worried the government, which has announced a principle of foreign workers first out (FWFO), meaning that employers should lay off foreign workers before they retrench locals.

Even the country's trade union movement is worried about the influx of migrant workers at a time when retrenchments are rising.

The issue came under the spotlight when the Bangladeshi labour counsellor said that 70,000 workers from that South Asian country with approved visas would be arriving soon to take up jobs in the plantation, construction and services sectors.

A senior official of the Malaysian Trades Union Congress pointed out that thousands of Bangladeshi workers were experiencing employment uncertainty. He said it would be better to revoke their visas while they were still in their country, instead of landing here and becoming unemployed or under-employed.

But activists point out that many of the foreign workers in Malaysia have paid small fortunes to agents in their home countries to work in Malaysia. Most of the foreign workers in the country are from Indonesia, Bangladesh, India, Myanmar, Vietnam, Nepal and the Philippines.

They are lured here by foreign recruitment agents or representative of the more than 250 registered outsourcing countries operating in Malaysia. If visas are cancelled, foreign workers are unlikely to obtain refunds from the agents. Bangladeshi and Indian workers, for instance, have to raise or borrow around 8,000 to 10,000 ringgit (2,192 - 2,740 dollars) to pay for agents' fees and other charges.

Employment agreements are usually for a period of three years while work permits have to be renewed annually. But the government has reportedly slashed its work permit approvals by over 70 percent this year. It has also approved a proposal to double the foreign workers' levy imposed on employers to discourage the hiring of foreign workers.

Activists worry that employers could pass down these higher charges for their foreign workers to absorb. In the case of restaurant owners, this could reportedly amount to 3,600 ringgit (988 dollars) per worker. Employers could also be tempted to hire undocumented workers due to the higher levies.

Foreign workers usually have to work one or two years before they can recover what they incurred - or repay the loans they took - in their home countries. If they are sent back earlier, they could well find themselves in debt upon their return home.

Indonesia has expressed fears that some 100,000 of the two million Indonesian workers in Malaysia could be retrenched as companies here shed workers. "

This has not yet happened, so don't exaggerate it," outgoing Malaysian Prime Minister Abdullah Badawi was quoted as saying in the Indonesian media during a two-day visit to Indonesia. "And if it ever happens, it will not only happen to migrant workers but also to Malaysians."

In a joint statement, 50 civil society groups from South and South-east Asia endorsed a statement, pointing out it would be a great injustice if Malaysian employers were allowed to prematurely terminate their foreign workers' employment agreements and send them back home.

Early termination of their employment agreements means they would usually end up in a worse condition than when they first entered into the agreement. "This is a great injustice, and it is inhumane," said the statement. "If there is going to be early termination of employment agreements which are for a minimum fixed period of employment, then the worker must be paid adequate compensation, at the very least basic wages for the remaining duration of their employment agreement."

Paying migrant workers the usual termination benefits that Malaysian workers are entitled to - calculated based on the number of years in service - would not be fair either in view of the huge costs the foreign workers incurred in arriving in Malaysia. Before they send back anybody, the employers should pay what they owe the workers, says Ruth Paul, the coordinator of the Foreign Workers Service Centre on mainland Penang. - IPS ☑

MINING HIT HARD IN DR CONGO AND BOTSWANA

By Miriam Mannak and Ephraim Nsingo

The global economic crisis has hit the central African state hard. Especially the Katanga in the south eastern part of the sprawling country, a region that predominantly relies on the mining of copper and cobalt, has taken a big blow. The closure of two major mines and the scaling down of operations at most mines in Botswana also has had a knock-on effect beyond miners in this southern African producer of diamonds.

Since September 2008, the global demand for natural resources dropped and prices of commodities like copper and cobalt plummeted to all-time lows. While copper lost over 50 percent of its value, cobalt - a mineral that is predominantly used to make rechargeable batteries and alloys - fell from a peak price of 52 dollars a pound in March 2008 to approximately 18 dollars nine months later.

As a result, over half of the 75 copper and cobalt mining companies operating in the Katanga province in DR Congo were forced to either fully suspend or slow down their production activities.

Subsequently 300,000 people lost their jobs and 60,000 more mine workers face retrenchment in the months to come, as there is no sign that copper and cobalt prices will recover any time soon.

One of the enterprises that suspended its production and processing activities in the Katanga is Anvil Mining. In December 2008, the Australian company, which is one of the leading copper producers in the DRC, announced that it would close its 90 percent-owned Dikulushi mine until further notice. Most of the 1,056 permanent and contract workers at the mine have been retrenched. Anvil Mining says that this decision will save the company around two million dollars per month.

"The Dikulushi mine is uneconomical at present," explains Bill Turner, president and CEO of Anvil Mining, in a statement. "This decision has not been an easy one to make and is regrettable to our employees, communities that surround the mine and our stakeholders but we believe that it is the best option to preserve our cash resources until market conditions improve." Anvil also halted a new development project at its Kanseveré site, which saw 550 jobs being shed. "Of course it is a sad situation," comments Charles Konya, the administrator of Anvil's office in Lubumbashi, the provincial capital of the Katanga.

"But the mining industry has to do something," he continues. "Since September last year, the global demand for copper and cobalt has plummeted. To survive, some companies have closed down completely until further notice. Others have postponed development projects. We hope that the copper price will recover and it will. The question is when this is going to happen." Meanwhile, the Congolese franc has lost almost half of its value. Between October 2008 and early January 2009, the exchange rate dropped from 500 to almost 800 Francs a dollar. This has a tremendous impact on people's lives, as many Congolese do not earn more than 100 dollars a month.

In Botswana when times were still good, many mine workers hired people to do chores at their homes. But this appears to have come to an end. Informal traders also struggle to sell their goods and social tensions rise as more people lose their jobs.

Since the announcement by diamond mining giant Debswana that it is shutting down Orapa Mine No. 2 Plant and Damtshaa Mine until the end of the year and scaling down operations at most of its mines, mine workers have found themselves in the doldrums. The two mines are between 220 and 240 km west of Francistown in northern Botswana.

Other workers not directly employed by the company have also been affected, as the company immediately cancelled labour hire contracts, affecting close to 1,000 employees. The numbers are much greater than that. Most of the workers are engaged on a short term basis and their details are not included in most of the official correspondence.

Ordinary people from villages surrounding mines are also feeling the pinch. At Rakops, a village near Letlhakane Mine, Kaone Nare says that after the farming season most villagers would seek short term employment as "dikonteraka", as labour hire contractors are known among locals. Letlhakane is 190 km west of Francistown.

"This had become part of our life - that whenever we are not working in the fields, we go and work at the mines. We would come back to the village during the farming season to prepare the fields and then go back to the mine. "We got all the money for our agricultural inputs from the piece jobs at the mine but now nothing is coming up. We hear all contractors have been removed," says the concerned Nare. The sudden upsurge in the number of unemployed people in the area has led to growing tension.

According to Jack Tlhagale, secretary general of the Botswana Mine Workers Union (BMWU), workers' representatives and Debswana management are engaged in meetings to find ways of cushioning ordinary employees.

But some workers have already packed their goods and left the mines before the talks being held by the joint negotiation and consultative committee (JNCC) have been concluded. "We are urging the workers not to go away as they have still not been served with retrenchment and redeployment notices. We have an agreement in place with Debswana on exit packages and we hope that it will be followed," Tlhagale adds. - IPS ☑

'MELTDOWN NOT THE ONLY CRISIS IN THE WORLD'

Interview with Muhammad Yunus

Muhammad Yunus, who claimed the 2006 Nobel Peace Prize founding Grameen Bank, which has lent out more than six billion dollars to mostly poor women, says the global recession presents a historical opportunity for change.

Q: How are the poorer countries going to cope with the long economic recession?

MY: They don't have any control over the situation because they are the victims. We need to urge the world to fix the mess by using G-20, the United Nations, the World Bank and the International Monetary Fund. But there isn't any easy solution.

Q: Do you think the crisis will get worse?

MY: Maybe it will go deeper and continue to get worse. The first point I would like to bring out is that although this crisis has taken over all the pages of newspapers and all the hours of television, this is not the only crisis in town. There are other crises and we should not forget that.

Q: What are the other crises and when did they begin?

MY: In 2008 the financial crisis began, but before it began there was another crisis which was making headlines all over and creating terror in many people's minds -- food crisis. The food crisis didn't disappear, it was simply overshadowed and it could get worse. And 2008 was the year when the oil crisis shot through the roof and that crisis hasn't disappeared either. They're just keeping their heads down, and at the next opportune moment it can come back again. There's also global warming and it's getting worse.

Q: Why do you think these crises came together now?

MY: This big package all happened in one particular time, 2008. The reason I'm reminding you is because it is not in the papers. I think all these crises have the same fundamentals, and are not a separate expression of different parts of society or different parts of the economy. They all emerged from the same basic default that we have inside the structures we have built and we have to address those before we can fix anything up.

Q: Do you see that as an opportunity to fix a system that does not work for everyone?

MY: This is the greatest opportunity because the crisis opened up opportunities. If things go right, even if it is a little bit shaky, nobody wants to touch it because it's working. Now, if it's not working, everybody's upset, everybody's worried, so this is a good time to address those things. It is a good time to touch things we thought were sacred. We have to sink into this opportunity, pull all our energies and minds together on how to make this opportunity useful and use it right now. We don't want to miss this great opportunity in human history.

Q: What's your opinion on how this crisis started?

MY: This crisis was not created by us. It was created by a very small number of people in one country (the United

States). If a small number of people can create such a disastrous situation for all the people of the world, then something needs to be seen here, a lesson to be learned. They rocked the whole foundation of our system and created misery for so many people. Today's capitalism is half-baked.

Q: How about the wealthy people who were affected by the economic crisis?

MY: Those who will be losing billions of dollars are worried about it, but when it comes down to it, they will still be left with billions of dollars, and similarly those who have millions will be left with millions of dollars. Their lifestyle will not change. The real victims are the three billion people at the bottom of the population who didn't contribute whatsoever to this crisis. They will be losing their jobs, incomes and food and it will get worse. They became the victims of the banking system, which we need to change.

Q: Will the bailout packages help?

MY: We talk about the bailout packages which will get the economic machine moving, but no one is talking about the bottom half of the population. Can't they put at least 10 percent bailout packages for the people who have been victimised by all this? This is the issue we cannot forget, and I insist we do not go back to the same old 'normal' situation that we are coming from. It has to be a new normal situation which will create a new direction. It will be a bailout for the people who have been victimised by this institution.

Q: How has microcredit been affected by the crisis?

MY: We haven't been touched by the financial crisis. . . .

Q: How would you change the financial system?

MY: I suggest the economic system be totally redesigned. It worked for big business and rich people, but it didn't work for two-thirds of the world because they were excluded from it. Nobody will get through the cracks in the new system. The financial system should be rooted to the ground, not making a fantasy economy built with castles in the sky which was the root cause of these problems.

Today's business is profit making and we are human beings, not robbers. Presently business is based on selfishness, which caused the crisis, but we are also selfless human beings. The new system should be inclusive of two-thirds of the world. For example, most people in the U.S. cannot even get a bank loan; they have to go through payday to get loans. Payday loans charge 100 to 500 percent interest rates. This is the failure of the banking system. Everybody should be entitled to a loan. Grameen even loans to beggars, who will buy fruit or candy and sell it. - IPS