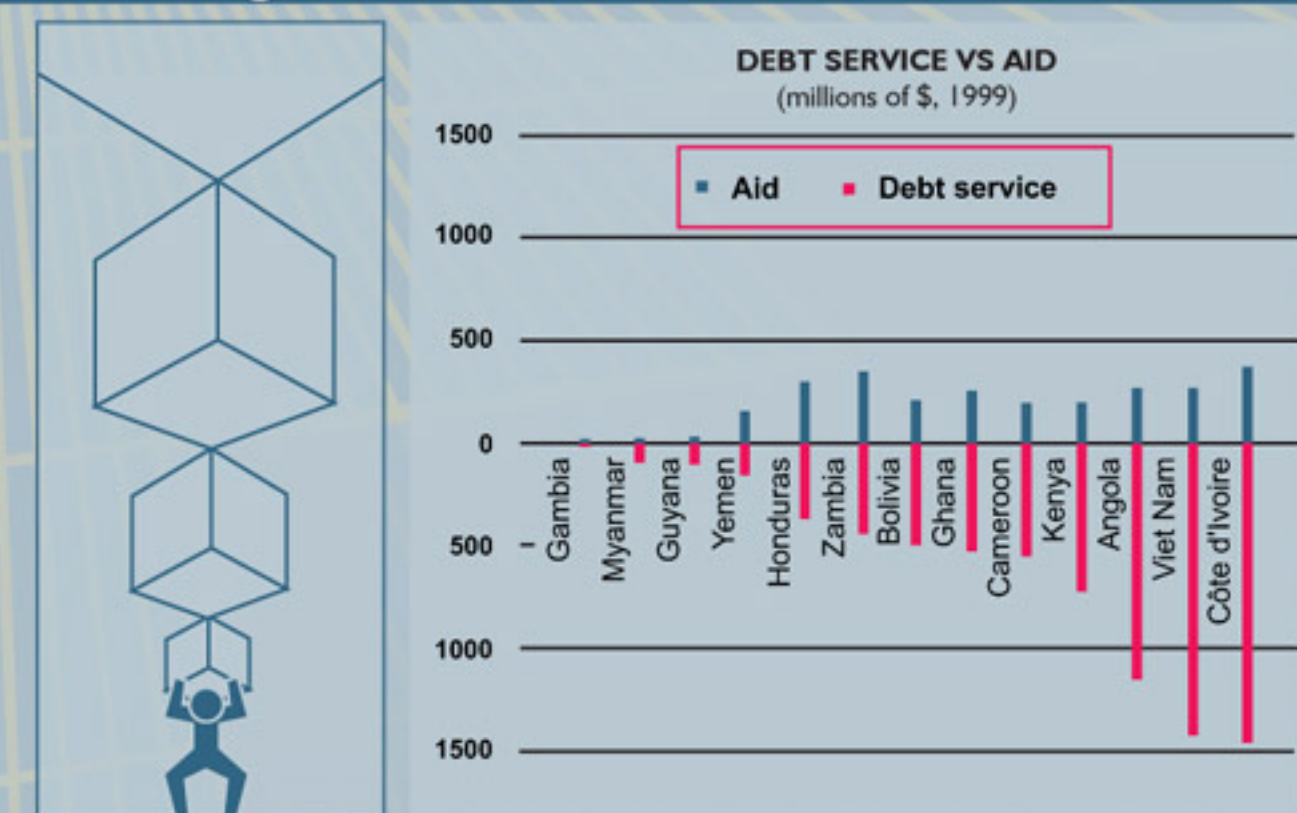


# The Hood Robin economy

## TAKING FROM THE POOR TO GIVE TO THE RICH

### Increasing DEBT



13 of the 26 countries receiving debt relief are still spending more on debt than on public health. For example, Zambia has almost one million people affected by HIV/AIDS, but is spending 30% more on debt servicing than on health.

If debt had been cancelled in 1997 for twenty of the poorest countries, the money released for basic health care could have saved the lives of about 21 million children by the year 2000, the equivalent of 19,000 children a day.

#### How much would debt cancellation cost?

Spread over 20 years, the cost of cancelling the debts of 52 countries is less than \$4 a month for each person in the industrialised world.

#### The human cost of debt

After much publicized debt relief, debt service in Mali was \$88 million in 2000. This is greater than the level of government spending on health (\$54 million in 1998), in a country where one in four children do not live to see their fifth birthday, and where per capita spending on health is \$5 as compared to the World Bank's recommended level for basic health care of \$12.

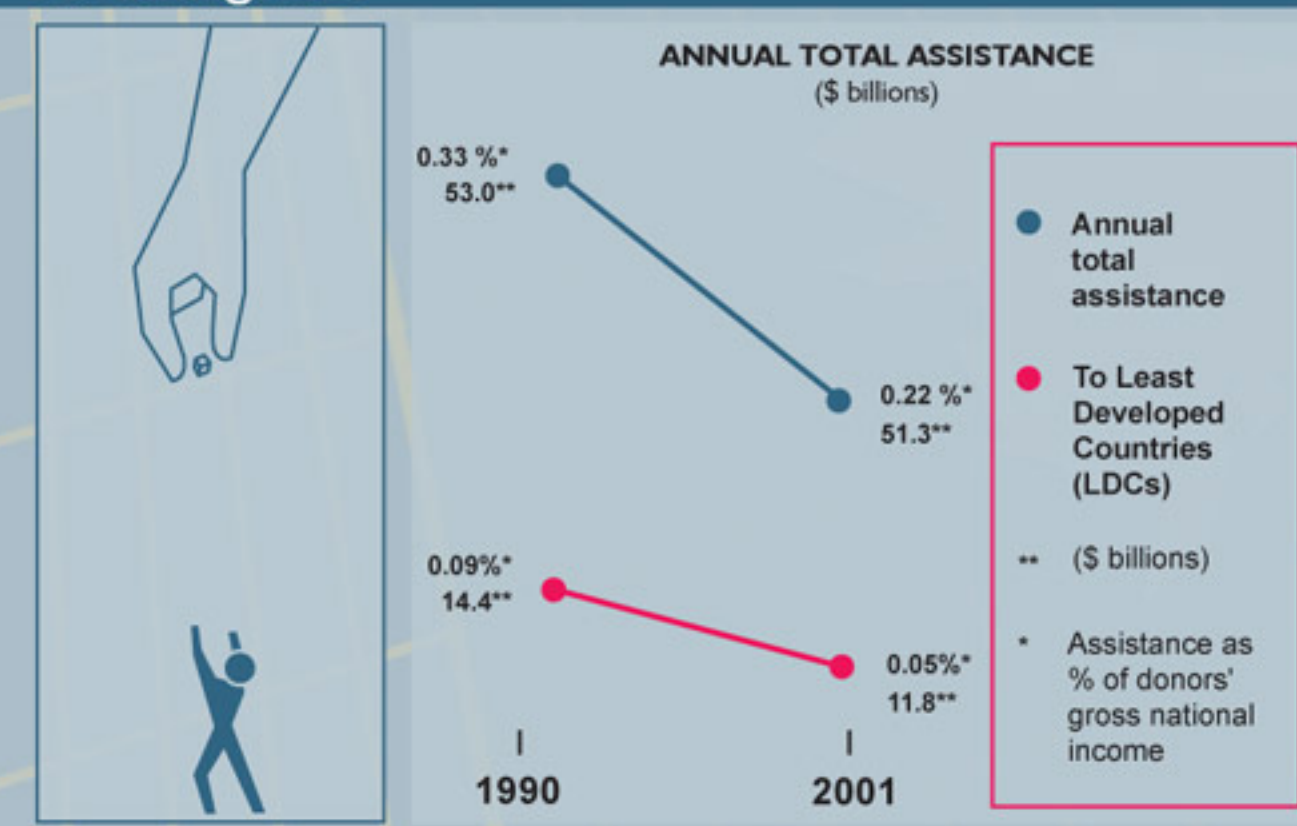
#### Who pays who?

Every day in 1999 \$128 million was transferred from the poorest countries to the richest in debt repayments. Of this, \$53 million was from East Asia and the Pacific, \$38 million from South Asia and \$23 million from Africa.

In 2002 the US announced a gradual increase in future assistance up to \$5 billion additional a year. This will still leave the US as one of the smallest donors in relation to its economy. The USS George Bush aircraft carrier, launched in December 2002 by the Navy, cost \$4.5 billion.

Net Official Development Assistance - as % of donor countries' gross national income (GNI) - has decreased over the last decade and is at an all-time low. Net ODA to LDCs has decreased even more.

### Declining AID



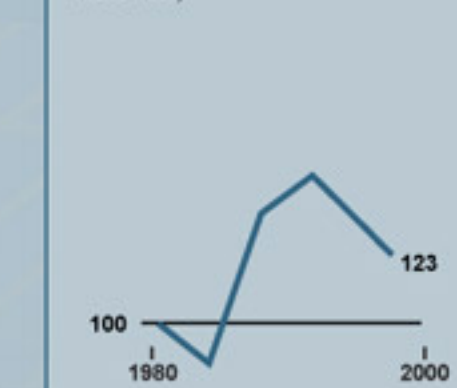
### NET TRANSFER OF FINANCIAL RESOURCES TO DEVELOPING COUNTRIES (1993-2001, \$ billions)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Africa, of which	2.5	3.6	4.5	-6.9	-4.8	15.1	3.8	-18.3	-8.9
Sub-Saharan countries (excluding Nigeria and South Africa)	11.9	6.9	6.0	7.1	6.2	10.1	12.7	3.7	4.8
Eastern and Southern Asia	10.0	2.1	23.0	25.4	-28.5	-128.0	-131.6	-111.1	-102.6
Western Asia	39.0	7.7	7.4	1.2	4.2	30.4	-4.7	-54.6	-36.2
Latin America and the Caribbean	14.8	20.6	1.1	4.5	27.8	48.4	12.0	-2.4	0.8
Developing countries, total	66.3	33.9	36.0	24.2	-1.3	-34.1	-120.4	-186.4	-146.9
Heavily indebted poor countries	12.2	8.5	9.4	9.3	10.2	13.0	9.4	3.6	6.5

### Unfair TRADE

#### PRICE INDICES OF PRIMARY COMMODITIES (annual index 1980-2000, base 1985=100)

Manufactured goods exported by developed countries (annual index, 1980-2000, base 1980=100)



all food

191

100

1980

2000

agricultural raw materials

137

103

1980

2000

oil seeds and vegetable oils

117

71

1980

2000

coffee, cocoa, tea

118

69

1980

2000

Without considering inflation, non-fuel commodities exported by Africa in 2001 were at one half of the value for 1980.

Many tariffs in the North on agricultural exports of the South are prohibitively high (200% to 300%). Domestic subsidies in rich countries rose from \$275 billion in 1987 to \$326 billion in 1999. Instead of reducing them, as promised, the US increased subsidies under the Farm Bill, and the European Union leaders decided to continue them for at least 12 more years. Protectionism by the rich prevents the poor from fully exploiting their competitive advantages. In low-technology industries alone, developing countries are missing out on an additional \$700 billion in annual export earnings as a result of trade barriers. This represents at least four times the private foreign capital inflows.

The very wealthy in both North and South are likely to win from financial volatility thanks to their access to sophisticated financial instruments and highly skilled managers. For example, hedge funds, which are only accessible to the very wealthy, have beaten the Standard & Poor's stock market index over the turbulent 1986-2001 period, unlike mutual funds that cater to the middle class in the North. Over the longer period of 1983 to 1998, the net worth of the richest 1% American households, including both real estate and financial assets and liabilities, increased by 42%, while that of the poorest 40% remained close to zero.

Farmers in developing countries captured only 35% of world agricultural exports in 2001 - down from 40% in 1961, as a result of falling commodity prices and high trade barriers.

During the financial crisis of 1997 in Indonesia, real wages in the urban formal sector were almost halved and 15 million people were pushed under the poverty line. The headcount poverty rate has not yet recovered its pre-crisis level.

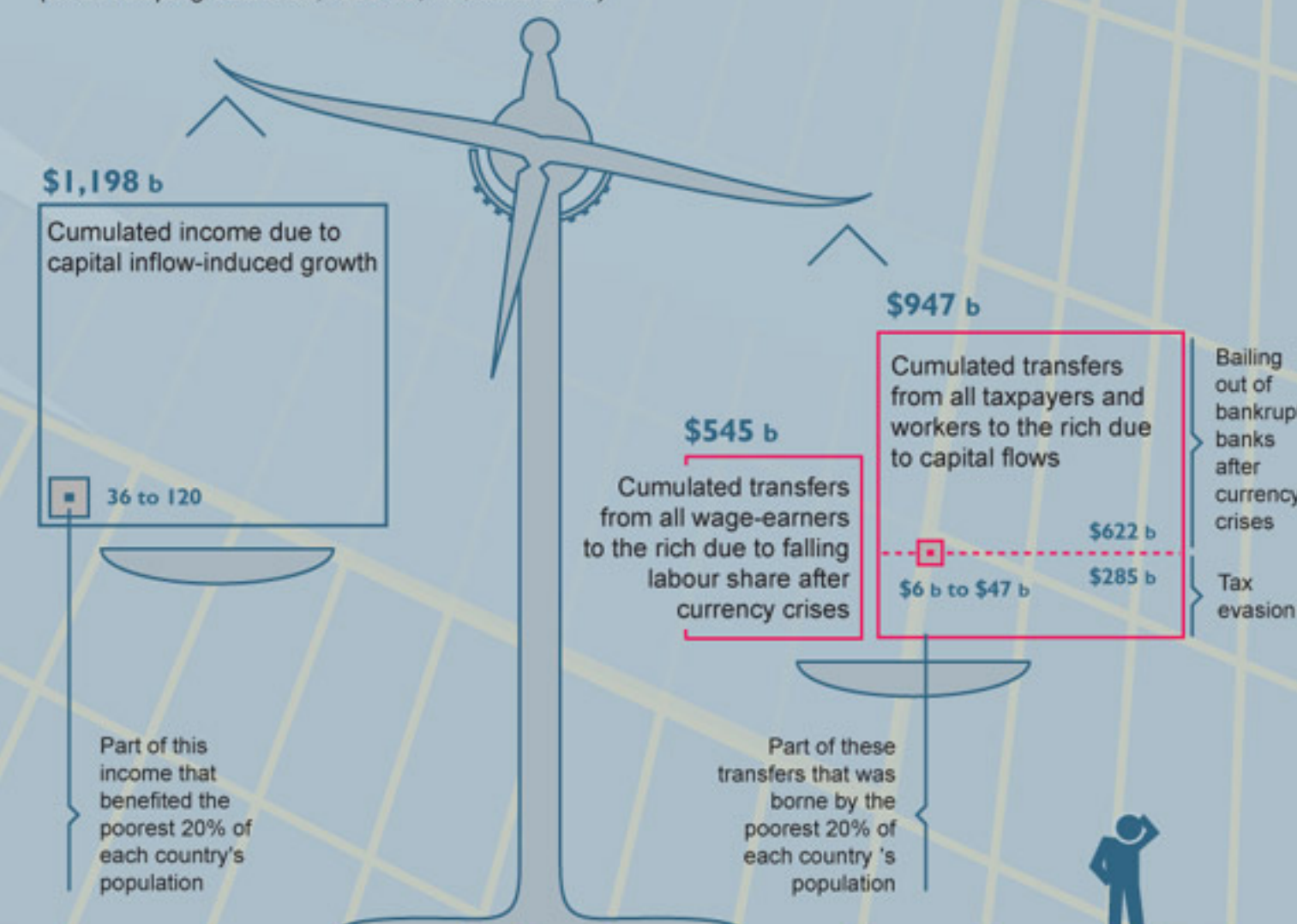
Developing countries often end up paying much more back than they originally borrowed. Costa Rica borrowed less than £4 million from Britain in 1973. By 1999 it had paid Britain more than £7 million of that loan but still owed more than £1 million.

The subsidy per cow in the European Union is \$2.20 a day. Half the world's population lives on less than \$2 a day. Three billion people, in other words, would be better off bovine.

### Hot CAPITALS

#### THE POOR PAY A HIGH PRICE FOR CAPITAL MOBILITY

Costs of capital mobility for the poor (all developing countries, 1980-98, in \$ billions - b)



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Sources: UN, World Bank, IMF, UNCTAD, Oxfam, OECD, Jubilee 2000, Third World Network. For detailed sources and in-depth explanations, please visit <http://www.socialwatch.org/en/info2003>

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