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| All that glitters is not gold: Harvesting the broken pledges of the G20 |

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| In last Sunday’s column I had described the many pledges made in the past by rich countries to come to the aid and support of poor countries as the ‘fool’s gold’ of international economic diplomacy. Rich countries have been only too eager to make publicized pledges to help poor countries, but in practice they have been very unwilling to honour these. For the global mainstream media, the propaganda benefit of making a dazzling new pledge is great. There is, however, an old adage: “all that glitters is not gold.”  **Fanfare** Easily, the most notorious example of unkept pledges started with the fanfare, which accompanied the pledge made at the United Nations General Assembly in October 1970, by Members of the Organisation for Economic Cooperation and Development (OECD). On that occasion it was solemnly pledged: “Each economically advanced country will progressively increase overseas development assistance (ODA) to the developing countries.” More specifically, the rich countries committed to making their “best efforts to reach a minimum amount of 0.7 percent of GNP at market prices by the middle of the Decade of the 1970s” (United Nations Resolution 2626 (XXV) October 24, 1970). Astoundingly, almost all rich nations have failed to honour this pledge. At the end of last year (2008) only 0.3 per cent of the rich countries gross national income (GNI), (which totalled approximately US$120 billion at 2007 prices) was actually given. This total was short by US$260 billion at 2007 prices, as the 0.7 per cent figure originally pledged would have totalled $US380 billion! The perceptive reader would have noticed several important points in the previous paragraph. First, instead of using GNP as originally pledged, the information given is based on GNI. The reason for this is that, over the years, the OECD has substituted GNI for GDP, because the former is a lesser amount. Second, the year for which the information is presented above (2008) is 38 years after the year in which fulfilment of the pledge was originally promised! As a matter of fact, since the mid-1970s several other changes have been made to dilute this pledge further. For example, in 2006 the European Union redefined its pledge at 0.56 per cent of GNI by 2015. Over the years it has also been observed that most of the aid given has been directed at supporting the strategic interests of the donor countries. That is why Iraq is the largest aid-receiving country in the world and also why Afghanistan is number 3. Furthermore, studies have revealed that donor country aid has subsidized the exports of donor countries. Even in the case of technical assistance, it has been found that over 80 per cent of technical assistance funds from some donor countries go towards paying consultants and consultancy firms of the same donor countries. Many readers would no doubt have heard of the widespread practice of ‘tied aid,’ which has come in for strong criticism by development experts. ODA has been precisely defined by the Development Assistance Committee of the OECD. It covers four specific situations. First, aid refers to activities of the official sectors of the donor country. Private funding is definitely not included in ODA. Second, the funding provided has to be directed at promoting economic development and welfare. Third, to qualify as aid it also has to be given on concessional financial terms. That is, it must be cheaper than funds available in private commercial markets. Fourth, technical assistance/cooperation is classified as aid. However, grants, loans, and credit for military purposes are not.  **Monitoring** As we saw, the G20 grouping of countries includes major emerging markets like Brazil, Russia, India and China (BRIC). These four in particular have formerly championed poor countries in their fight for global economic reform, justice and fair play. Sadly, however, in the course of the global economic crisis they have quickly adopted the practice of false pledges similar to the rich countries. The World Bank in keeping with the G20 pledge (discussed last week) to encourage regular reporting of their actions in relation to the pledges they have published a Fact Sheet on the pledges. This noted “within three weeks following their April Summit, nine (9) members of the G20 had either implemented or were putting in place new measures to restrict trade.” Six members had indeed implemented trade restricting measures (anti-dumping) and safeguard measures, which violated WTO rules. The World Bank had no doubt expected that by naming the countries, it would have shamed them, and consequently discouraged them from persisting with protectionism. This has not been the case. As the Secretary-General of UNCTAD later observed, under the G20 we are facing: “a rising tide of protectionism despite G20 pledges.” He went on to state “almost all countries have gone back on their pledges due to the pressures of economic nationalism.” The G20 is therefore losing credibility as it appears to be taking the classic rich countries’ stance of ‘do as I say, not as I do.’ There is no doubt that many excuses can be made, and indeed have been made for this betrayal. It is true that countries face tremendous economic and political pressure from their domestic constituents. This encourages them to turn a blind eye to their global commitments. The reality is, however, if the global economy turns inward on itself and prosecutes beggar-thy-neighbour trade policies, a horrendous and cataclysmic global catastrophe will befall all humanity. Countries cannot, and indeed should not, be allowed to find solace for their own violations, by claiming other countries are also violating. The poor countries in the world deserve better.  **Conclusion** The conclusion from all this is that the credibility gap between pledges and actions designed to fulfil these pledges will make it next to impossible for the G20 to jump-start the Doha Development Round of multilateral trade negotiations under the auspices of the WTO. Already, there is no hope that these negotiations can be completed by the end of this year, which was the expectation coming out of the April G20 Summit. The G20, with its potential to add a new dynamic to the design and implementation of global economic policy, is now appearing to be more and more like an extended G7. The sad reality is that, the BRIC countries are coming to see in the G7 images of their own future. And, they seem to like what they see. Sadly, calls for a new international economic order will therefore continue to have little or no standing among countries in the age of globalisation under the dispensation of the G20. |