



# THE UN'S ROLE IN ACHIEVING ECONOMIC JUSTICE

UNA-UK BRIEFING NOTE: OCTOBER 2006

ANNUAL LOBBY OF PARLIAMENT 2006-2007

## **ECONOMIC JUSTICE AND THE UN MILLENNIUM DEVELOPMENT GOALS**

The Millennium Development Goals (MDGs) are a set of eight time-bound, global targets for eradicating poverty and for lending greater cohesion to international development policy. The MDGs were agreed by world leaders at the UN Millennium Summit in 2000.

## **HOW CLOSE ARE WE TO ACHIEVING THEM?**

World leaders have agreed to reach the Goals by 2015. Progress towards the targets is mixed: there have been notable successes in east Asia, northern Africa and Latin America, but in some cases conditions in sub-Saharan Africa have stagnated or even regressed.

One of the primary reasons why African countries have not been able to dig themselves out of these 'poverty traps' is that they are effectively prevented from participating meaningfully in the international economic system. The bias of the international trade regime, the lack of resources and the burden of debt together form the major barrier.

- Developing country exports to rich country markets face trade barriers four times greater than those encountered by other rich countries, costing \$100 billion a year (twice as much as developing countries receive in aid). Low-income countries currently account for 3% of world trade. If Africa, south and east Asia and Latin America each increased their share of world exports by 1%, 128 million people would be lifted out of poverty.
- Donor countries, including the UK, have pledged to increase development aid to 0.7% of Gross National Income (GNI) by 2015. However, in 2005, aid totalled only 0.33% of donors' combined GNI (the same figure as the UK's current aid budget). Much of this aid is tied to having to buy services from the donor country.
- In 2005, the total debt of the world's 56 poorest countries was \$412 billion. The interest and principal repayments on this debt total \$100 million a day. Servicing these debts absorbs funds which should be directed to building up public services and trade infrastructure.

Enshrined in the eighth Millennium Development Goal – that calling for a global partnership for development – is a commitment, by both donor and recipient countries, to do their part so that all of the MDGs are achieved. Donor countries must deliver economic justice, but recipient countries too have a contribution to make: they must take steps to root out corruption and ensure that national strategies are geared to drive forward the sustainable development of their respective countries.

## **A CLOSER LOOK AT DEBT, AID AND TRADE, AND WHAT THE UK SHOULD DO**

- DEBT**
- At Gleneagles, the leaders of the G8 countries cancelled \$36 billion of debt for 21 countries, which amounts to a saving of \$1 billion a year in debt service payments from 2007. This initiative could eventually cancel \$50 billion of debt for 40 countries, but this constitutes only 10% of the total amount of poor country debts and half the sum the UN calculates is needed by 2010 to reach the Millennium Development Goals. The Gleneagles agreements did not include creditors such as the Inter-American and Asian Development Banks or highly indebted countries such as Kenya and Indonesia. Studies have shown that 107 countries need debt cancellation (including 54 countries needing total cancellation) in order to guarantee an 'ethical' poverty line of \$3 a day for each person, together with the provision of basic services. The UK must use its influence through international organisations such as the World Bank, IMF, Paris Club and G8 to press for multilateral debt relief for all countries which need it.
  - The major international debt relief scheme – the Heavily Indebted Poor

Countries initiative – has been completed by only 20 countries. To enter the scheme, and to have their debts cancelled, countries must establish a track record of pursuing IMF-approved economic programmes. These include forced privatisation, public services spending cuts and trade liberalisation, which often delay debt cancellation and harm poor countries' economies and their poorest people. In September 2006, the UK withheld £50 million from the World Bank because the Bank had made unsatisfactory progress in ending the practice of tying aid to policy reforms. The UK should continue to dissuade the World Bank and IMF from attaching conditions to debt relief and should withhold funding until progress is made, in the meantime passing on funds to poor countries by other means.

#### AID

- The UK should increase its overseas development aid budget to 0.7% of GNI now, rather than wait until 2013 (the target date it has set for itself).

#### TRADE

- At the 2005 UN World Summit, rich countries stated that 97% of imports from developing countries would be permitted tariff- and quota-free access to their markets. This would still allow tariffs and quotas to persist in sectors of crucial importance to developing countries, such as clothing and agriculture. The European Union's (EU) trade policies on imports from poor countries are the most restrictive in the developed world. The UK must work within the EU to ensure free market access for all exports from developing countries.
- IMF and World Bank loan conditions require poor countries to open their markets to rich countries, which subsidise agricultural over-production by over \$1 billion a day and encourage export dumping in poor country markets. This drives down prices for developing country exports and destroys the prospects for smallholder agriculture. The UK must work within the EU to reform the subsidies permitted under the Common Agricultural Policy and must resist the premature opening up of developing countries' markets to rich countries' exports.
- The Doha development round of trade talks has been suspended in part because rich country governments refused to open up their markets to agricultural imports, or to curb domestic and export farming subsidies, while poor countries were expected to cut their own farm tariffs. The EU's new external trade plans contain an emphasis on regional and bilateral free trade deals and liberalisation in developing countries. The UK must use its influence to reform the EU's trade policy in order to offer the concessions necessary to revive the Doha development round of trade talks.

## ASK YOUR MP

- **How is the government working to bring about tariff- and quota-free access to rich country markets for developing country imports?**
- **How is the government working within the EU to reform the Common Agricultural Policy in order to prevent the subsidising of agricultural over-production and export dumping in poor countries?**
- **How is the government working within the EU to emphasise the benefits of multilateral trade agreements over the regional and bilateral free trade deals contained within the EU's new external trade plans?**
- **Will the government speed up its timetable for increasing its overseas development aid to 0.7% of gross national income so that this target is reached before 2013?**
- **How will the government use its influence in international bodies to ensure that overseas development aid is not tied to the adoption of harmful economic policies by poor countries?**
- **Will the government use its influence in international organisations to push for debt relief for all countries which need it in order to achieve the MDGs and guarantee an 'ethical' poverty line of \$3 a day for each person, together with the provision of basic services?**
- **How is the government ensuring that the £50 million withheld from the World Bank in September 2006 is being distributed effectively to poor countries by alternative means?**

UNA-UK, 3 Whitehall Court, London SW1A 2EL  
Tel: +44 (0)20 7766 3459, Fax: +44 (0)20 7930 5893

[www.una.org.uk](http://www.una.org.uk)