Introduction

John Humphrey*

This IDS *Bulletin* brings together some of the results of research funded by the Department for International Development (DFID) in a three-year programme of research on globalisation and poverty. This research programme consisted of 14 different research projects spread across 13 UK institutions and their research partners in developing countries. The articles here display only a small part of the richness and diversity of the results of the research. Material from all 14 projects can be found at the programme website (www.gapresearch.org). Similarly, more extensive research materials from the projects presented in this collection can also be found at the website.

For any research project on globalisation and poverty, the big question is what is the impact of globalisation on poverty reduction in developing countries? Is it part of the problem, or part of the solution? However attractive it seems to pose this question, it is a mistake, both analytically and practically:

1. Globalisation as an economic process is often characterised as increasing economic integration achieved through the increasingly free flow of capital, goods and services and people across national boundaries. However, there are different sets of processes, moving at different speeds. Trade and capital account liberalisation have progressed substantially, although in different ways, while migration has not only been constrained, but has become more disordered, often occurring in spite of attempts to prevent it.
2. It is important to distinguish between an idealised global economy and globalisation as it exists, with all its imperfections. Just as Stiglitz argues that 'much of the neoliberal program compared an ideal market economy with the *average* or *worse* performing states' (2001: 4, emphasis in original), so the benefits of globalisation are often considered in relation to how globalisation processes ought to work, rather than the less than perfect "actually existing globalisation".
3. The impact of globalisation on any particular economy depends not only on multiple globalisation processes, but also the characteristics of the developing countries themselves. These vary in important ways, and certainly not only in terms of the policies adopted by governments. Therefore, the same processes can lead to different outcomes.
4. Finally, the outcomes of globalisation processes depend significantly on the way that they are managed. The idea of "managing globalisation" has come to the fore as some of the actual outcomes of globalisation processes have proved disappointing.[1] In many cases, this management refers primarily to the policies adopted by developing countries, extending such issues as sequencing of liberalisation and complementary policies for the restructuring of the domestic economy and macroeconomic stability. However, it could just as well refer to the management of globalisation processes in the areas of trade, finance and global governance.

The articles in this *Bulletin* explore various aspects of globalisation processes "as they exist", and in specific country and institutional contexts. In this way, they contribute to a better understanding of these processes and identify specific policy interventions. The articles are grouped into three sets, based upon the three principal areas covered by the programme: production and trade, finance and foreign direct investment (FDI) and the institutions of global governance.

1 Production and trade

In a widely cited article, Ravi Kanbur discusses the root causes of disagreements over globalisation. One of the three root causes is a difference in perception about market structure and power (Kanbur 2001: 1089–91). The more confident one is that markets work efficiently, the more one might

expect trade liberalisation to have overall positive effects, even if there will inevitably be winners and losers.

The level of confidence in market forces also leads to particular diagnoses of why the results of trade liberalisation are sometimes disappointing. Just to take one example, the report of a meeting on mainstreaming trade into country development strategies held at the World Trade Organization (WTO) in January 2001, noted that: 'Properly managed, integration into the world economy has been shown to be a powerful instrument in achieving and sustaining high rates of economic growth and reducing poverty' (WTO 2001: 112). Nevertheless, this statement is followed by the observation that: 'although the poorest countries are clearly integrating into the world economy, the benefits accruing to them have been disappointing. The share of the poorest countries in global trade declined from 0.8 per cent in 1980 to 0.4 per cent today. The GEP [Global Economic Prospects] 2001 projects that *per capita* incomes in sub-Saharan Africa will only expand by only 0.5 per cent in the coming decade' (WTO 2001: 112).

One possible response to this disappointing outcome is to attribute it to policy failures, both in the application of trade liberalisation and in the development of complementary policies. In addition to policies aimed at avoiding macroeconomic disequilibria, the WTO document suggests deregulation to promote the mobility of labour and capital and liberalisation services and finance.

However, this seems to miss the point. The effects of trade liberalisation are both much more substantial than one might project from standard trade theory (Stiglitz 1998: 26), and also much more uneven. Some countries have benefited enormously, while others struggle to turn outward orientation into the economic growth that will, in turn, tend to reduce poverty. Therefore, it is important to understand the ways in which markets operate in specific circumstances and how this affects responses to trade liberalisation.

The first article in this *Bulletin*, by Round and Whalley, is based upon studies of the linkages between trade liberalisation and poverty in four South Asian countries, using a modelling approach. Overall, the article argues that linkages between globalisation and poverty are difficult to determine. The authors caution against generalisations about such linkages, demonstrating, first, just how difficult it is to say when and to what extent these four countries liberalised. This varies according to different indicators of openness, and different studies of trade liberalisation, growth and poverty reduction classify them differently. Second, the impacts vary according to different measures of poverty and inequality. Third, the article points to the considerable impact of non-trade-related variables on poverty during periods of liberalisation. An example would be fluctuations in remittances from migrant workers in the case of Pakistan.

The modelling exercises also reveal how model specifications have significant impacts on the way that increased openness to trade is likely to impact upon poverty. In particular, assumptions about the mobility of factors between different activities make a big difference to the way in which quota or tariff reductions work through the economy. Similarly, complementary policy measures, such as the way in which taxes are raised to offset reductions in tariff revenues, also have an impact on poverty. The point here is not that modelling is an imperfect science, the results of which are dependent on the assumptions made, but rather that these different assumptions reflect real-world differences in economic structures and institutions that will vary not only from country to country, but also from sector to sector (mobility of factors is probably higher in the manufacturing sector than in agriculture, for example).

The article by Nadvi adopts a very different methodological approach to issues of trade liberalisation and poverty to that presented by Round and Whalley. It is based upon case studies of particular sectors and countries and inter-firm linkages in the sectors studied. The studies examined the impact upon the welfare of workers in particular sectors of situations of both rapidly increasing exports and rising import penetration.

As one might expect, the article shows real benefits to the poor from rapid export growth in countries and sectors that have been able to take advantage of export opportunities in global markets. Studies in Kenya and Bangladesh show how entry into export sectors brings workers in households above the poverty line. Workers in export sectors earned higher incomes and had less casualised employment than similar workers in non-export sectors. The benefits of insertion are spread unevenly, however, and there are concerns about working conditions. Adverse working conditions,

such as casual and seasonal employment, and excessive overtime are often a response to volatility and uncertainty of demand from export customers.

The analysis of the linkages between export production and global markets indicates the increasingly important role of large global buyers, which has emerged in part as a result of the concentration of retailing in advanced countries in sectors such as garments, footwear and food. This has a number of consequences. First, the barriers to entry to the value chains controlled by large buyers rise because of their emphasis on quality, traceability, and codes and standards favour countries and producers that have experience of working with such requirements and also the infrastructure to support and demonstrate compliance with them. This may favour established exporting countries, such as Kenya in the case of horticulture, but present significant barriers to "late entrants" such as Uganda. Second, there are significant economies of scale in the provision of specialist services and the logistics infrastructure for flexibility and speed of response to customer orders, and this also favours established producers. The benefits of globalisation may be considerable for particular countries and regions that have established themselves as suppliers for particular types of products, but other regions may find it difficult to enter these product lines unless they are able to find customers willing to help them meet the requirements of export markets.

This raises particular challenges for poverty reduction. Countries that have not managed to develop export industries in the 1990s are at an increasing disadvantage. Similarly, the increasing complexity of global markets creates particular challenges for small and medium enterprises. Trade capacity building programmes need to analyse the changing nature of global markets in order to identify adequate export promotion strategies.

At the same time, global buyers do offer points of leverage for development policies. Nadvi suggests that they can become development agents, supporting the introduction of codes of conduct in areas such as labour standards and environmental impact. Global buyers have, for example, been important components in the development of the Ethical Trade Initiative in the UK. The challenge is to integrate concerns about not only incomes and basic working conditions, but also income security, casualisation of work, excessive overtime, etc.

If trade in products such as garments and horticulture is being increasingly structured by the buying practices of global buyers, could the development of B2B e-commerce radically alter this scenario by creating new market linkages and reducing the barriers to entry into global markets for developing country producers? Research on business-to-business (B2B) e-commerce in developing countries by Humphrey, Mansell, Paré and Schmitz addressed this issue. During (and for a while after) the dot.com boom at the end of the 1990s, various development agencies enthusiastically supported e-commerce as a means not only for promoting access to global markets for small and medium enterprises in developing countries, but also for enabling producers to retain a larger share of the final product price by cutting out intermediaries. Online trading in "open" e-marketplaces would enable the benefits of globalisation to reach the poor.

Once again, the emphasis of the research was to understand the way in which B2B e-commerce operated in practice in developing countries and to consider the policy implications of its use. An analysis of e-marketplaces, which are often presented as places where goods can be bought and sold, showed that they were not so much genuine marketplaces, as points of initial contact between buyers and sellers. In each case, the actual sale or purchase of a commodity required a lot of offline work because the e-marketplaces rarely offered the means of providing the information, payment systems or delivery systems needed for genuine online trading. Therefore, transaction costs were not reduced, and in many cases intermediaries operated in these e-marketplaces, providing the support services needed for transactions to be executed.

This finding was backed up by a study of use of the internet, by approximately 80 firms in three different countries in the garments and horticulture sectors. It showed clearly that firms made very limited use of e-marketplaces – not because they did not explore the possibilities, but because e-marketplaces either did not match the firms' business models (which are often based upon complex knowledge flows between buyer and seller) or produced disappointing results. The number of transactions were low and the transaction costs involved in securing purchases and sales remained very high.

However, it was evident that the internet is becoming increasingly important for coordinating relationships between suppliers and buyers that were already doing business with each other. It greatly reduced the costs of transferring information and opened up new forms of information transfer, such as the provision of digital photographs to indicate quality problems. Similarly, to the extent that "auctions" were found to be taking place, these were closed auctions, with access depending upon invitations by global buyers, who generally restrict them to established suppliers. The internet is being used for business, but not in ways that radically shift market structures.

The policy implications of these findings are substantial. Major investments are being made in developing the e-commerce infrastructure on the assumption that online trading will take place. In particular, online trading requires rapid, high-capacity data linkages, and a legal infrastructure cable of the supporting online contracts. However, on the basis of the findings noted above, the priority should be to establish reliable and cheaper internet access so that firms are able to communicate with buyers and suppliers at low cost.

2 FDI and finance

The White Paper on international development issued by the UK government in 2000 stated that 'the attraction of capital inflows is an essential element of the strategy to speed up sustainable development and poverty reduction' (DFID 2000: 49). An accompanying chart showing net long-term resource flows to developing countries indicated that foreign direct investment and other private capital flows (portfolio investments and purchases of bonds) had increased considerably in the course of the 1990s. By the end of the decade, these far surpassed official flows (overseas development assistance and overseas development finance). The latter accounted for less than US$50 billion of total net long-term flows of almost US$350 billion in 1997. The main concerns of the White Paper were twofold: (1) to ensure that these flows were directed more effectively to the poor, through mechanisms facilitating investment in the micro and small enterprise sector, and (2) to promote improved domestic policies to ensure increased private capital flows.

For capital flows to be stable and productive, developing countries need to put in place improved domestic policies. And the conditions that attract foreign investment are the same conditions that generate domestic savings, promote domestic investment, and discourage capital flight. They include: an economic and political environment that is stable and predictable, supported by transparent laws, fair competition and reliable legal systems; and the reduction of administrative barriers to investment. (DFID 2000: 50)

With the East Asian crisis clearly in mind, the White Paper does emphasise the risks involved in rapid capital account liberalisation and in particular, the need for effective systems of financial regulation. Nevertheless, it expects private flows to play an important part in developing country finance, including for the poorest developing countries, and views capital account liberalisation as a means of enabling this. The onus is on developing countries to develop policies that are both "finance friendly" and able to regulate financial markets adequately.

The three articles on FDI in financial flows in this *Bulletin* cast doubt on these assumptions and point to a very different policy agenda. The article by Morrissey and Osei examines the levels and volatility of different types of capital flows – official development assistance, official development finance, FDI and "other private capital" (OPC, which includes commercial bank lending, bonds, other private credit, non-debt flows and portfolio equity investments) – in the period from 1970 to 1997. Data from 60 countries is categorised into four country groupings: low-income, lower-middle income, and upper-middle income, as well as the African countries included in the analysis.

It is well known that flows of private capital (FDI and OPC) are concentrated in a relatively small number of middle-income developing countries. Morrissey and Osei's analysis demonstrates the extent to which the poorest developing countries have been marginal recipients of such flows. Private capital flows to the upper-middle income countries accelerated in the 1990s, so that FDI and OPC together reached 7.2 per cent of the gross domestic product (GDP) in the 1996–97 period, compared with just 0.9 per cent for official development finance. For the low-income countries, FDI and OPC were dwarfed by aid flows, even during the 1990s. In 1996–97, FDI and OPC rose to 1.6 per cent of GDP in the 29 low-income countries included in the sample, but in the same period, overseas development assistance to the same countries ran at the level of 12.2 per cent of GDP.[2]

These flows are low, and they are unlikely to generate the finance for micro and small enterprises seen as desirable by the White Paper. In fact, insofar as some portfolio investment in developing countries is associated with foreign investment in the banking system, the access of small producers to finance is likely to fall. Large banks are less likely to have the credit systems or willingness to invest resources in allocating small-scale credit.[3]

Morrissey and Osei go on to argue that the volatility of capital flows are equally important as the level of these flows, because increased volatility in capital flows has a negative effect on growth, as shown by Lensink and Morrissey (2001). As one might expect, the level of volatility is generally lowest for official development assistance and finance, higher for FDI, and highest of all for OPC. Perhaps more worryingly, the Morrissey and Osei data show that the poorest countries are particularly vulnerable to volatility in OPC. Whereas the levels of volatility of official development assistance and finance and FDI are roughly equivalent between the different categories of country, the level of volatility of OPC is substantially higher for the low-income countries. This volatility increases the risk of macroeconomic instability, particularly in the context of exchange rate liberalisation and the risks to investors from exchange rate volatility. This risk itself leads to reduced capital flows, or increased risk premia, and can exacerbate cyclical behaviour as the effects of macroeconomic imbalances are magnified by the investor response.

Morrissey and Osei include in their policy recommendations better provision of information about both investment opportunities (to increase capital flows) and economic indicators (to reduce volatility), as well as support from international financial institutions. This approach remains focused on the recipient countries and their fundamentals. The articles by FitzGerald and by Griffith-Jones and Ocampo, in contrast, provide a different perspective on this issue, which reframes the policy debate on private capital flows to developing countries. Rather than seeing the problems of low levels of capital flows and volatility as ones which should be addressed primarily through policies adopted in and by the recipient countries (the developing countries), these articles argue that the policy challenges lie in the source countries and in the international financial architecture.

FitzGerald's article provides an econometric analysis of the determinants of portfolio capital flows. The volatility of these flows is well-established. FitzGerald's contribution is to show that "source country" factors – interest rates, changing levels of risk aversion and income levels in the USA – combined with market effects that lead to momentum trading, herding and price bubbles that amplify the effect of these factors, are responsible for a substantial amount of the observed variation in portfolio capital flows from the USA to developing countries.

> Overall, this model can explain 81 per cent of observed variations in bond flows and 87 per cent of those in yield spreads. This implies that by far the greater part of emerging bond market volatility is explained by market interactions (expressed by the persistence in flows and spreads as well as their lagged effect on each other) on the one hand; and the combination of home risk aversion, home interest rates and home income levels on the other. In other words as far as this asset class as a whole is concerned, shifts in the demand schedule and their effects are more significant than overall fundamentals [i.e. recipient country factors]. (FitzGerald, this *Bulletin*)

If the "problem" emanates from developed countries, to what extent is it possible to seek "solutions" there as well? FitzGerald suggests that changes in regulatory or tax incentives could encourage institutional investors in these regions to hold assets of longer maturity and he also argues that international financial institutions could make a stronger commitment to counter-cyclical interventions in markets for developing country assets. Failing this, developing countries should introduce capital controls aimed at reducing volatility.

These issues are taken up in a more general review of the challenges facing the international financial architecture by Griffith-Jones and Ocampo. They start by observing that the international financial architecture has two goals: financial stability (avoidance of currency and banking crises) and the promotion of private capital flows to developing countries. While the former was highest on the agenda following the East Asian crisis, the sharp decline in capital flows since then brings the latter onto the agenda as a matter of urgency.

Their diagnosis is that much more effort has been devoted to implementing policies in the host countries, particularly transparency and codes and standards in the financial sector, but that efforts to address issues relating to the international financial architecture (stability funds, orderly debt workouts, etc.) have been much less successful. They also suggest that the issues of the volatility of flows and contagion, particularly as they apply to middle-income countries, have been the main focus of concern, while the issue of declining overall levels of private capital inflows into developing countries, and the continuing low levels of flows to the poorest countries, have received scant attention.

Griffith-Jones and Ocampo point to the weakness of arrangements aimed at limiting contagion – particularly the Contingency Credit Line and the Supplementary Reserve Facility. Both need to be modified in order to make them more agile and more responsive to the needs of countries affected by, or likely to be affected by, financial instability. They further note that attempts to improve international financial regulation have not had the desired results. On one hand, attempts to improve the consistency in coverage of financial regulations have run up against opposition from developed countries, and particularly the USA, who are not willing to increase regulation of their financial sectors. On the other hand, proposed modifications to the Basel Capital Accord aimed at modifying the capital requirements of banks to increase financial stability seem likely not only to 'further reduce international bank lending and increase costs of such lending to developing countries, particularly those (the large majority) that do not have investment grades', but also to 'exacerbate pro-cyclical tendencies within the banking systems' (Griffith-Jones and Ocampo, this *Bulletin*).

This leads Griffith-Jones and Ocampo to argue that the problem with the proposed Basel Capital Accord is not just that it might reduce capital flows and increase volatility, but that the proposals were put forward without any clear appreciation of the impact that they would have on developing countries. Although the latter are severely affected by these arrangements, they are small markets within the international financial system and hardly considered in financial policy making.

Therefore, they identify the need for greater developing country voice in international financial institutions and arrangements as essential if the problems of low flows and volatility are to be addressed adequately. To this end, they suggest a greatly enhanced role for regional institutions in international finance, particularly regional and sub-regional development banks. These institutions should have an enhanced role in crisis management and development finance. Beyond this, they argue that in the face of the weak commitment to reform of the international financial system displayed by industrialised countries, developing countries might have to take the initiative, organising themselves and establishing links with pro-reform institutions (including development agencies) in developed countries.

While Griffith-Jones and Ocampo do not underplay the difficulties involved in forcing through reforms in the international financial system, they do suggest that developing countries should make adherence to codes and standards on financial regulation and liberalisation of capital accounts dependent on reform of the global financial system.

This focus on the governance of the international financial architecture and the interplay of interest between developed and developing countries links closely with the third set of articles in this *Bulletin*, which are concerned with the institutions of global governance.

3 Global governance

Globalisation is often defined as the increasingly free movement of factors. Nevertheless, however free the movement of factors becomes, it will be regulated by rules and through the institutional processes that devise and enforce these rules. These processes embody choices about what is to be regulated (and what is not to be regulated), by which bodies and with which composition, and the procedures for enforcing rules and agreements. They determine not only exemptions to the free movement of factors, such as the Multifibre Arrangement and the treatment of agricultural subsidies, but also what rules are to apply to all countries, which has significant consequences.[4]

The stakes involved in global governance are rising. First, there is an extension of global negotiation processes into new areas, such as climate change, biotechnology and the service sector. Second, in the long-established area of trade, the scope of negotiations and agreements has extended into trade-related areas such as competition policy,

trade in services, regulation of the financial sector and intellectual property rights. Third, the consequences of making commitments are rising. The Uruguay Round, for example, introduced the concept of the "single undertaking", which meant that countries have to accept or reject the whole package, rather than sign up to individual parts. The increasing difficulty in reversing commitments made in negotiations also raises the stakes.

The articles on global governance in this *Bulletin* cover a variety of issues, from trade negotiations, to climate change, biotechnology, and trade in services. They raise a number of common concerns, which have also been highlighted by other work in this area.[5] First, these agreements have direct consequences for the livelihoods of poor people. Second, developing countries need a more effective voice in the processes of rule determination. Multilateral negotiations offer the possibility for developing countries to influence outcomes, but in order to take advantage of this opportunity, developing countries need the resources, skills and experience to negotiate effectively. Third, the potential influence that can be exercised in the context of multilateral negotiations highlights the importance of these negotiations and, conversely both the often pernicious effects of bilateral and plurilateral negotiations.

The article by Page focuses on the effective participation of developing countries in trade and climate change negotiations. It draws from a broader research project that examined the participation of three small developing countries – Bolivia, Guyana and Zimbabwe – in such negotiations. It notes the importance of these negotiations for poverty reduction and argues strongly that participation by developing countries can influence outcomes. A comparison of developing country participation in trade negotiations up to and including the Cancun ministerial meeting in September 2003 demonstrate clearly the ways in which developing countries have increased their capacity not only to contest but also to define and develop agendas.

It has long been accepted that the capacity for developing countries to participate in trade negotiations needs to be enhanced. Page takes the analysis further by highlighting three critical points. First, the formation of developing country alliances is particularly important for enabling developing countries to influence outcomes. These alliances are often not based on regions for trade blocs, but on interest groups around specific issues. Second, the translation of negotiating skills into negotiating outcomes depends upon the nature of the negotiations themselves. The assent of developing countries is necessary to bring multilateral negotiations to a successful conclusion. This provides them with some negotiating power. Conversely, in bilateral negotiations, the same negotiators that are effective in multilateral negotiations find themselves impotent. This shows the potential dangers of bilateral negotiations, which have also been highlighted by the Commission on Intellectual Property Rights (CIPR 2002: 162–3). Page suggests that this is a problem that will affect smaller developing countries in particular, because the larger developing countries will seek to develop bilateral deals with multiple partners. Third, the increasing voice of developing countries in multilateral negotiations creates problems for the informal procedures that in the past have managed to create consensus within trade negotiations. These show signs of strain as more countries, and country groupings, wish to have their voices heard. The difficulties at Doha and Cancun illustrate the need to create negotiating mechanisms that reflect the increasing diversity and complexity of negotiating positions.

The article by Newell and Mackenzie focuses on governance mechanisms for modern biotechnology, and in particular the ways in which they impact upon food security issues, which directly affect the poor. The global governance of modern biotechnology takes place through a variety of institutions. As well as specific agreements devoted to biosafety, such as the Cartagena Protocol on Biosafety (CPB), trade in genetically modified organisms (GMOs) is also subject to regulation by the WTO, particularly agreements on Technical Barriers to Trade and Sanitary and Phytosanitary Measures. These circumscribe developing country policy choices in the area of food security.

Again, it is recognised that the participation of developing countries in negotiations that affect them directly requires resources and capabilities that are often lacking. The issues are complex and the impacts of particular decisions unclear. As important, there appeared to be clear conflict of priorities between developed and developing countries, around questions such as the balance between considerations of food safety, rural livelihoods and market displacement on the one

hand and the goals of food security and reducing trade barriers on the other. Overall, global governance institutions prioritise the reduction of trade barriers over food security concerns.

Newell and Mackenzie also challenge the tendency to look for a "one size fits all" solution to global regulation. The attempt to produce a common set of standards and procedures applicable to all countries fails to recognise important differences in capabilities. They argue that: 'The Cartagena Protocol on Biosafety is centred on an effective system of national import licensing … that places resource and capacity demands on bureaucracies that they may not be in the position to meet, particularly in developing country settings', and they note that the procedures in place for controlling trade in and use of GMOs are taxing even developed country governments. It is unrealistic to impose control mechanisms that developing countries cannot enforce effectively.

Similarly, the application of standardised rules and regulations, often developed by advanced countries and attuned to the needs of farming systems in those countries, fails to respond adequately to the needs of food producers in developing countries. While developing countries have the right to adjust their own legislation on biotechnology use, plant varieties and risk assessment, they need considerable expertise to understand fully the issues and develop their own agendas. In other words, flexibilities in the application of global agreements require considerable developing country capabilities in order for them to be used effectively. Furthermore, they need to be able to resist the linkage of these issues to questions of aid and preferential trade access, which can be used to pressure developing countries.

The third article on global governance focuses on the General Agreement on Trade in Services (GATS) and its possible implications for the water sector in developing countries. The GATS generally, and water privatisation and its impact on poor people in developing countries in particular, have been one of the issues of greatest disagreement between "pro" and "anti" globalisers. The issue of water goes to the heart of the role of markets and the extent of social provision.

Mehta and la Cour Madsen open their article by discussing whether water should be considered a commodity or a human right. This contrast appears, at first sight, to go to the heart of the question: is water a right that deserves guaranteed (and most likely public) provision, or is it a commodity whose provision can be related to the ability to pay and supplied by profit-making enterprises in the private sector? However, the article recognises that public provision in developing countries has had serious deficiencies in coverage, and there are a range of options around privatisation that could, for example, leave delivery and charging to the public sector, or establish safeguards around procedures for disconnection.

In spite of this, the authors are not sanguine about the possible impact of privatisation on water services. They observe that privatisation has been accompanied by price increases and that governments are frequently unable to monitor and enforce contract provisions. Privatisation has to be seen in the context of the complex interplay of power and interests rather than simply contractual obligations and possible efficiency gains.

Very similar issues arise when considering the possible impact of the GATS on water provision. One reading of the situation is that there is absolutely nothing to be concerned about: 'Domestic water service delivery is not officially one of the sectors covered by the GATS', and countries making offers and commitments under the GATS have ample latitude to limit the liberalisation of trade in services.

Nevertheless, Mehta and la Cour Madsen argue that:

> while liberalising water-related services under the GATS may not necessarily undermine, *de jure*, the ability of member-states to introduce the kind of legislative measures that are necessary to safeguard the interests of the poor, there are a number of reasons to think that, *de facto*, the exercise of policy autonomy might be substantially curtailed. These constraints on the capacity of member-states to protect the poor stem from (a) inherent ambiguities in treaty interpretation; and (b) the politics of process arising out of power asymmetries and a lack of transparency in processes of negotiation and policy review. (Mehta and la Cour Madsen, this *Bulletin*)

In particular, they argue that (1) the basic rationale of the GATS is to promote liberalisation of trade in services; (2) the European Commission is already pressing for water service delivery to be

included within "environmental services" and negotiated within the GATS; (3) the bid/offer procedure used to define commitments under the GATS makes considerable demands on developing country analytical and negotiating capacity and also creates ample scope for the pressures typical of bilateral trade negotiations, including the linkage of deals on GATS to aid and negotiations around trade; (4) there is a likelihood of restrictions being placed on developing country regulatory regimes by the application of WTO disciplines on technical standards and barriers to trade; (5) developing country governments have difficulties in enforcing agreements made with transnational service companies; and (6) there are difficulties in perceiving the consequences of particular commitments and the obstacles and costs placed in the way of reversing these commitments should their desirability be reassessed.

Mehta and la Cour Madsen suggest that the consequences of all this might well be commitments made by developing countries in the context of the GATS that would be detrimental to social provisioning. One of the factors preventing this happening is possibly the perception of the degree of risk involved, which is making developing countries very cautious about making commitments.

Once again, a study of the way that global governance mechanisms are put into practice not only at the point of negotiating general principles, but also in their application on the ground highlights the enormous demands placed upon developing country governments, which face not only much better resourced developed country counterparts, but also the resources of global companies that are looking to maximise the benefits to them from globalisation processes.

The programme of research on globalisation and poverty has been only a minute part of the global research effort on the topic in the past few years. Many other researchers and programmes have been concerned with this issue. The distinctive contributions of the programme have been (1) the focus on three distinct aspects of globalisation – production and trade, finance and FDI, and global governance; (2) its focus on the world's poorer countries, predominantly with sub-Saharan Africa and South Asia, and within them, the impact of globalisation processes on poorer households; (3) its recognition of the heterogeneity of globalisation processes and country circumstances; and (4) its concern with tracing the processes and mechanisms of globalisation that translate globalisation processes into poverty outcomes. The result is a set of findings that contribute to narrowing the gulf that exists between "globophobes" and "globophiles" by providing explanations of why globalisation outcomes vary so much and suggesting ways in which globalisation processes can be managed so as to enhance the livelihoods of poor people.

Notes

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1. See, for example, Aninat (2002), references in the UK government White Paper on globalisation (DFID 2000) to globalisation being 'managed well' and 'managed badly'.
2. Research by Jenkins and Thomas (2002) indicates clearly that individual countries have received significant private capital inflows. These are often related to natural resources (particularly mining and petroleum) and infrastructure investments, such as the Lesotho Highland Water Scheme and the Maputo transport corridor.
3. This point was made recently by Roberto Felletti, President of the Banco Cuidad in Argentina at a seminar on global value chains in Buenos Aires, October 2003.
4. Even the most technical of rules – for example, the agreement of common standards for third generation wireless telecommunications – have significant implications for particular countries and firms. Given the heterogeneity of previous telecommunications standards, the decision about whether the new common standard is derived from one or other of the earlier generation of standards would provide one set of manufacturers with an advantage over the others.
5. See, in particular, the report of the intellectual property rights and development policy (CIPR 2002), which highlights many issues of concern relating not only to intellectual property rights, but also the processes by which these are agreed and enforced.

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