Chapter 6

Globalisation:

The Private Sector Perspective

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The key words in this chapter are responsibility and co-operation, based on the main assumption of freedom. It is an assumption because economic and social freedom cannot be discussed, only implemented.

At present, the world is seeing in the third phase of capitalism, characterised by the creation of a system of responsibilities and co-operation. The other two phases were the creation of a system of individual freedom (mainly during the nineteenth century) and of a system of collective guarantees, usually called welfare (developed after the Great Crisis of the twentieth century).

Free-market economies defeated central planned systems by means of welfare. The main difference between the two economic systems is that welfare has been able to provide social protection without greatly limiting individual freedom. But welfare proved to have some major drawbacks: the lessening of individual responsibility, the crowding out of private initiative, moral risk, and corruption. Friedrich von Hayek (1944) pointed out these drawbacks calling welfare a 'road to serfdom'.

This chapter ~~focusess~~focuses only on the first drawback, the lessening of individual responsibility, with less emphasis on corruption.

During the nineteenth century, new economic initiatives led to entrepreneurial freedom, and scientific developments were tools of major importance in this process of growth for European countries and the United States.

Keynesian policies and public foreign aid were the typical instruments of the welfare system during the twentieth century. The reaction of public opinion and politics against the distortion created by such policies in the last part of the century (without analysing what causes what) was to shift responsibility from the public to the private sector or — alternatively — from the state to the free market. The 'new era' started with Margaret Thatcher in England and was reinforced by Ronald Reagan in the United States.

More market and less state encouraged an expansion of the dimension of the market, thus widening national borders and sometimes breaking through them. The developments in information and communications technology (ICT) made possible the birth of a virtual global market, the dream of any economist who views the market as a network of information through which resources are allocated optimally. The combined result was the start of the globalisation process.

This process operates so fast that the old rules of the game rapidly become obsolete, and ~~world-wide~~world-wide business is developing mainly in a vacuum of fair rules. Examples of this vacuum can be found in the labour and financial markets, just to mention the most obvious. Many developing countries have no significant social protections in their labour markets, thus creating incentives for social dumping in international competition and pressures on developed countries to reduce their level of welfare to be able to compete globally. In financial markets the assets of weak countries are easily attacked by speculation, with severe consequences for real growth and savings. This political vacuum must be filled in order to protect freedom and welfare in global competition, and to prevent globalisation from weakening democracies, as has been happening in these very last years of the twentieth century and the beginning of twenty-first century.

The succession of crises, mainly financial, in many countries of the world, most recently having affected an entire area (Argentina, Brazil, and Venezuela), confirms the need for stronger international co-operation, which must necessarily come through strengthening the role of G7/8 summits — which started during the severe oil crisis of the 1970s, and which have moved from being a centre of consultation to a global decision centre.

The ~~'Habitat'~~ Environment Created by the Internet Economy and by Globalisation

The most evident expression of the ICT development is the new, internet economy, characterised by a continuous flow of information available to everybody in industrialised countries. The ~~internet~~ new economy has given birth to a ~~world-wide~~world-wide information network that steers economic behaviour. The market as 'physical space' (the *agora* or square) still plays an important role, but it is gradually losing ground and relevance for many types of choices.

The ~~internet~~ new economy allows choices to be made on a global level. It leads to the intensification of trade among countries and the location of production in those countries that, for a series of historical motives, have had neither the strength nor occasion to implement it.

Even if globalisation and internet-economy processes began in the last decade of the twentieth century, statistics already show that foreign trade in goods and services is growing everywhere (that is, not only in developed countries) at a faster rate than domestic production, and foreign direct investment (FDI) is growing more than four times faster than foreign trade (at a rate of 7.22 compared to 1.64 — see Table 6.1).

The result is a widening of supply creating its own demand; this is a revaluation, at least in part, of what economists call Say's Law.

The drop in foreign trade and direct investments in 2001 testifies to another characteristic of globalisation: the speed of diffusion of cyclical movements at the world level and the close, direct correlation between foreign trade and investments.

The process of globalisation still takes place with the incentive of developed countries, leading to some reactions on a social level — both at home where social groups accuse investors of acting to the detriment of the national labour force as well as in the countries that benefit from their investments — that accuse the developed countries of economic 'imperialism' or 'neo-colonialism' (cf. Hardt and Negri 2000).

The fact that the economy responds only to a hedonistic impulse, originating in this case from operators in developed countries, only confirms the famous principle that caused Adam Smith (1776) in his *Wealth of Nations* to declare that it is necessary to rely not on the shopkeeper's unselfishness to have daily access to needed goods but on the shopkeeper's selfishness. As early as the seventeenth century, the Dutch writer Bernard Mandeville (1714), and even before him, the Florentine Poggio Bracciolini (1429), like many others before and since, argued that capitalism transforms private vices, or selfishness, into public virtues, that is, into greater economic and social well-being.[1]

The alternative to the growth model of developed countries and to the benefits that it generates in ~~underdeveloped~~ developing countries on the basis of a global virtual market economy ~~in a global habitat~~ is, for the former, a return to Keynesian policies, and, for the latter, the resumption of development aid. In fact, these two policies shaped the world's development model after World War II, leading to production successes as well as welfare waste and electoral abuses in the industrialised countries; these led in turn to inflation and a drop in the growth rate, in addition to resounding failures in the underdeveloped countries and, not infrequently, support for dictatorial regimes violating most civil rights.

By this, neither the utility of Keynesian policies, as recently carried out by the Bush administration in the U.S., nor the utility of foreign aid, as revived by the G8, need be denied. Keynesian policies represent a useful supplement to spontaneous market trends in the event of their failure, for whatever reason, to function perfectly, as, for example, in the last world recession caused by the joint effect of excessive expectations from the new economy (the 'irrational exuberance' of share prices) and the subsequent 'wealth effect' on consumption.

Foreign aid to poor countries does not seem to be the most suitable tool for directing production systems toward widespread stable growth models because they do not remove either the physical and cultural constraints to development or the political impediments typical of these countries.

Globalisation is a new *de facto* institutional framework that seems to offer more profitable opportunities for countries that intend to respect civil rights and the rules of free trade, to reject (or to accept a modest influence) of state aid and to base their choices on democratic consensus. Individual and entrepreneurial freedom can thus be a source of growth, together with national and international co-operation.

Reflections on Foreign (or Development) Aid Policy

There is growing pressure on the G8 to reinforce the aid policy instrument of government intervention. Many aid policies of the past were presented as development aid, but were in fact a mix of Keynesian policies and pure assistance to poor countries with a very low ~~content~~ level of supply effects on growth and a transitory impact on demand.

Foreign aid is an instrument useful for dealing with specific serious problems that hinder raising the level of culture and material well-being of the peoples of this planet: famine, disease, natural disasters, illiteracy — the basis for any economic development process.

The policies chosen by some international organisations such as the World Bank and the International Monetary Fund (IMF) were not originally intended to help lift the basic well-being of poor countries; the World Bank is charged with helping to finance basic infrastructure projects for economic development (water, energy, transport, and telecommunications), while the IMF is responsible for helping them deal with founded or unfounded speculative financial attacks on their currencies. These two tasks are very important with respect to the growth process of developing countries, but have led to some major drawbacks, such as inducing moral hazard in financial market and waste in public spending. The goal of these policies is correct, but sometimes the means of implementing them have been ineffective in the long run.

Other institutions, such as the Food and Agriculture ~~Organization~~Organisation (FAO), the World Trade ~~Organization~~Organisation (WTO), and the United Nations, have some specific or general tasks. However, because responsibility for the *status quo* lies with the ~~national~~ individual states, existing institutional constraints and bureaucratic resistance within the organisations themselves have meant that criticism — both from national authorities and from their own workers — of development aid programming has failed to lead to the necessary changes being implemented in their policies.

Institutional constraints together with short-run aid policies and related criticisms have led to the need to change the way international institutions behave in the global market; aid policies are no longer enough to induce growth.

The problem posed by aid policies is clearly explained by the World Bank: 'Recent cross-country evidence has shown that foreign aid has a strong, positive effect on a country's economic performance if the country has undertaken certain policy and structural reforms. But the evidence also shows that countries with good policies receive less assistance than countries with poor or mediocre policies. The juxtaposition of these two findings has led to the assertion that "aid cannot buy reform"' (World Bank 2001).

The only possible criticism of this shareable diagnosis is that it is necessary to limit the goals of foreign aid to the creation of living conditions to reflect the advances made by modern society in line with the spontaneous impulses of the global market, and not with the ambitions and constraints laid down by local government groups. The two requirements often coincide: in some developing African and Asian countries the toll taken by disease has reduced the average working life to ten years, thus having a negative impact on productivity and economic growth. The human capital represents the base of the new economy. Without solving this problem (that is, a structural break), the growth impact of infrastructural development is quite modest.

International organisations and G8 countries should place this problem at the top of their agenda in the near future.[2] The great epidemics of the new century could render aid policies to developing countries fruitless; the disappearance of an entire generation in many African and Asian countries will results in a permanent break in the aid system and increases international tensions (cf. 'Reason Prevails: South Africa and AIDS' 2002). The intergenerational growth models suggest the existence of overlapping generations, and the structural break caused by the AIDS epidemic could make these models inapplicable (Diamond 1965; Romer 1996).

A Unique Brand of Foreign Aid: Cancelling Foreign Indebtedness of Poor Countries

In recent years, there has been increasing pressure on policy makers to cancel the debts of poor countries. The sustainability of foreign indebtedness of highly indebted poor countries (HIPCs) cannot be fulfilled if the population continues to decline.

In formal terms, in order for indebtedness to be sustainable, the 'No Ponzi Game Condition' must take place.[3] That is:

$$g > r + b$$

where g = growth rate of the gross domestic product (GDP), r = debt service rate, and b = debt growth rate, and all are nominal values.

In other words, indebted countries have some chance of seeing their condition implemented if their economies grow faster than the debt they incur in order to sustain growth.

The results of the calculation of the No Ponzi Game Condition for sub-Saharan Africa and Southeast Asia using current data are far from encouraging: it seems that even today these areas are failing to comply with conditions of stability and reliability (see Table 6.2).

The weight of debt of developing countries is incompatible with growth and impedes further relief for their populations. International aid does not suffice even to pay the debt service and short-term debt, meaning that there are few prospects for stopping debt growth.

The HIPC debt relief proposal widely supported by nongovernmental organisations (NGOs) can be used to induce developing countries to introduce fair rules by linking debt relief to regulated improvements in market conditions within the eligible countries. This programme can only provide a solution if it spurs efficiency and local improvement; otherwise it merely serves to assuage the guilt of developed countries. This is what could be called 'true' international co-operation.

Real future growth is threatened by the AIDS epidemic. Although the World Bank and the IMF study the No Ponzi Game Condition and other formal requirements before granting financing, they do not seem to have fully considered the future impact of the generational break caused this epidemic on the stability and growth of countries.

The most recent data, available for 2001, show that 28.1 million individuals, equal to 70.25% of those sick world-wide, are located in sub-Saharan Africa, and that a further 6.1 million, or 15.25%, are located in Southeast Asia (World Bank 2002). The population growth condition in the models will be therefore borne by the next generation, which will be unable to guarantee either the debt service or rollover. The estimated birth rate in sub-Saharan Africa is 15.6 million (between 1999 and 2000), of whom 800,000 (nearly 6%) contract HIV at birth; for Southeast Asia, the birth rate is estimated at 100 million (between 1999 and 2000), of whom 3.4 million (3.4%) contract the virus at birth. The epidemic growth rate is extremely high and still mainly affects ~~newborns~~new-borns and the working-age population.[4] The globalisation process could therefore come to a standstill in these two areas of the world. Capital accumulation, both private and public, could slow due to the increase of current health expenditure and the reduction in the schooling rate of a part of the population (mainly women and the young) (UNAIDS 2001).

According to World Bank research on globalisation, many countries in these areas belong to the 'globalised' country category. In fact, the World Bank states that the degree of globalisation of a country is produced and measured by the increase in foreign trade and the reduction of import/export tariff rates (see Table 6.3). Although the increase in the degree of globalisation should lead to growth in the economy, this direct link does not always take place because debt constraint and cost slow down that growth, which is not considered in the ‘official’ indicators of globalisation.[5]

The data show that since the beginning of the epidemics, especially ~~joined~~ in the Asian countries affected by the aftermath of the financial crisis ~~that affected the area~~ after 1997, capital accumulation has undergone a slowdown in real terms (see Table 6.4). Aid to developing countries fell from US$42 billion in 1999 to US$38 billion in 2001. This negative trend provides further confirmation of the limited effects of the application of an aid policy where the rules of the game are neither homogeneous nor fair. The decline in the amount of aid granted combines with the reduction in the GDP growth rate to slow down the accumulation of capital in real terms. The decision to modify aid policies must be analysed together with trade and industrial agreements, at the WTO, intended to increase the degree of globalisation and therefore to lead to growth using a different formula from the simple Keynesian one.

The globalisation phenomenon may have modified the transmission mechanism, rendering the trade-growth link less immediate, given the impact on affluence of other variables such as debt, social and political stability, and the growth of the working population. However, any investigation of the mechanism responsible for growth requires a consideration of the endogenous and exogenous factors determining it.

A Cause of Slow Growth

Developing countries face protectionism of developed ones. ‘Rich countries spend almost a billion dollars a day on domestic farm subsidies,’ says *The Economist* (2002)~~, (June 1st 2002, page 74)~~. This makes it impossible for developing countries to fight on equal terms in trade markets.

International organisations pay attention to the domestic production of developing countries and how to improve it, but trade is a game with two players, the buyer and seller. If the (rich) buyer is not willing to face the free market, the (poor) seller has no way of winning or of even attempting to fight. The rich seller already has domestic market shares and can use marketing strategies and quality improvements to maintain or increase them, without any co-operation with developing countries. The poor seller has, on the contrary, small domestic markets and fewer opportunities to gain foreign markets shares mainly because of tariffs. Nowadays international trade is thus characterised by low co-operation and high protectionism.

The counter-argument used by rich countries is that protectionism buys social and economic order at home. Although this might hold true both for Europe and the U.S., and for Japan, in particular, given its closeness to American and European imports, this argument is no longer sustainable.[6]

The failure of important industrial firms (such as Enron and Worldcom) and the consequences send a strong signal that even the most liberalised and protectionist country needs certain rules that are not compatible with domestic oligopoly (in accounting, energy, telecommunications, or anywhere else).[7] The same holds true for Europe, where farming protectionism is determined by the European Union, and in Japan, where banking and financial industries face no international competition.

The third route to growth for developed and developing countries is to give up economic nationalism and introduce new homogeneous rules for all by means of co-operation. The military power of rich countries represents a major stumbling block (a new Berlin wall) to such co-operation and will probably make its implementation impossible,[1] but economists, not being politicians, will always provide formulas.[8] A very recent example of the new Berlin wall is the U.S. refusal to lower trade tariffs on African countries' products, as stated by President George W. Bush at the 2002 G8 Kananaskis Summit. It adds weight to the traditional protection guarantees of the EU for agriculture and farming.

The positive effects of lowering U.S., European, and Japanese import tariffs could be twofold: a reduction in expenditure for domestic households (lowering taxes and prices of goods) and the chance for developing countries to increase production at home. The farm industry in developed countries would not be destroyed by international competition because it has the means to improve quality and productivity, being a mature industry with all the necessary management skills and technologies.

However, international improvement can come about only if homogeneous rules are established by means of co-operation, which is not the same as exporting regulations and rules from rich countries into poor countries.

The private sector would become far wealthier overall by letting developing countries grow without a simple Keynesian recipe. The first step toward this process, which is a rather long one, is to create stability ~~world-wide~~world-wide. Markets need regulation to be safe, liquid, and efficient,[9] the labour market has to be universally fair and equal~~ world-wide~~, and trade should be fair in order to bring about growth. These three conditions go together with stability and regulated market conditions, but have to be established by all market players (both strong and weak) — in other words, according to a new concept of co-operation.

The history of the last two centuries has not been an example of co-operation, but of helping poor countries and imposing rules on them and giving them funds, without fully monitoring their use. This is a one-way process that has come to an end.

The economic sovereignty of the private business sectors of developed countries has to be made legitimate by compliance with a common set of 'supra-national' rules and not simply by observance of the *status quo*. Here again, co-operation is the main channel through which the third phase of capitalism can occur and be a source of improvement.

The Private Sector's Views on Globalisation

There are two conflicting private-sector views of globalisation.

The first is the attempt to go back to 'old days,' the days of *laissez-faire*. The second is the attempt to go beyond welfare, avoiding the undesirable outcomes.

The attempt to go back to a *laissez-faire* political system means that the followers of this approach have not understood the lesson of history, that is, the history of Marxism-Leninism and the social reactions to it.

The reform of welfare is the right approach to protect free markets, given the current global social and economic environment. Obviously, this means welfare with less state and more market, but out of the old and new unresolved problems.

Among those old problems are the lessening of individual responsibility and corruption (given that crowding out and moral risk have already been addressed politically, although not yet in the way needed).

Among the new problems, it is necessary to ask:

- What are the rules of the game on the global market, and who is in charge of fixing them and making them work?
- Who can take care of people (or countries) who are not capable of riding the train of global development for reasons of health and wealth, and how?

Who Fixes the Rules of the Global Market and Who Takes Care of Poverty

The private sector is not responsible for solving the new problems of fixing the rules of the global economic and social game, even if it has to perform the important role of rationally managing the world's resources and avoiding corruption.

Economists have thought that rational management of the world's resources required the proper functioning of production-factor markets (capital and labour) and markets of goods and services; this is possible if the various forms of corruption (from public and private monopolies to briberies) are absent. The fight against corruption is not only a moral requirement ~~but~~but also a precise need of the global market to guarantee the best use of resources and freedom.

Most of the responsibility for covering the lack of regulations in the global market falls on the shoulders of public authorities, but they are facing severe consequences from globalisation — that is, from the weakening of their sovereignty.

In today's world the direction of democratic causality has been reversed: governments are asking private firms (such as the credit-rating agencies of Moody's and Standard & Poor) to be judged on their policies and budgets instead of giving them a rating. The business of rating is not to be disregarded, but one must beware of the political vacuum in the global market that should also be the basis for private rating businesses.

If countries have to accept, as they should, some limitations on their economic sovereignty in exchange of the opportunity offered by globalisation, a solution is needed to make it possible not to lose the background of freedom, the government of 'the many' instead of 'the few', that is, democracy.[10]

One possible solution is extensive use of international organisations (such as WTO, IMF, UN, FAO, and the newly established African Union) and institutions (such as G8 and other G-groups) to cover the gap with a precise limit on their activities: they should help countries to prepare and negotiate international agreements, without being responsible for enforcing them or monitoring compliance with them. Many of these organisations behave inappropriately by managing to get more power and autonomous sovereignty from countries, adding their pressure to plunder national sovereignty to those of the market's.

The proper role of international organisations and institutions is not to plunder nations' residual sovereignty but to recover some shares of it from the market on behalf of national authorities.

Among these institutions, only the WTO and the G8 are performing in such a way. In the European Union the member countries are being pressured to give more power and jurisdiction to the EU, under the assumption — which remains to be demonstrated — that the EU is capable of solving problems related to global market developments.

The G8 remains the principal source of global governance without having any power to enforce the agreed rules beyond the normal pressures exercised by foreign policies of the leading countries.

Which is, for better or worse, in the nature of international relations.

Possible Ways for the Authorities to Sustain Global Growth

Let us go back to the two instruments of welfare: Keynesian policies and foreign aid. Such tools can be used for sustaining global growth, but they should be implemented under certain conditions.

First, they should be used for specific purposes: Keynesian policies to stabilise economic performance and not to trend up employment (despite the expectations of a large group of economists in the post-war period), and official foreign aid to deal with weather and social disasters, such as drought, famine, and HIV/AIDS.

Second, Keynesian policies should be formulated after consultation with the appropriate international organisations (for example, the IMF for monetary matters, the WTO for trade, the UN for social, and so on). Official aid should never be given to national governments, even if they are serious and credible, but to supranational authorities, such as the Red Cross, which should demonstrate the capability to manage it independently and rationally.

But, above all, the real and most powerful instrument to sustaining world growth appears to be co-operation among countries.

Economists are divided on the best approach to international economic relations, between complete free initiative and strong co-operative competition. One must remember that the word ‘competition’ comes from the Latin *cum petere*, which means to collaborate for a common goal. The common goal is to sustain growth.

Consider the choice between co-operation and non-cooperation in the prisoner’s dilemma. In the global context, co-operation is the open-market regime and non-cooperation is protected markets. The co-operative solution offers the best pay-off for all players in the game and the probability of success should be higher than that of pure competition (meaning non-cooperation).

The co-operative solution does not emerge because governments protect domestic industries and rely on official aid as a substitute for it.

Keeping domestic barriers (and hence international tariffs) and inducing growth in developing countries by means of aid programmes is the result of an ‘old’ strategy for development, which is not compatible with globalisation, that is, the process of opening markets that imply co-operative policies.

It is easy to argue that global co-operation is better than going it alone and fighting against all other players not competing fairly but through any form of open or shadow protectionism. However, in economics there is still a suspicion that co-operation means that the biggest eat the smallest, or that one must accept the leadership of one or a few countries, and to predetermine the division of the ‘world pie’. This view is based on the hypothesis that the pie cannot be enlarged, whereas co-operation has an opposite goal: to make the pie bigger and let everybody come to the party!

Summary and Conclusion

A new capitalism is emerging, one in which co-operation may be more feasible than in the past.

To reach this goal, new rules for world governance are needed to cover the political vacuum of globalisation, which hinders the necessary consensus on the new economic system and creates some problems for the functioning of democracies. Financial markets are the most exposed to serious crises, and labour markets to unpopularity.

The public sector’s contribution toward sustaining global growth is not limited to establishing new rules for global competition; it should implement economic policies to counter the cycle of business and poverty.

Keynesian policies and foreign aid are still useful to reach specific goals: stabilising global market behaviour and helping less developed countries to face specific problems, such as weather and health disasters, and not enforcing growth and employment from the outside, leaving things as they are and protecting the *status quo* without looking for an improvement.

The process of increasing trade and growth rates is influenced by other important variables, namely epidemics and the social and economic order, which could modify the transmission mechanism of the development process; co-operation can help in making this process work better over time. Co-operation means opening up frontiers and lowering tariffs, as well as inducing efficiency and control in developing countries by means of new forms of foreign aid, and not simply cancelling foreign debts and funding local governments.

The private sector's contribution toward sustaining global growth is instead limited to two tasks: to use world resources rationally and to avoid corruption — that is, to guarantee the best performance of the global market and to obtain and give the best contribution to growth.

With globalisation, all should fight under the same flag to get more freedom, more responsibility and more co-operation. Freedom does not mean ~~no~~any rules, but better rules.

In such a task, the goal of intellectuals is to find a more balanced solution between the welfare content of globalisation and its drawbacks. The task of intellectuals is not to carry the train of the king's cloak, but to keep the lantern in front of him to light the way.

References

~~Nike's First Corporate Responsibility Report, http://www.nikebiz.com/reporting/index.shtml~~

Notes

1 These events have been narrated by many authors, but one of the most apt description was given by Lionel Robbins in his lectures published posthumously (Medema and Samuels 1998).

2 The Doha development agenda directly addresses the direct influence of intellectual property rights on healthcare spending of developing countries.

3 This transversality condition is explained in detail by David Romer (1996) and Olivier Blanchard and Stanley Fischer (1992).

4 UNAIDS (2001) provides a wider analysis of this phenomenon.

5 In fact, Asian and African countries that have lowered tariffs and increased foreign trade have experienced extremely low growth rates and declining trends in the last five-year period.

6 An example of the effects of agricultural protectionism is the increase in prices of fresh vegetables experienced by European countries during the winter of 2001 and the spring of 2002, which increased inflation — which can be considered an unfair tax for consumers; another example is the decision of President George W. Bush to sustain U.S. farmers and producers by increasing tariffs.

7 The heaviest consequences of the Enron failure have been paid by its 27,000 employees, who have no pension fund left, as it was invested in Enron shares, and by the stock market investors in the U.S. Worldcom, Tyco, and others are similar examples that create doubts about U.S. accounting and monitoring systems.

8 For example, the WTO agreements, influenced by the U.S., do not avoid international protectionism, so that it is possible to reply to local dumping with increased international tariffs; it would be more efficient for the WTO to impose no local dumping instead.

9 See Paolo Savona, Aurelio Maccario, and Chiara Oldani (2000) and Paolo Savona (2002) on the need for world financial stability and on the treatment of financial innovations in monetary analysis and policy.

10 ~~10~~ See Carlo Pelanda and Paolo Savona (2001) for an analysis of the power vacuum that has a negative impact on growth.

Table 6.1 World-wide Trade

Year	1992	1995	2000	2001
		(Billions of US $)		
A. Goods	3.781	5.035	6.252	5.985
B. Services	942	1.225	1.492	1.480
C. Foreign Direct Investment	176	331	1.271	760
[C ÷ (A+B)]%	(3,7)	(5,3)	(16,4)	(10,2)

Sources: IMF for goods and services; UNCTAD for foreign direct investment.

Table 6.2 No Ponzi Game Condition Calculation for Sub-Saharan Africa and Southeast Asia

	1995	1998	1999	1995	1998	1999
	Sub-Saharan Africa			Southeast Asia		
Total debt service (million $)	14 800	14 100	13 600	13 420	12 332	12 256
Short-term debt outstanding (million $)	40 800	42 600	41 200	10 300	7000	6000
Total debt/GDP (%)	73.7	69	69.3	32.9	35.8	34.3
Aid per capita ($)	32.6	23	20.6	4.1	3.2	3.1
Population (million)	579.2	627.8	643.3	1300	1300	1400
Total aid (million $)	18 881.92	14 439.4	13 251.98	4.1	3.2	3.1
GDP growth (%)	4.1	2.3	2.4	6.5	6.4	4.2
GDP current prices (million $)	318 000	321 800	319 600	512 900	579 500	596 800
Aid–Debt service (million $)	4081.92	339.4	–348.02	–13 415.9	–12 328.8	–12 252.9
Aid–Debt service–Short-term debt (million $)	–36 718.08	–42 260.6	–41 548.02	–23 715.9	–19 328.8	–18 252.9
Inflation rate (%)	23.2	10.4	6.7	7.3	4	4.1
No Ponzi Game Condition (g–b–r)			–0.034884			–0.004572

Note: The No Ponzi Game Condition has been calculated between 1999 and 1998, because it is an intertemporal constraint. Variables are defined as:

g = $(GDP_{(t)} - GDP_{(t-1)}) \div GDP_{(t-1)}$

b = $(\text{total debt}_{(t)} \div GDP_{(t)} - \text{total debt}_{(t-1)} \div GDP_{(t-1)}) \div (\text{total debt}_{(t-1)} \div GDP_{(t-1)})$

r = $(\text{total debt service}_{(t)} \div GDP_{(t)} - \text{total debt service}_{(t-1)} \div GDP_{(t-1)}) \div (\text{total debt service}_{(t-1)} \div GDP_{(t-1)})$

Source: Bank of Italy, OECD, World Bank and IMF.

Table 6.3 Post-1980 Globalisers

Based on increases in trade volumes	Based on reductions in tariffs
• Argentina • Bangladesh • Brazil • China • Colombia • Costa Rica • Dominican Republic • Haiti • Hungary • India • Ivory Coast • Jamaica • Jordan • Malaysia • Mali • Mexico • Nepal • Nicaragua • Paraguay • Philippines • Rwanda • Thailand • Uruguay • Zimbabwe	• Argentina • Bangladesh • Benin • Brazil • Burkina Faso • Cameroon • Central African Republic • China • Colombia • Dominican Republic • Ecuador • Egypt • Ethiopia • India • Indonesia • Kenya • Nicaragua • Pakistan • Peru • Thailand • Uganda • Uruguay • Venezuela • Zambia

Source: David Dollar and Aart Kraay (2002). 'Trade, Growth, and Poverty'. World Bank. <www.worldbank.org/research/growth/Trade5.htm> (January 2003).

Table 6.4 Capital Accumulation

	Aid per Capita (U.S. Dollars)			
	1996	*1999*	*2000*	
Sub-Saharan Africa	27.8	20.6	20.4	
Southeast Asia	4.1	3.2	3.1	
	Aid as % of GNI			
	1994	*1999*		
Sub-Saharan Africa	7.2	4.1		
Southeast Asia	1.6	0.7		
	Gross Capital Formation (% of GDP)			
	1996	*1999*	*2000*	
Sub-Saharan Africa	17.5	17.4	17.2	
Southeast Asia	21.8	23	22.9	
	Export of Goods and Services (% GDP)			
	1995	*1998*	*1999*	
Sub-Saharan Africa	28.5	28.2	28.5	
Southeast Asia	12.4	13.3	15.1	
	Import of Goods and Services (% GDP)			
	1995	*1998*	*1999*	
Sub-Saharan Africa	30.1	31.7	31.1	
Southeast Asia	17.2	17	18.3	
	Net Official Aid to Developing Countries (U.S. dollars in billions)			
	1998	*1999*	*2000*	*2001*
	40	42	40	38

Source: World Development Indicators and OECD.

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~~[1] 8 For example, the WTO agreements, influenced by the U.S., do not avoid international protectionism, so that it is possible to reply to local dumping with increased international tariffs; it would be more efficient for the WTO to impose no local dumping instead.~~