Globalization

a process by which nations, businesses and people are becoming more connected and interdependent across the globe through increased economic integration and communication exchange, cultural diffusion and travel
Global Health Contexts

- Significant health improvements during 20th century, particularly post WWII
- Health inequalities within and between countries declined in the 30 ‘Golden Years’ of the 1950s – 1980
Globalization’s positive health claims

• More rapid diffusion of new health technologies
• The ‘child health revolution’
• Increased gender rights
• Increased democratic rights
• Increased sense of global obligation
Neoliberalism 1.0
(Structural Adjustment)

Washington Consensus:

• privatization of state assets
• deregulation of economic markets
• lower corporate and individual taxes
• more user pay for public services
• government deficit reduction
• trade and financial liberalization
Global Health Contexts

- Slowing of health gains, some reversals in Africa and Russian Federation
- By 1980s, income inequalities within and between nations began to rise
- By 1992, health inequalities within and between nations began to rise
- Life expectancy at birth by HDI groups:
  - Very high HDI: 80 years, $33,400/capita
  - High HDI: 73 years, $11,500/capita
  - Medium HDI: 70 years, $5,428/capita
  - Low HDI: 59 years, $1,633/capita

Globalization’s positive health claims

- More rapid diffusion of new health technologies
- The ‘child health revolution’
- Increased gender rights
- Increased democratic rights
- Increased sense of global obligation
- Increased economic growth
Pro-Globalization Argument

Liberalization → Increases Growth
Increased Growth → Increases Wealth
Increased Wealth → Decreases Poverty
Decreased Poverty → Increases Health
Increased Health → Increases Growth
“it is hard to maintain the view that expanding external trade is...a powerful force for poverty reduction in developing countries”

Asymmetrical globalization

1. The global marketplace rewards countries that already have abundant productive assets.

2. Market failures disproportionately burden low- and middle-income countries with the least resources to deal with them.

3. Globalization’s rules favour the already rich because they have more resources and greater ability to influence the design of the rules.

Winners and Losers

IMPACT OF THE DOHA ROUND ON DEVELOPING COUNTRIES

Sandra Polaski
And then there was 2007
Neoliberalism 2.0
(Financialization of the Economy)

- Easier to make money from money than lending to the ‘real economy’
- End of fixed exchange rates (gambling in currencies)
- Liberalization of capital markets
- Development of technologies allowing millisecond trades and new derivative instruments
- Repeal of bank regulation separating commercial from investment banking and de-regulation of hedging in commodities (including food)
- Increase in bank leverage from 17:1 to over 40:1
- Toxic debt as investment instruments
Health Costs of the Financial Crisis

- Increase in those living below the extreme ($1.25/day) poverty level: 50 – 200 million, largely in Africa
- Increase in global unemployment: 55 - 100 million (highest ever recorded)
  - 40% of employable global population unemployed, highest amongst ‘youth bulge’ (75 million in 2013, a 5% increase since 2007)
  - Wages declining
- Increase in child mortality: 200,000 to 400,000 excess deaths
- Increase in out of pocket spending on health, ‘medical poverty’
  - Estimates of 150 – 300 million more in extreme poverty as a result

Economic Costs of the Financial Crisis

- Direct public subsidy to banks: over USD 100 billion annually by the US/UK governments
  - Total bank bailouts: USD 9 trillion *
  - Total stimulus: USD 2.4 trillion
  - Total IMF emergency loans: USD 1.0 trillion

- Recessionary effects and lost global economic income: around USD 4 trillion annually, expected to persist for many years, and likely ranging between USD 60 and 200 trillion

* Some of this may be recovered as banks become profitable, if the bailout is in the form of (generally non-voting) shares

Government Responses (1)

• ‘Wall Street Keynesianism’: quantitative easing
  – Government central bank creates trillions of dollars that it lends to banks at very low rates (+ effect, could increase inflation lowering debt servicing costs)
  – Banks are to lend to companies and consumers to re-start ‘production and consumption’
  – Banks instead continue to invest in derivatives, companies are cash rich with inventory surpluses, and consumers are saving and not spending (- effect, re-inflating asset and commodity bubbles)
  – Governments then cover their costs of bailing out the banks by borrowing back the money they lent them at very low cost, at much higher interest rates
  – Banks become very profitable very quickly
    • ‘a redistribution of unprecedented scale’ (ILO, Confronting Finance 2012)
Government Responses (2)

- Regain competitiveness and restore confidence of financial markets through austerity and wage restraint
  - Reduce social protection spending
  - Reduce public sector employment (gender dynamic)
  - Increase VAT taxes
  - Reduce or eliminate public deficits
  - Reduce public debt
  - Increase user pay in public programs (co-payments)
  - Privatize state assets
    - Greece: all public assets, property, infrastructure in ‘fire sale’ that advocates of privatization say is too much for too little
  - Increase public-private partnerships
    - Portugal: major transit and other public projects becoming PPPs, which evidence to date suggests benefits investors and costs the public
Neoliberalism 3.0: Austerity for the Poor

Eurozone health cuts
- Bulgaria
- Romania
- Czech Republic
- Estonia
- Ireland
- Latvia
- Spain
- Portugal
- Greece

Eurozone health effects
- Decreased hospital services
- Increases user fees
- Rise in HIV/AIDS and malaria
- Rise in suicides
- Road accidents, tobacco, alcohol down
- Cheap unhealthy food up
Structural Adjustment Returns...

• Seventy of 128 surveyed countries reported spending cuts of at least 3% of GDP in 2010, with 91 planning deep cuts in 2012.

• The biggest cuts are in Latin America and the Caribbean and in North Africa, the Middle East and Sub-Saharan Africa.

• Recent study of over 40 post-crisis emergency loans from the IMF found that most loans were pro-cyclical calling for deep public spending cuts, wage freezes, massive public sector lay-offs and privatization of state assets.

Inequalities on the Rise

1,426 individuals have more wealth ($5.4 trillion) than the total 2010 GDP of South America ($3.5 trillion, pop. 392 million) and Africa ($1.6 trillion, pop. 1 billion)

CIA World Factbook 2000-2010

8.5 million people (1/14th of 1%) own 84% of total global personal (private) financial wealth.

Henry, The Price of Offshore Revisited

Where are the world's billionaires

Sources: Credit Suisse, 2010, 2011
Forbes, Ranking of Billionaires, 2013

The Rise of the South?

• Developing countries global merchandise trade now almost equal to that of traditional high income countries
• The economies of the BRICS are predicted to soon be larger than that of Europe and the USA
• South-South trade is increasing (now about 26% of global trade), while growth in the BRICS is shoring up (slightly) the collapse in the North
  – But even with efforts now to grow domestic consumption economies and South-South trade, BRICS and other countries are still reliant on the North and have seen growth rates slow post 2007
• South-South trade is dominated by China, almost exclusively through resource extraction
  – China imports raw materials, and exports finished products, acting no differently than earlier HIC ‘economic colonization’

(Source: UNDP *Rise of the South*, 2012)
The truth is that there is as yet no credible, socially just, ecologically sustainable scenario of continually growing incomes for a world of nine billion people.

UK Sustainable Development Commission, *Prosperity without Growth?* 2009
Trade as the vector for NCDs

Which of these is the world’s most recognized symbol?
South Africa:
• Third most obese nation in world
• Obesity rates linked to global food trade and investment liberalization
• Healthy foods expensive, processed foods cheap

Growth in Supermarket Food Sales

inspiring national health care lawsuits against the tobacco industry in Brazil, Nigeria, Turkey and Poland but
By way of summary (1)

• Need to harness trade for equitable human and health development (trade as means rather than as ends)
  – Priority to development goals (MDGs, post 2015 goals) and to human rights obligations
• Need to ensure that trade rules work for, and not against, ecological sustainability
  – Priority to climate change reduction/mitigation, multilateral environmental treaties
• Need to re-regulate banking, and re-introduce cross-border capital controls
  – Support growing for financial transaction taxes and capital controls
• Need to abandon the austerity agenda (which imperils both health and economic recovery)
  – Revalorize the redistributive state; there is no fiscal crisis, only a taxation crisis
By way of summary (2)

• For health, it is not a case of being either pro-trade or anti-trade but understanding the terms of trade and the need to assess the ‘devil in the details’ of trade treaties
  – Who benefits? Who does not?
  – What regulatory policy space useful or essential for health is potentially affected (IPRs, government procurement, public sector expansion in services)?
  – What are the public costs (foregone public investments for health) in implementing trade facilitation or responding to trade challenges (especially ISDS challenges), and in tariffs losses, that essentially subsidize private sector growth?

• For trade, it is not about making health the only objective in treaty negotiation, but to recognize how trade and economic growth can directly and indirectly affect health and health equity