

TACKLING POVERTY IN ASIA



“At this time when the world is preoccupied with the menace of terrorism, it is worth considering that people who feel deprived of control over their lives – necessary for a dignified life – are liable to search for fulfilment along the path of violence. Merely providing them with a certain material sufficiency is not enough to win them over to peace and unity. Their potential for human development has to be realised and their human dignity respected so that they can gain the skills and confidence to build a world strong and prosperous in harmonious diversity.”

Aung San Suu Kyi¹





TACKLING POVERTY IN ASIA

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“The main objective of Community development policy must be to reduce and, eventually, to eradicate poverty.”

The European Community Development Policy Statement, November 2000

INTRODUCTION

tackling poverty in Asia

The over-arching 21st Century imperative for development co-operation is tackling poverty. European and Asian governments have signed up to the UN 'Millennium Development Goals' with a deadline of 2015 for delivering on targets for poverty reduction and the provision of basic social services. Against moves by Europe's new right-wing governments to subordinate development policy to other agendas, *Tackling poverty in Asia* insists that poverty reduction is the proper purpose for development co-operation: not anti-immigration or security policies.²

Asia, home to over two-thirds of the world's poor, should constitute a key target for development assistance under any global analysis. Whilst parts of East and South East Asia appear on track to achieve

most of the 2015 development goals, Cambodia, Papua New Guinea, the Philippines and most of South Asia are lagging behind. India and China illustrate the region's profound economic disparities. Both are leaders in terms of economic growth *and* poverty: together accounting for 50% of the world's population living on the equivalent of less than one dollar a day.

In 1998/9, European Community aid to Asia fell to a low of only 7% of total EC funds. Turkey, a middle-income country, now receives twice as much EC aid as Bangladesh, a Least Developed Country. Reforms in the European Union institutions for development co-operation are yielding results – with EU policy now firmly committed to poverty eradication as the proper purpose of aid. Yet putting that policy into practice is being undermined by a bias towards middle-income



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Child mortality: India, Cambodia, Pakistan, Viet Nam and China are all either lagging or far behind on the Millennium Development Goal to reduce the under-fives mortality rate by two-thirds for 2015.

countries in Europe's near abroad. Furthermore, the EC Asia funds can be better focused on sectors that actually meet the needs of people living in poverty, such as primary health and education. Europe's aid programmes should promote a social and democratic model that other multilateral development institutions, such as the World Bank and IMF, could follow.

Developing countries in Asia should be offered a comprehensive package in development co-operation: integrating aid, trade and political dialogue. This is not the case at present.

The European Union has an enormous potential to leverage positive change by consistently applying pro-poor policies through its trade, agricultural and aid policies. In this report we identify obstacles and propose reforms.

In the aftermath of September 11, both European and Asian governments articulated the need for an "international coalition against poverty". This report is published as a challenge to governments on the eve of the ASEM IV summit, yet it calls for a wider regional approach inclusive of South Asia and other non-ASEM countries. *Tackling poverty in Asia* calls on the governments of Europe and Asia to commit to a wide-ranging dialogue in the region with the aim of fostering a common European and Asian approach to tackling poverty based on democracy, equity and sustainable development.

Core findings

- European Community aid to Asia should be increased to reflect the high levels of poverty in the region and be focused on sectors contributing to poverty reduction
- European and Asian governments should engage in political dialogue to establish a common strategy for achieving the UN Millennium Development Goals in the region by 2015
- EU trade and agriculture policies should be made consistent with efforts to reduce poverty

UN Millennium Development Goals

- Reduce the number of people living in poverty by one half by 2015
- Halt and reverse the spread of HIV/AIDS by 2015
- Halve the number of underweight under-fives between 1990 and 2015
- Halve the number of people without access to safe drinking water by 2015
- Achieve universal primary education by 2015
- Achieve equal access for boys and girls to primary and secondary schooling by 2005
- Reduce maternal mortality ratio by three-quarters by 2015 and achieve universal access to safe and reliable contraceptive methods by 2015
- Reduce under-five mortality by two-thirds by 2015
- Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015

DEVELOPMENT CO-OPERATION

focusing aid on poverty reduction

Efficient aid targets those who need it most. By any reading, Asia, home to two-thirds of the world's poor, deserves more. The European Union is now firmly committed to poverty reduction as the proper purpose for aid. Yet putting that policy into practice is being undermined by the bias of EU member states towards middle-income countries in Europe's near abroad, which now receive 62% of total EC aid. In proportional terms, European Community aid to Asia has declined over the past decade to just 7% of total allocation. Turkey now receives almost twice as much aid as Bangladesh, and Morocco almost 50% more.

These figures are not consistent with the EU pledge to target aid at poverty reduction. For the European Union to become an effective development partner and a credible global player, aid allocations should be based on the needs of the poor. The developing countries of Asia require a comprehensive approach: integrating aid, trade and political dialogue. In this chapter, we outline how this can be done.

Asia: 75% of the world's poor, but only 7% of EC aid

EC aid to Asia does not take into account the region's population size, the urgency of its development needs or the proportion of its inhabitants that live in extreme poverty. Globally, of the 1.3 billion people living in extreme poverty (less than 1 US\$ per day) 75% are living in Asia. Forty percent of all people living in poverty are located in South Asia alone. In all, Asia received just 7% of total Community aid in 1998/9. Asia receives approximately four times less aid per capita than Latin America, and twenty three times less than the African, Caribbean and Pacific states. These figures unfortunately mirror an overall decline in the share of EC aid to low-income developing countries: from 70% in 1990 to 38% in 2001.

<i>Regional Programme</i>	<i>€ Cents per capita per annum</i>
Asia	11
Latin America	42
Africa, Caribbean and Pacific (Lomé IV)	258

Source: Evaluation of ALA Regulation 443/92, Synthesis Report, EVA-EU Association, May 2002, team's own calculations. Excludes thematic budget lines.

History of EC aid to Asia

The haphazard evolution of EC aid has resulted from the accession of new member states to the Union. The Asia programme constitutes a political compromise over the association of former British colonies and their special trading arrangements with the former colonial power. The European Community categorically ruled out the possibility of the Asian countries being granted 'associated states' status to the EU.

Latin American countries were also refused association status on the accession of Spain and Portugal to the Union. As a consequence, the Asian and Latin American relationship with the EU has not benefited from the preferential trade arrangements or greater financial assistance granted under the Cotonou Agreement, the development co-operation framework for African, Caribbean and Pacific (ACP) states.

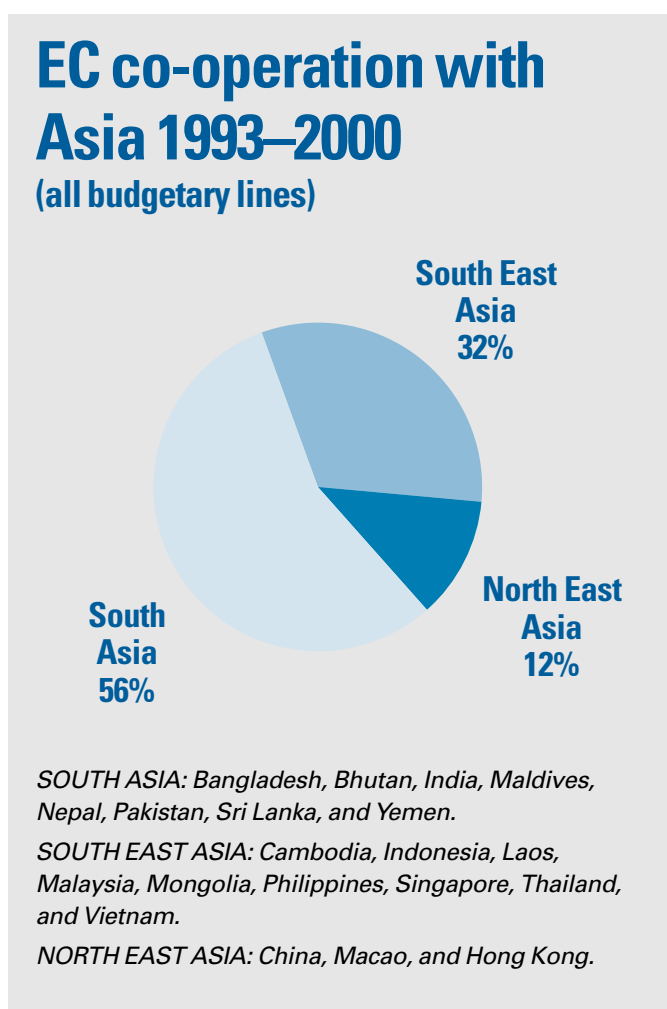
EC aid has shifted towards middle-income countries at the Union's borders at the expense of aid allocations genuinely focused on countries with high poverty levels or low-income developing countries. The draft budget for 2003 proposed by the Commission formally envisages a rise to 11.2% of total EC aid for Asia, which is a step in the right direction. However, past experience suggests this is the first step in a ritual dance, as attempts to increase aid to Asia have been repeatedly blocked by European member states.

Meeting poor peoples' basic needs?

The European Community development policy statement states that: "The main objective of Community development policy must be to reduce and, eventually, to eradicate poverty."³ Yet despite much progress, EC aid is still insufficiently focused on sectors that clearly help the poor and the marginalized.

Efficient allocation of aid is targeted at meeting the basic needs of people living in poverty. The provision of primary health and education services is central to achieving the UN Millennium Development Goals by their deadline of 2015. The European Parliament has proposed sectoral targets for aid to Asia and Latin America with 35% to be allocated to social sectors (health and education). According to the recent official evaluation mission⁴ neither of the targets were met in actual aid allocations – although the funds to Asia are better focused on social sectors than to other regions. From 1993 to 2000 the Asia programme allocated 18% to education and 11% to health.⁵ Despite commitments by the European Commission to accountability and transparency, no data on the sums of EC aid to basic health and education are available.

The European Community is also committed to promoting gender equality and children's rights. These are issues of crucial importance in the Asia region, given the widespread violation of women's rights and child labour. Despite an official commitment



to mainstreaming these issues, little to no evidence of this was found in the EC aid programmes by the official evaluation report, which states that: "gender received a paltry commitment of just under €3 million, 0.08% of total commitment"⁶. Funding for environmental protection also failed to reach its target⁷.

Gaps between commitments and delivery

One of the most serious problems identified in EC aid to Asia is the gap between financial commitments and the actual amounts disbursed. Only one third of the commitments made between 1993 and 2000 have been implemented. By 2001 less than half of the commitments made from 1993 to 1996 were expended. In the education sector almost €700 million was committed during 1993–96, yet only €200 million has been implemented. In the health sector over €400 million was allocated and only €250 million disbursed. The magnitude and frequency of the gaps between commitments and delivery are an embarrassment. EU member states have blocked sufficient financial and administrative capacity being allocated in the European Commission to manage EC aid to Asia. The argument frequently used by aid donors that

Closing the gender gap ...

At 0.08% of total EC aid, financing of gender equality programmes is woefully inadequate for meeting internationally-agreed targets for promoting women's rights by 2005. In Cambodia, women constitute 53% of Cambodia's active workforce, yet they earn 30-40% less. Gender inequality is also reflected in education, with male school enrolment 50% higher at 15, and 300% higher by 18.

... by 2005?



Less than one third of EC education funds were disbursed from 1993-96

developing countries are incapable of absorbing the aid funds is not justified. Developing countries are subjected to two major obstacles in administering aid funds. Firstly, donors are poorly co-ordinated and impose a bewildering array of reporting requirements on them. Secondly, the developing countries have been pressurised through World Bank and IMF policies, with EU backing, into budgetary cuts and axing staff in the very government ministries responsible for poverty-focused aid.

Efficiency in aid management?

The scarce resources allocated to Asia call for greater efficiency in aid management. Problems include a lack of local ownership of the aid programmes; a proliferation of instruments responsible for allocating and managing the funds; and a dependence on European expertise in aid administration.

AID ABSORPTION: a phoney problem?

- Insufficient co-ordination between donors, and harmonisation of reporting requirements
- Insufficient donor funding of capacity to absorb and implement aid in the recipient countries
- Insufficient European Commission staff to manage EC aid to Asia

... all contribute to the gap between aid commitments and delivery

1) The lack of local ownership

The European Community uses several different approaches for delivering development assistance including programme aid, which can be allocated to NGOs. Technical assistance and budgetary support is allocated direct to governments. The European Commission has proposed increasing the use of unallocated budget support in Asia in order to speed up aid disbursement. In contrast, BOND members support this approach, but specifically to promote 'local ownership' of development spending – not as a quick-fix for aid disbursement. BOND also underlines that the use of various approaches should be sequenced and paced to build administrative and technical capacity of the government involved.

2) A proliferation of instruments

EU co-operation with African, Caribbean and Pacific countries offers a useful model for a holistic approach to co-operation between the EU and developing countries. Such coherence is lacking in the current and proposed aid frameworks for Asia and Latin America. At present, development co-operation with Asia is governed by an array of financial regulations, EU resolutions and strategic frameworks, with the latter applying to the whole Asia region rather than specifically to developing countries. Greater coherence and co-ordination of policies is essential.

3) Tied aid and dependence on the EC

BOND welcomes the new commitment to 'untie' EC aid to Asia and Latin America: opening EC aid-financed contracts to non-EC companies. But this pledge is presently not backed by any technical and financial interventions to support the capacity of Asian developing countries to benefit.

The needs of the poor versus geo-political interests

The European Commission repeatedly expresses its desire for "greater flexibility" in the allocation of EC aid, particularly in reference to Asia funds⁸. Whilst flexibility is necessary, especially for humanitarian and emergency relief, it should not be used as an excuse for subordinating aid to other political agendas. 'Mission creep' has allowed the European Commission's increasing profile on foreign and security policy to dwarf priorities in development co-operation. Thus, whilst trade sanctions were used as an effective and strong signal to Burma, in the context of EU alliance-building in the 'war against terrorism' the Union has demoted human rights and governance criteria in aid allocation (see box on aid to Pakistan below).

“The interests of the European Commission in social sector issues such as health and education [appear] to be entirely dominated by trade interests and no different any longer from the World Bank, the OECD and the IMF.”

The South Asia Alliance for Poverty Eradication (SAAPE)

The official evaluation report on EC aid to Asia summarises this appeal as follows: “Saying that ALA (Asia–Latin America) financial resources should be used only in a framework of poverty reduction would be reductive and could seriously hamper the global EC role in the two regions.”⁹ The logic here is wrong. If the member states set new priorities relating to a broader foreign policy or security agenda, then specific resources should be provided for those non-developmental objectives. Development assistance requires a long-term vision and investment, with predictability being essential to effective aid. Plundering scarce aid resources at the whim of today’s geo-political priorities of the EU member states is a travesty.

The World Bank and conditions on EC aid

Trade interests have long played an important role in EU development co-operation, with repeated allegations of arm-twisting and aid buy-offs in the corridors of recent multilateral trade talks under the WTO. In recent years the European Community has increasingly sought to align its development policy with the World Bank and the IMF. The newly proposed financial regulation for EC aid to Asia furthers this trend, foreseeing “a new generation of economic reforms” in the recipient countries¹².

All EC development co-operation is planned through national ‘Country Strategy Papers’ (CSPs) which are supposed to promote national ownership of development strategies. Yet the reality of civil society participation in EC Country Strategy Papers has been mixed at best. Referring to the World Bank influence on EC aid programmes, campaigners in Bangladesh described their CSP as “authored in Washington DC.”¹³ Bilateral EC agreements with both Bangladesh and India include stipulations relating to the controversial WTO Trade-Related Intellectual Property Rights agreement. The CSP for Cambodia is framed by the Bretton Woods ‘Integrated Framework’: an arrangement which includes several controversial demands on trade liberalization.

Whilst no-one disputes the need for co-ordination between donors, the question is a fundamental one:

EC AID TO AFGHANISTAN: a case study in economising?

In the aftermath of September 11, several EU member states have shifted the focus of their development co-operation to support strategic partners in the coalition against terrorism. This geo-political and security agenda has potentially massive consequences for EC aid commitments in Asia.

The EU pledged a total of €3.2 billion for reconstruction in Afghanistan over the period 2002–2006, including a European Commission pledge of €1 billion. The promised aid came partly from appropriate budget lines such as humanitarian assistance, food aid and aid for uprooted people. However, instead of raising new funds, a significant share of approximately €60 million was committed in 2002 from EC funds for Asia, representing approximately 15% of the total budget for Asia and Latin America.

EC AID TO PAKISTAN: security policy compromising poverty-focused aid?

Despite ousting the democratically elected government and placing Pakistan under military rule, General Musharraf’s role in the coalition against terrorism made for “exceptional circumstances” calling for “a significant and visible engagement with Pakistan, both in political and economic terms.”¹⁰

A co-operation agreement was signed on 24 November 2001 – an agreement previously stalled by the military take-over in 1999, human rights abuse, child labour and nuclear testing. Regarding human rights, the Commission finds: “Democratically elected institutions have been dissolved and basic political rights are restrained.”¹¹ Nevertheless an indicative allocation of €165 million was agreed for 2002–2006 of which €90 million would be committed from the Asia funds.

to what degree will the EC bow to and perpetuate the ‘Washington consensus’ and World Bank conditions on aid allocation, and to what degree might the EC promote an alternative model?

Towards poverty-focused EC aid to Asia

The European Union increasingly assumes the role of a ‘global player’ in external relations on behalf of its member states. As such, development co-operation with Asia can be greatly enhanced through improved co-ordination at the EU level. BOND welcomes efforts to focus EC aid on tackling poverty, especially given the potential added-value of pooled development

resources at the EU level. European Community development co-operation with Asia should reflect greater coherence throughout its aid, trade and political dialogue components.

A global approach to poverty eradication requires a global framework that identifies aggregate objectives, within the context of EU commitment to the UN Millennium Development Goals. Specific and disaggregate goals, policy formulation and implementation should then follow for the regional, national and local levels, supported by processes of consultation with government and civil society actors. BOND proposes the following eight-point plan for strengthening European Community aid to Asia.

How is EC aid to Asia regulated? The Asia-Latin America Financial Regulation

The ALA (Asia – Latin America) Regulation sets the current legal framework for European Community aid to Asia. The regulation covers 34 geographically and economically diverse recipients, countries heterogeneous in terms of development needs, patterns of income distribution and relative poverty levels. Unlike the Cotonou Agreement with African, Caribbean and Pacific countries, the ALA Regulation is not a negotiated Agreement but rather a unilateral offering of the EC. The grouping of Asia and Latin America is artificial: its rationale is historical, not developmental.

The Asia and Latin America programme¹⁴ has increased from an annual disbursement of €53 million in the period 1976–1980 to an annual average of €438 million in the period 1996–2000. Total EC aid funding available for Asia through ALA amounted to €429 million in 2001. The countries with the largest incidence of poverty have received the biggest share of ALA funds, with a large proportion of funds allocated to South Asia. India alone receives a quarter of the total. China receives some 12% of ALA funds. Aid is allocated through a five-year envelope, with authority to commit and disburse on an annual basis.

There are two main budget lines for Asia: one covering financial and technical cooperation and the other economic cooperation. In addition, the region receives support from non-geographic ‘thematic’ budget lines, the main ones being food aid, humanitarian aid, and aid via NGOs. The South Asian countries benefit most from the thematic budget lines (45%).

BOND proposals

1. **European Community aid to Asia should be increased to reflect a global analysis for targeting aid at tackling poverty. A comprehensive poverty-focused review of aid allocation should be undertaken towards negotiation of the European Community’s new ‘Financial Perspectives’ in 2006.**
2. **Poverty eradication should be clearly identified as the core objective for EC aid to Asia: based on sustainable, equitable and participatory human and social development. The UN Millennium Development Goals provide indicators and guidelines for aid effectively targeted at tackling poverty. The EC guidelines for aid allocation should specify output targets for environmental protection (10%), social sectors (35%), and basic health and education (20%). Specific output targets for women in development, children’s rights and support of civil society should also be considered.**
3. **The EU should offer Asian developing countries an integrated and comprehensive approach to development co-operation to increase coherence between aid, trade and political dialogue, and so initiate a process of dialogue towards improving the co-operation framework.**
4. **Funds intended for poverty reduction should not be diverted by other political priorities under the Common Foreign and Security Policy. Flexibility in response to EC geo-political objectives should not distort the long-term financing framework for development assistance.**
5. **The EC development assistance framework for Asia should be the result of a consultative process that includes civil society in Asia.**
6. **“respect of democratic principles and the rule of law and human rights and fundamental freedoms” should be applied consistently, and in cases of transgression alternative financing arrangements should be identified that do not penalise the poor. Stringent measures to combat fraud and corruption should also be included.**
7. **The European Community should review its relationship with the World Bank and IMF in order to better promote a model based on equitable and democratic approaches to human development and poverty reduction. EU member states should stop the European Community, IMF and World Bank attaching conditions regarding trade-liberalisation to their development assistance.**
8. **The aid untying pledge should be accompanied by measures and targets to build the recipient country capacity in delivering the products and services involved in their aid programmes.**

CASE STUDY

Indonesia, indigenous peoples and promoting local ownership in EC aid programmes

Emil Kleden, Aliansi Masyarakat Adat Nusantara, Anne Bouvier, The Rainforest Foundation

Indigenous peoples are one of the groups which suffered most during Suharto's New Order period from 1966 to 1998. The indigenous population of Indonesia is thought to be in the tens of millions. Although indigenous peoples represent a large proportion of the population in a democratising Indonesia, they have remained marginalized and impoverished.

Development co-operation between the European Commission and the Government of Indonesia began in 1976. The Leuser Development Programme was officially agreed between the Government of Indonesia and the EC in May 1995, for an initial period of seven years. Current EC, EU member state and other contributions to forestry sector projects approach €175 million; more than 75% of the total grant contribution from all donors to Indonesia. Of this amount, the EC donates approximately €100 million.

The Leuser Development Programme (LDP) is a large conservation and development programme in northern Sumatra and southern Aceh, Indonesia. The project attempts to protect and manage the Gunung Leuser National Park and a surrounding buffer zone, an area of particular importance in terms of biodiversity. The project is large-scale, complex and ambitious. Challenges have included the persistence of an on-going civil conflict in Aceh, pressure from illegal logging, powerful local vested interests, particularly in the palm oil plantation sector, and a general lack of local law enforcement.

Members of local communities have acknowledged benefits from certain activities carried out under the project, particularly the attempts to prevent local environmental degradation. However, it was felt that, despite project objectives concerning local community participation and development, LDP's actual commitment to participation by indigenous peoples had been questionable. In particular, there had been too little local involvement in project design and development, reflecting the general approach taken by the Indonesian Government to natural resource programmes. The project has, as yet, done little to tackle

the problem of indigenous land insecurity, and the conflict between traditional (adat) law and state tenure laws. The presence of the LDP has provided little help to indigenous peoples in the region to improve their lives economically, culturally, or politically.

Indigenous peoples have generally only been mobilised when LDP projects arrive at the stage of implementation, and even then individuals from only a few communities have benefited. In addition, there has been the problem of poor transparency by the LDP in carrying out its projects. Indigenous people have had little or no involvement in the monitoring and evaluation of the project. The local knowledge that indigenous peoples could have brought to the LDP was ignored. The evidence does not suggest that the EC's policy on indigenous peoples has been followed by the Leuser project.

To an extent, these shortcomings have been recognised by the project authorities and by the European Commission. Project evaluations have indicated that the programme was too inflexible and lacked organisational and management capacity, especially with regard to natural resources. Whilst the new European Commission Country Strategy for Indonesia does not explicitly include reference to the term "indigenous peoples", it does accord greater recognition of the need to work more closely with "civil society" generally.

RECOMMENDATIONS

- The EU needs to ensure that indigenous people are able to fully participate at all stages of the project cycle, from design, planning, implementation, monitoring and evaluation of EC-funded projects affecting their lands, territories and the resources therein.
- The EU should adopt a comprehensive policy on indigenous peoples, which applies in all countries not just aid recipients, building on the Council's Resolution on Indigenous Peoples in the framework of development co-operation and based on existing and emerging international standards on indigenous peoples' rights.



Effective aid requires the active participation and empowerment of the affected population

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POLITICAL DIALOGUE

ASEM and tackling poverty

What future for ASEM?

The Asia-Europe Meeting (ASEM) will be defined by the evolution of its two regional groupings: EU tensions between integrationist and inter-governmental approaches to foreign policy; and geopolitical tensions and economic co-operation between the Asian members.

ASEM's added value is defined by four key characteristics: informality, multi-dimensionality, partnership and its high-level focus. As such, ASEM will succeed as an issue-led process, as opposed to creating structures first and an agenda second. Trans-border crime, trafficking of drugs/people, environmental concerns can all be addressed at the region-to-region level. Political decision-makers and commentators in both regions acknowledge that the challenge is to avert 'forum fatigue' by graduating ASEM from its symbolic origins to a more substantive policy output¹⁵. Integrating development issues into the ASEM process and involving civil society will be key to strengthening and legitimising the political dialogue.

BOND proposals for ASEM

■ EU-Asia partnership for achieving the Millennium Development Goals

The ASEM process – its high profile, multidimensionality and informality – provides an ideal basis for constructive dialogue on development issues. In the aftermath of September 11, an ASEAN Regional Forum summit made high-profile pledges to support the war on terrorism and several members called for a parallel "international coalition against poverty". ASEAN has also founded an 'Asia-Pacific Leadership Forum' for combating HIV/AIDS. BOND members strongly believe that Europe and Asia need to engage on a common approach to poverty reduction. ASEM could provide an ideal forum for agreeing a joint strategy towards achieving the UN Millennium Development Goals between European and Asian member countries.

■ Asia-Europe Peoples' Forum: Towards the ASEM social forum

The Asia-Europe People's Forum, a broad-based civil society coalition from across both regions (including



JULIO ETCHART/PANOS PICTURES

International and local competition means that much Asian industry works on the basis of flexibility, short-termism, competition and insecurity. Political dialogue and regional economic co-operation can play a supportive role in addressing these issues.

Origins of EU–Asia dialogue

The history of political dialogue between the European Union and Asia has been largely shaped by economic relations – the EU’s approach to social issues in Asia being one of ‘benign neglect’¹⁶. As explained in this report’s chapter on development co-operation, Asian developing countries are currently not offered a negotiable framework for aid, trade and political dialogue comparable to the EU’s Cotonou Agreement with African, Caribbean and Pacific states. Hence political dialogue has focused at the national level on aid programmes, and through regional fora such as ASEAN and ASEM.

APEC: a wake-up call

The establishment of APEC in 1993, regional co-operation between the USA and 18 Asian and Pacific states, signalled the wake-up call for both sides in the Europe–Asia relationship. For Europe, Asia constituted both a massive market for EU goods and services, and the missing link in the global economic triad. Asian states sought a process of economic co-operation with Europe to counter-balance the USA’s power in the region. In 1980 relations with ASEAN, now incorporating all 10 South East Asian countries, became formalised through a region-to-region agreement, the EC-ASEAN Economic and Commercial Agreement. An ASEAN Regional Forum established in 1994 now constitutes a contemporary focus for EU interaction with this grouping. Concentrating on regional peace and security, the Regional Forum includes the EU as a full member.

ASEM: from benign neglect to economic priority

The ASEM process began in 1996 with the first Summit Meeting in Bangkok, an initiative originating from the Asian side as a response to the European Commission “Towards a New Asia Strategy” paper. ASEM – the Asia-Europe Meeting – is a process of political dialogue and economic co-operation comprised of ten Asian countries: Brunei, China, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Thailand

and Vietnam and the 15 member states of the European Union, plus the European Commission.

Since 1996, a variety of activities have developed under the aegis of ASEM. Besides the Heads of State and Government, Foreign Secretaries and economic ministers also meet regularly; an Asia-Europe Business Forum has been established; and many topic-related seminars have by now taken place, even outside the state framework. Remarkably no meetings for Development Ministers have been held to date. Economic themes still dominate and dialogue with civil society is restricted to ‘invite-only’ elitist fora and academic exchange.

Social issues in the dialogue

Due to the disparate nature of Asian ASEM members as an economic grouping, with some countries being export competitors rather than aid recipients of the EU, questions of development, poverty reduction and human rights have remained largely off the ASEM agenda. ASEM members stress an equal relationship of partnership, rather than one of developed and developing, donor and recipient countries.

Much Asian ASEM member rhetoric refers to European hypocrisy on human rights, whilst the actual record of these countries on these issues, well documented by civil society organisations throughout the region, remains abysmal in many instances. Yet not all Asian ASEM governments reject discussion of human rights. Developing country ASEM members can use the human rights discourse to consolidate their leverage as a group at the multilateral level, such as in advocating developmental reform of WTO trade law.

Civil society groups, including the ‘Asia-Europe People’s Forum’ and trade unions will meet at the unofficial ‘ASEM4people’ conference parallel to ASEM IV in Copenhagen. They will be reminding ASEM delegates that – just as social cohesion is indispensable for sustainable and equitable growth – social issues are crucial in EU–Asia political dialogue.

BOND members and other contributors to this report), has organised several unofficial events parallel to the official summits. They call for a social forum under ASEM to establish an open dialogue on social and development issues. Key recommendations from the Peoples’ Forum include:

- 1. The social dimension should be integrated throughout the ASEM process, rather than becoming an additional fourth pillar and that civil society organisations be engaged in dialogue on the future content and form of the social agenda and its relation to the official ASEM.**
- 2. Civil society organisations further challenge ASEM governments to uphold the integrated inter-relationship between democracy, security and**

development policies and reject the reduction of ASEM to a venue for achieving consensus on WTO trade and investment regimes.

- 3. Regular conferences of government ministers responsible for Development, Employment and Social Affairs to coordinate on socio-economic themes with other ministers responsible (Finance, Trade and Industry). Annual progress reports should be presented to national parliaments.**
- 4. ASEM governments should re-iterate the commitments to Peace and Reconciliation on the Korean Peninsula of ASEM III and take bold initiatives to ensure that ASEM contributes to lasting peace and development throughout the Asian region.**

CASE STUDY

The EU, political dialogue and human rights: the Dalit case

Lakineni Jaya, Vedika

EU policies contain commendable pledges to support human rights but these are now insufficiently followed through. The Dalit people's plight illustrates this history of missed opportunity.

Three thousand years ago, when the Aryan people came to Asia from the North, Dalits were made slaves. Hindu tradition teaches that the Dalit people are 'untouchable'. Today, economic marginalisation and social persecution persist for many of the 240 million Dalit people in India and 260 million throughout Asia. An international federation of NGOs and civil society movements is campaigning for the emancipation of Dalit peoples, calling on the European Union not to drop its commitment to human rights in its political dialogue and co-operation with third countries.

The Indian government has formally introduced laws to prevent discrimination and social exclusion of the Dalit people. Yet the government fails to implement them. 'Untouchability' has various manifestations. Recent studies have found the following examples: access forbidden to places of worship; restrictions on use of common water facilities and drainage; discrimination in employment practices; Dalit women forced into prostitution as young as 6 years old. Every year, an estimated 5,000 to 15,000 Dalit girls are auctioned as child slaves.

The EU has developed a number of commendable policy instruments to address issues of human rights. The EU is uniquely positioned and obliged to address the issue of caste discrimination. Yet there is a lack of consistency between policies and actions. Neither caste discrimination nor broader issues of human rights are addressed by the co-operation agreements between the EU and India signed in 1994. No systematic effort has been made to include analysis of the caste discrimination dimension in aid allocation assessment and programming to date.

At the UN World Conference Against Racism EU members states failed to support action on discrimination against Dalit peoples. In its Annual Report on Human Rights adopted on 5 July 2001, the European Parliament urged "the EU and its Member States to voice its concern regarding caste discrimination and to formulate strategies to counter this widespread practice, which is affecting 260 million people in India, South Asia and elsewhere, and in particular in the context of the World Conference Against Racism, to urge that caste discrimination and the dehumanising practice of 'untouchability' be incorporated into the Declaration and Programme of Action of the World Conference Against Racism." Caste Discrimination was not addressed in the final Declaration or the Programme of Action adopted in Durban. The EU shares in the responsibility for this failure.



Suvedamma, a Dalit woman from Andhra Pradesh, South India

RECOMMENDATIONS

- The EU needs to engage directly in proactive dialogue with third countries on positive measures to counter and eliminate caste discrimination at all levels.
- The EU should include caste discrimination as a priority issue in development co-operation and ensure an open dialogue with relevant civil society organisations in the third countries.
- The EU should support initiatives to enhance the fight against caste discrimination in all relevant international fora.

TRADE AND INVESTMENT

development in Asia and the EU trade regime

In 2001, Asia was the EU's largest regional trading partner for imports, the second largest export destination and in 2000 the third largest regional investment destination¹⁷. Trade has long dominated EU–Asia relations. The first co-operation agreement in 1973 between an Asian state, India, and the EC focused exclusively on commerce, and this emphasis persists today. The ASEM process was established as the 'missing link' in the global economic triad, Europe's answer to US engagement in APEC. Trade and investment flows set the macro-economic context for the livelihoods of people trapped in extreme poverty across Asia. The composition of exports, imports, labour markets and regional developments interact and impact on the lives of the poor. This chapter presents a developmental analysis and recommendations on ASEM and the broader EU trade regime.

ASEM: "Mutual advantage or unequal outcomes?"¹⁸

Born of a shared interest in increased dialogue between Asia's 'tiger' economies and Europe; ASEM's core rationale remains economic. ASEM's expressed aim is "open regionalism", in other words promotion of the globalisation process within the framework laid down at the WTO. Yet ASEM includes developing country members with vast populations that currently experience the sharp end of unequal and unfair trading relations: China, Malaysia, Indonesia, Vietnam and the Philippines. Concerns about the ASEM trade agenda and poverty remain unvoiced inside the official summit process. The Transnational Institute, a participant in the People's Forum, has characterised this process as marked by the difference between rhetoric on "mutual advantage" and the reality of unequal outcomes.¹⁹

Increasingly, informal discussions under ASEM appear to be laying the groundwork for launching negotiations on new disciplines on investment, competition, and government procurement under the WTO. Indeed several Asian ASEM members, such as Japan and South Korea, have recently sided with the EU against the poorer developing country members on these issues. As such, ASEM can be understood as part of the EU's broader trade negotiating strategy. Under a chapter entitled 'Results and Deliverables expected from the Fourth ASEM Summit', the EC working paper towards ASEM IV states: "Achieve commitment and identify mechanisms to increase collaboration of ASEM partners in the successful completion of the negotiations by 2004 of the Doha Development Agenda". Discussions under ASEM place much emphasis on quantity of trade; BOND member organisations and partners in Asia call on ASEM governments to assess the quality of trade relations and their impacts on people living in poverty.

ASEM instruments for trade and investment

Trade Facilitation Action Plan (TFAP)

In line with ASEM's emphasis on informal and non-confrontational 'confidence-building', TFAP focuses on relatively uncontroversial non-tariff barriers. TFAP addresses: harmonisation of custom procedures; mutual recognition of standards and certification; transparency in quarantine and sanitary and phytosanitary (SPS) procedures; public procurement; mobility of business people; and intellectual property rights. For example, discussion of intellectual property rights under ASEM has consistently restated World Trade Organisation commitments under the Trade-Related Intellectual Property Rights (TRIPS) agreement, rather than confront the developmental critique of TRIPS forwarded by many Asian and European civil society groups. As a consequence, **ASEM is silent on the implications of EU-Asia trade relations for poverty reduction.**

Investment Promotion Action Plan (IPAP)

IPAP serves as a forum for Asian and European business to discuss wish-lists for enhancing investment flows between the two regions. **There is no qualitative analysis of investment flows and policies from a development and poverty reduction perspective.** The ASEM process of dialogue and co-operation between the EU and Asia presents an opportunity to respond to the issue of corporate accountability. Addressing these issues could reduce the negative impacts and promote positive contributions from EU investments. Yet, the EU continues to pressure developing countries to accept binding regulation on investment under the WTO,

Origins of EU-Asia trade and investment co-operation

EU-Asia trade and investment co-operation agreements originate with the UK accession to the EU. Commercial co-operation agreements were signed with India (1973), Sri Lanka (1975) and Bangladesh and Pakistan (1976). Bilateral trade and economic co-operation agreements were subsequently signed during the 1980s with Indonesia, China, Thailand, Singapore, Malaysia, Korea, the Philippines and Vietnam. Under the system of that time, three South Asian states were characterised as 'least developed' and gained concessionary market access, whilst others were dealt with on a free-trade basis and received no special preferences.

based on the principles of 'national treatment' and 'most favoured treatment', opposing infant industry protection or local content requirements on foreign direct investment.

Asia Europe Business Forum (AEBF)

AEBF provides a venue for private and public sectors to discuss trade and investment. Participants come from the upper echelons of the corporate world – yet another manifestation of the disproportionate influence of large corporations on EU policy decision-making. Small and medium sized businesses are marginalised and representatives of development NGOs and peoples' organisations not invited. **Again, tackling poverty is not on the agenda.**

The EU trade regime: gaps between rhetoric & reality

Developing countries in Asia face negative impacts from the broader European Union trade regime on two fronts: EU protectionism and the EU's free-trade evangelism regarding the hasty opening of everyone else's markets, low-income developing countries included.

EU market access: rhetoric and reality

Market access to the EU for Asian developing countries constitutes a labyrinth of tariff and non-tariff barriers. Concessions to developing countries are complicated by impractical and expensive regulatory hurdles.

Generalised System of Preferences (GSP)

The EU commends its GSP for offering preferential tariff reductions to developing countries on a range of products. Yet this potential is undermined by strict 'rules of origin' that prevent developing country manufacturers from importing component parts, other than from the EU. As a result, only one third of products from developing countries legally eligible for preferences actually enter the EU market with reduced tariffs²⁰. In 1997 only 6% of Lao PDR textile and clothing exports to the EU benefited from GSP duty exemption due to 'rules of origin'. Whether Lao PDR is able to benefit from the preferential access offered to Least Developed Countries under the new 'Everything but arms' agreement will depend on whether these protectionist hurdles as well as the duties are dismantled. Long phase-in periods for opening the EU market to bananas, sugar and rice caused some commentators to refer to the agreement as less 'everything but arms' and more 'everything but farms'.



NIC DUNLOP/PANOS PICTURES

China's rapid shift from import substitution to liberalised trade will hit the poor the hardest, especially agricultural producers and low-skill labour employed in state-owned enterprises.

The Multi-fibre Agreement and the Agreement on Textile and Clothing

Under the Agreement on Textile and Clothing (ATC) the EU imposes quota restrictions against Hong Kong, Macao, Singapore, India, Pakistan, Indonesia, Malaysia and the Philippines. The ATC, signed in 1995, aims to replace the older quota restrictions under the Multi-Fibre Agreement with WTO-consistent tariff protection by 2005. Since the EU itself chooses which quotas to abolish first, not much change has taken place to date. In fact case studies show that export tax equivalents of the quota protection system applied to India's exports to the EU have in fact increased from about 14% in 1993 to about 18% in 1999! South Asia would be a significant beneficiary from the abolition of the quota system. Studies suggest annual gains in the region of around \$2 billion²¹.

Anti-dumping measures

As traditional protectionist tools, such as tariffs and quotas are outlawed by WTO agreements, the EU uses other tactics. Anti-dumping measures constitute by far the most prevalent instrument for imposing new import restrictions. Definitions of 'dumping' vary, but in many instances developing countries are being unfairly penalised for being competitive in certain products. The EU leads the league of anti-dumping cases against developing countries. From 1995 to 2000 EU cases numbered 145. Though the WTO "rules

based system" is supposed to restrict arbitrary use of anti-dumping, justice is often slow. In the case of Indian bed linen, the EU began applying a 25% anti-dumping duty on Indian bed linen in 1997. By the time that this measure was finally judged unfair by the WTO in 2001, massive losses had already been sustained by Indian producers.

EU Common Agricultural Policy

EU farmers' subsidies and protection of agricultural producers cost developing countries billions in lost revenue. The Indian dairy sector²² is now one of the largest milk producers in the world and a potential exporter. Even if it could overcome EU tariffs of 144% on butter and 76% on milk powder, it could hardly compete in Europe with domestic producers, half of whose income is derived from subsidies. Nor can it compete with EU milk-powder exports, sold at about half the cost of production in third markets such as the Middle East and Southern Mediterranean. It is not

Trading umbrellas?

Textiles and clothing are crucial sectors to many Asian countries – unfortunately the EU has liberalised trade in parachutes and umbrellas whilst maintaining quotas on 'sensitive' product lines. India and Pakistan are competitive in leather goods and textiles – as a result: preferential access denied.

surprising that Europe is the world's largest exporter of skimmed milk powder. Ironically, the EU was one of the aid donors that supported the development of the Indian industry in the first place. Worst of all, subsidised EU agricultural exports dumped at artificially cheap prices in developing countries have also undermined food security by bankrupting local producers.

EU free trade evangelism and development: rhetoric and reality

European Community development co-operation is being increasingly dwarfed by the EU's free trade agenda. Within the European Commission, the balance of power places the export potential of EU-domiciled corporations firmly over development policy. Decisions on trade policy are taken by the non-transparent 'Article 133 Committee' – a committee comprised of trade and industry specialists with no seat at the table for development experts. As explained in this report's 'Development Co-operation' chapter, EC aid is increasingly tied to World Bank programmes that impose macro-economic and trade liberalisation conditions on financial assistance. It is symptomatic that the administration of the "ASEM Trust Fund" – established in London in 1998 in response to the Asian economic crisis – was handed over to the World Bank.

The European Community official development policy states that "integration of developing countries into the global economy" is one of its objectives. One of the great incoherencies in EU policy is that its trade agenda – as manifest in bilateral trade agreements, WTO negotiating tactics and in the conditions attached to EC aid – fundamentally undermines a sustainable or equitable basis for that integration.

Unsurprisingly, the European Commission working paper towards the ASEM IV summit states that "comprehensive trade liberalisation"²³ in Asia remains the end objective. An analysis of the impacts of current trade and investment flows on the poor in Asia provides much evidence that free trade is not a panacea. Most developing countries in Asia have experienced a growing share in world manufacturing trade without experiencing a corresponding increase in their share of world manufacturing output and income²⁴. Low-skill, low-wage sections of the global economy are what UN trade experts have termed "poverty traps". BOND members believe that the question is not how to promote comprehensive trade liberalisation, but rather what are the best national and multilateral policies for poverty reduction and sustainable development?

Conclusions

For South Asia alone, economists at CUTS India estimate that an increase by a modest one percent of the world export market share could pull up to 56 million people out of poverty²⁵. Capturing that potential requires increased financial assistance, pro-poor policies in EC development co-operation and political dialogue with developing countries, but it also requires a reformed EC trade regime.

BOND proposals for EU trade policy

- 1. Governments should reject the reduction of ASEM to a venue for achieving consensus on WTO trade and investment regimes; and engage with civil society in dialogue on social issues including a developmental assessment of EU-Asia trade and investment flows.**
- 2. Stop seeking to extend the WTO mandate to include new liberalising agreements on investment, competition, and government procurement;**
- 3. End agricultural dumping and agree a timetable to phase out agricultural export subsidies. Agree to radical reform of the Common Agricultural Policy to achieve social and environmental objectives, rather than increased production;**
- 4. Support the right of developing countries to protect and promote their domestic agricultural sectors in the interests of food security and rural development;**
- 5. Speed up the phase-out of the Multi-Fibre Agreement quotas to allow improved market access for textiles and garments exports from developing countries;**
- 6. Provide immediate tariff-free and quota-free access for all products exported from the least-developed countries and extend the same deal to all low-income developing countries by 2005;**
- 7. Stop attaching trade-liberalisation conditionalities to European Community, IMF and World Bank development assistance;**
- 8. Refrain from pressuring developing countries to liberalise services other than in accordance with their own development objectives.**

"In our societies, many many more, farmers for example, who have not even heard of the WTO Treaty on Agriculture, have been driven to suicide when the forms of livelihood they have known for generations have collapsed. [...] The human tragedies we experience dramatize the extent of the twisted, distortions of the darker side of trade liberalisation."

Nihal Rodrigo, Secretary General of SAARC, August 2001

CASE STUDY

The Manila water scandal: EU corporate power in the Philippines

Antonio Tujan, IBON

Despite a temporary two-year dip after the Asian financial crisis, EU investment flows to Asia have since recovered. In the Philippines, EU foreign direct investment (FDI) surged to €5 billion in 2000 from a 0.2% share of EU outward FDI prior to 1998²⁶. In all, EU investments in the Philippines account for almost one fourth of total FDI from 1990-2001, outstripping Japan and the US as the country's main investor. Increased trade and investment has resulted in prosperity for some of the population. Yet, as the example of the Manila water utility privatization demonstrates, the distribution of economic gains and costs have been inequitable, hitting the poorest people hardest and undermining sustainable development.

The Manila 'Metropolitan Water and Sewerage System' (MWSS) was privatised as a conditionality under the 1995-1997 structural adjustment programme of the International Monetary Fund. As a key public utility, the slated privatisation faced stiff opposition from the public, fearing increased water rates, and from the MWSS union, fearing loss of jobs. However, MWSS faced the usual problems hounding public monopolies: systems losses were high, service was grossly inadequate and rate collection was low. What followed provides an interesting case study in European investment practice and the tangled web between the international financial institutions, governments and corporations.

The World Bank's International Finance Corp. (IFC) was contracted to conduct a technical study. The two major corporations that showed an interest in the MWSS were the big French multinationals: Lyonnais des Eaux and Compagnie Generale des Eaux. In an interesting turn of events, the World Bank hired French consultants to undertake the technical study. Their fees amounted to US\$6.2 million, shouldered partly by the French companies (US\$5.2 million), and partly by the French government (US\$1 million)²⁷.

MWSS's distribution and sewerage services were split from the water source and treatment facility. As the Philippine Constitution does not permit over 40% foreign ownership of key utilities, interested bidders entered into joint ventures with large local investors. The winning bidders were the French Lyonnais des Eaux which formed Maynilad Water and International Water Ltd., jointly owned by Bechtel Corp of the US and Northwest Water of United Utilities of UK which formed Manila Water²⁸.

Despite a commitment to retain MWSS employees, some 4,000 of the agency's original 10,000 employees were 'released' through early retirement. Another 899 employees, many of them union officers, also lost their jobs²⁹. Following further restructuring, over 1,000 lost their jobs and 620 were laid off for failing medical examinations amongst other reasons³⁰.

Commitments to decrease water rates in the franchise contracts, along with performance requirements on improving water and sewerage services were not attained. Maynilad had committed to lower rates from P8.78 per cu.m to P4.97 per cu. m. The Asian financial crash provided the initial excuse for the government to approve rate hikes in spite of the commitments. Then Maynilad effectively blackmailed the Government by threatening to rescind the privatisation contract unless it was allowed to increase rates. The situation worsened as Maynilad petitioned for a heftier increase, threatening the government with another lay-off of 20% of its employees if denied the rise. In an agreement of October 2001, the government allowed a P4.71 increase in Maynilad's water rates, thus effectively negating the public protection clause in the concession agreement. Four years after privatisation, water rates have exceeded the previous rates and have doubled in the case of Maynilad.

Now, the Arroyo administration faces a political tinderbox in an explosion of water rates and public outrage. The Arroyo government has also allowed a review of basic rates thus paving the way for further rate increases, potentially leading to more than triple the original pre-privatization rates by January 2003. The original agreement had stipulated that such a review would only take place in 2007. The water companies have also called for further revision of their contracts, such as reducing the sewerage target from 55% to only 15% by 2022 for Manila Water and from 66% to only 31% for Maynilad.

The case of MWSS is just one example of controversial European investments around Asia which have been hounded by social, labour and environmental issues. Powerful private corporations have held governments hostage in order to gradually dismantle state regulation and public service commitments. These cases of corporate abuse call into question the EU liberalisation agenda on investment. Dialogue between the EU and Asia, such as under the ASEM process, is an opportunity to formulate policies for development-friendly investment by addressing issues of corporate responsibility. Civil society organisations and grass-roots movements in Europe and Asia call for regulation on corporate accountability.

TACKLING POVERTY IN ASIA: core findings

In the immediate aftermath of September 11, economic forecasts for Asia were revised downwards. Recent macro-economic data suggests that the higher income Asian economies are defying the conventional wisdom that 'when the US sneezes, Asia catches a cold'. Yet poor countries and poor people in the region face persistent economic marginalisation – and new challenges, especially from China's increasing integration into the global economy.

The so-called Asian economic miracle created both winners and losers: great wealth and widening inequalities. The difference between short-term export 'success' and long-term sustainable development is much in evidence at the sub-regional, national and local levels. *Tackling poverty in Asia* constitutes BOND's contribution to the debate.

Tackling poverty in Asia requires a wide-ranging analysis of factors ranging from debt, human rights and democratisation to conflict and natural disaster, patterns of migration and environmental degradation. Such an analysis is beyond the scope of this report but not beyond a European Union genuinely committed to policies for poverty reduction and an open dialogue in the region on the framework for its co-operation. Hopes for sustainable development and poverty reduction in Asia are shaped by various factors, endogenous and exogenous. And the EU has a role to play.

▶ **European Community aid to Asia should be increased to reflect the high levels of poverty in the region and be focused on sectors contributing to poverty reduction**

▶ **European and Asian governments should engage in political dialogue to establish a common strategy for achieving the UN Millennium Development Goals in the region by 2015**

▶ **EU trade and agriculture policies should be made consistent with efforts to reduce poverty**

ASIA FAST FACTS

Asia's garments industry

The garments industry is key for many Asian countries. In the Philippines, 15 main garment manufacturers subcontract to 445 smaller firms and to small workshops' homeworkers employed on a casual basis. By 1999 the ratio of regular to casual workers in the Philippines had become 3.5 to 6.5. Fluctuating demand means understaffing, periods of intensified pressure with longer hours followed by periods of unemployment. In one export factory in Cambodia a woman died at her sewing machine on 12 May 1999. The previous day she had worked 14 hours and on the 12th itself had been working from 7am to 10pm when she collapsed.

China

China's accession to the WTO will involve major adjustment costs with manifold consequences both internally and throughout the Asia region. China's rural population consists of 900m people – about 15% of the world's population. An estimated 100 million migrant rural workers roam the country in search of employment. 11.5 per cent of the rural population attempt to live on less than \$1 a day. The Chinese government estimates that its accession to the WTO will cost more than 10 million jobs, with over 9 million farmers being forced out of work.

Income poverty

Asia contains two-thirds of the world's population living on the equivalent of one dollar per day. India and China alone

contain 50% of the worldwide 1.2 billion people living below this poverty line. The Philippines, Cambodia, Papua New Guinea, South Asia and Indo-China face difficulties in meeting the UN target to eradicate absolute poverty by 2010, with a rise in poverty in Pakistan, Sri Lanka and Nepal over the 1990s.

Malnutrition

In 1998, the undernourished population in South Asia stood at 294.2 million people. The World Health Organisation estimates that more than half of the young children in South Asia suffer from protein-energy malnutrition, five times the prevalence in the Western Hemisphere, three times the prevalence in the Middle East and more than twice that of East Asia. India, Bangladesh, the Philippines and Lao PDR are all far behind on the Millennium Development Goal to halve the percentage of undernourished people by 2015.

Rural-Urban divides

Viet Nam has succeeded in reducing the rate of extreme poverty from 58% in 1993 to around 37% of the population in 1998. Yet – as throughout the region – rural-urban inequalities are slowing achievement of the Millennium Development Goals with 90% of the poor living in rural areas. Close to half Viet Nam's population do not have access to safe drinking water, 66% in rural areas in contrast to 22% in urban areas. Attention must be focused on improving basic social services in rural areas, particularly primary health and education.



RHODRI JONES/PANOS PICTURES

UN data suggests that little scope exists for China's new export industries to absorb the newly unemployed as uncompetitive state-owned enterprises and small scale agriculture collapse in the wake of trade liberalisation.³¹

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FOOTNOTES

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2. In July 2002, Denmark proposed that EC aid be directed with the objective of stopping immigration to the European Union. Earlier in the year, Spain submitted a paper to the European Council calling for aid to be allocated along security lines as a part of coalition-building in the 'war against terrorism'. Javier Solana, the EU High Representative on Foreign Affairs has repeatedly called for EC aid funds to be allocated according to the EU Common Foreign and Security policy.

3. ALA Regulation 1992, art. 4: financial and technical assistance "shall be targeted primarily on the poorest sections of the populations and the poorest countries in the two regions."

4. DRN, Evaluation of ALA Regulation 443/92 – Synthesis Report, 2002: commissioned by the European Commission: www.europa.eu.int

5. DRN, Evaluation of ALA Regulation 443/92 – Synthesis Report, 2002, Annex 3.

6. DRN, *ibid.*, p. 337.

7. The 1992 ALA regulation specified that 10% of ALA budget lines would be allocated to environmental protection, in particular of tropical forests. Subsequently, from 1993 to 2000 8.5% of resources for Asia were allocated to environmental protection: significantly less than reported by the Commission to the European Parliament during the 2001 budget process.

8. For example in the new draft Asia-Latin America Regulation, p.1

9. DRN, *ibid.*, p. 70.

10. EC website: "The EU's relations with Pakistan" (16 August 2002)

11. Regarding human rights, the Commission evaluates Pakistan as follows: "Democratically elected institutions have been dissolved and basic political rights are restrained, in particular through a ban on public political rallies. Discrimination against religious minorities continues and there is lack of respect for the rule of law, as finds expression in allegations on use of torture, lack of fair trials and arbitrary detention. Incidence of child labour (estimated at 3.3 million children aged between 5 and 14) and bonded labour remains high."

12. "The Commission foresees supporting the preparation and implementation of a new generation of economic reforms in the countries of Asia and Latin America, in line with Council Resolution of 18 May 2000 on economic reform and structural adjustment in developing countries." Draft ALA Regulation, p. 6

13. Hearing of the UK House of Commons International Development Select Committee, 2nd Report of Session 2001-02. Volume II.

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31. "Foreign-funded enterprises contribution to job creation is modest considering that their exports account for 9 per cent of GDP ... these employed ... less than 0.8% of the total labour force (1996)." Rosen, UNCTAD Trade and Development Report 2002.

TACKLING POVERTY IN ASIA

- To what degree do the European Community aid funds reflect the urgency of Asia's development needs?
- To what degree will the EC bow to and perpetuate the 'Washington consensus' and World Bank conditions on aid allocation, and to what degree might the EC promote an alternative model?
- How consistent are EC trade and agriculture policies with the Union's commitment on sustainable development and poverty reduction?

Tackling poverty in Asia analyses current trends in EU–Asia development co-operation, political dialogue and trade and investment flows from a development perspective. BOND challenges governments in both regions to agree a common strategy towards achieving the UN Millennium Development Goals by their 2015 deadline.



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