Chapter 1
Harnessing globalisation for children: main findings and policy-programme proposals*

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Summary. With the exception of Sub-Saharan Africa and Eastern Europe, globalisation featured a continuation of the favourable trends in child well-being initiated in the 1960s and 1970s. Yet, in some areas (e.g. child malnutrition), the recent gains in child wellbeing were negligible. And in most other areas, the gains were slower than those recorded in the prior twenty years and increasingly less well distributed across regions, countries and population groups. Most of all, these gains were well below those obtainable on the basis of recent technological and economic progress. Globalisation appears to have generated improvements in countries (such as China) with good human and physical infrastructure, good 'home grown' macroeconomic and social policies and access to global markets. In most others, premature and unselective globalisation affected growth and child well being. The paper argues that children can gain much more from globalisation if domestic policies are made broadly consistent with the Convention on the Rights of the Child, international markets are opened to poor countries, global insurance developed, 'international public bads' regulated, and representative institutions of global governance put in place. Child wellbeing would also improve dramatically with the launch of child-focused (and so far neglected) programs in the field of research and technology transfer on basic drugs and vaccines, child nutrition and long-distance learning, the regulation of 'international public bads' (the marketing of breast milk substitutes, tobacco, alcohol and other products that harm children and adolescents) and the use of global markets to 'cut the oxygen of war' in countries affected by conflicts financed through the export of primary commodities. In the absence of change in these areas, globalisation will continue to benefit mainly the children of a few social groups and countries.

JEL: F02, I12, I18, O19, O33

*** This study presents the views of its author and not the official UNICEF position in this field.**

This is chapter 1 of the overall study "Harnessing Globalisation for Children" edited by Giovanni Andrea Cornia

1. Introduction: Globalisation and children

Globalisation is the word on everyone's lips. It has simultaneously become the symbol of all hopes for future improvements and the presumed cause of all ills and social injustices. This new magic word is often used as a catch-all term, a fact that can cause confusion. This study focuses on the economic globalisation actively pursued by national and international policy makers through the deregulation of the domestic economy and external transactions and on the rapid technological advances of the last two decades. The study does not deal explicitly with other aspects of globalisation such as the internationalization of behaviours, entertainment and consumption patterns or the surge in tourist flows. These other aspects of globalisation also have implications for children's well-being. But their impact is probably less significant as well as being difficult to measure: it would be technically even more complex to assess this than the effects of the economic-technological globalisation discussed in this paper.

Measures to promote economic globalisation were introduced in the early 1980s. These involved stabilization, privatization and domestic deregulation and grew in intensity in the 1990s as barriers to international trade in goods and services were removed, economies were opened up to foreign investment and financial flows were liberalized. Over the last few years, the proponents of globalisation have started to pay increasing attention to poverty eradication through the institution at the national level of Social Emergency Funds and through the launch of Poverty Reduction Strategies.

The recent wave of economic globalisation has deeply marked all countries, particularly the developing and transitional ones, but also the developed ones which – one may argue – have been the key actors in and beneficiaries of this process. It has resulted in a deep reshuffling of economic structures and behaviours and has created winners and losers both within and among nations. Children have been affected in a variety of ways by this momentous change. This introductory chapter reviews what has happened to child well-being during this epoch-making period. It then discusses concrete measures, policies and institutional changes needed to help harness globalisation for future generations and spread its benefits more evenly.

In examining the current and likely future shape of globalisation, it is wise to keep in mind the lessons from the past. The key lesson is that unfettered globalisation cannot be sustained for long if the gains of economic integration are not distributed equitably, if there are no institutions to compensate those who lose out from reforms and if there are no common ethical objectives. Indeed past episodes show that the success of globalisation crucially depends on the institutional capacity to guide this process.

During the first modern globalisation of 1870-1914, for instance, large flows of migrants, capital and exports moved between the Old and the New World(Williamson 1996). All of this occurred, however, in a fairly orderly way and – especially in the case of migration – it was guided by the authorities of the countries of origin and destination. This globalisation spurt came to an end because of the tensions generated by the unequal distribution of its gains (ibid.). In contrast, the considerable restructuring and dislocations involved in the creation of the European Union in the latter part of the 20th century were explicitly compensated through a variety of subsidies. In this way, the social impact of integration was contained, large economic gains were generated and a convergence in living standards occurred gradually. As a result the process benefited from widespread political support.

2.Light and shadow in child well-being during the globalisation years

As shown in detail in Chapters 2 and 3 of this compilation, in most regions, the last 20 years have witnessed a continuation of the improvements in key child-welfare indicators initiated in 1960-1980, a period that in itself, recorded the fastest rate of improvement of the last several centuries. This heartening news is tempered, however, by a number of more sobering trends that are discussed hereafter. For ease of presentation, this section focuses on the actual measurement of changes in child welfare over time – the causal explanation of such trends is dealt with extensively in section 3.

Analysis of the main indicators of child well-being – such as infant-mortality rate (IMR), under-five mortality rate (U5MR), primary and secondary school enrolment ratios, under-five malnutrition and child poverty – suggests that the last 20 years have been characterized by:

(i) A slowdown in the rate of improvement in key indicators of child well-being. The rate of decline of U5MR (Table 1) and IMR (not shown) slowed sharply in the 1990s in relation to the 1980s. In fact, in East Asia and in the European economies in transition, the decline in these rates was the slowest in four decades. In extreme cases, U5MR stagnated. In Sub-Saharan African countries affected by HIV/AIDS, civil conflict and a declining economy it rose sharply. For instance, between 1986 and 1996, U5MR rose by 10 per cent in Zambia and by an astounding 20 per cent in Kenya. Recent estimates for Sub-Saharan Africa taking into account the results of the UNICEF-sponsored MISC surveys, for instance indicate that IMR and U5MR has risen often by up to 40 percent over the last few years, largely because of the impact of AIDS. Likewise, 15 of the 27 countries of the former Soviet bloc had higher IMRs in 1994 than in 1990.

In Latin America, the Middle East and North Africa (henceforth MENA) and South Asia, the rapid gains of the 1980s were followed in the 1990s by a widespread deceleration in rates of progress. The 1980s gains had been triggered by a rapid expansion of low-cost, high-efficiency, public-health programmes such as immunization and by the spread of knowledge among parents about health, hygiene and so on. These achievements were all the more notable for taking place during the 'lost decade' of the 1980s, which was characterized by a severe debt crisis, recession and worsening of income distribution. In the light of this, the slowdown in U5MR improvements in the 1990s is a cause for concern. It took place in a decade characterized – except in China, India and a few other countries – by a generally slow growth in family incomes as well as by greater income inequality and volatility and by social conflicts (see section 3). The global data on public expenditure on health indicate that governmental efforts in this area have been broadly constant. But the U5MR figures may signal that returns to new public-health expenditure are declining as the gains of immunization and other key interventions (which stagnated on average at fairly high levels in the 1990s) have been exhausted. Further reductions in child-mortality rates may require an increase in spending on public health (to deal, for instance, with perinatal and neo-natal problems) as well as broad-based improvements in family income, nutrition and childcare.

Table 1. Trends in average regional annual rates* of decline in U5MR, 1960-99

	1960-70	1970-80	1980-90	1990-99		1960-80	1980-99
World	-2.2	-2.1	-3.6	-0.9		-2.1	-2.3
High income	-3.4	-5.6	-5.1	-3.2		-4.5	-4.2
Low & middle income	-2.5	-2.1	-3.9	-0.6		-2.3	-2.3
- Europe & Central Asia	..	..	..	-2.8		..	..
- East Asia & Pacific	-4.4	-4.3	-4.0	-2.3		-4.3	-3.2
- Latin America & Caribb.	-2.2	-4.3	-4.7	-2.9		-3.2	-3.8
- Middle East-North Africa	-2.1	-3.8	-6.3	-2.6		-2.9	-4.6
- South Asia	-1.3	-1.5	-3.9	-2.2		-1.4	-3.1
- Sub-Saharan Africa	- 1.4	-1.6	-2.0	+1.0		-1.5	-0.6

* rates are weighted by population size.
Source: Cornia, Giovanni Andrea and Leonardo Menchini, Chapter 2 of this compilation.
Note: The WDI data are adjusted infrequently and are, for this reason, less able to capture trend reversals or slowdowns than national time series (where these exist) or panel surveys. Corrections based on the UNICEF sponsored MICS surveys are applied only to the data for Sub Saharan Africa. Data for World and Low & Middle Income countries for 1999 are calculated on the base of both sources.

(ii) Smaller gains in the field of child nutrition and – in several regions (including those where child survival improved) – a rise in absolute and relative child poverty.

With the exception of Latin America, the incidence of malnutrition among children of 0-59 months of age declined much less in the 1990s than in the 1980s or 1970s (Table 2). The situation seems most worrying in MENA and Sub-Saharan Africa – where the number of underweight children actually rose in the 1990s. A host of local studies confirm that child malnutrition remains an unresolved problem in a good number of developing countries including some middle-income countries of Latin America and South East Asia. Millions of children, for instance, were severely malnourished even before the financial crisis in Indonesia and Thailand exacerbated the situation.

Table 2. Trends in child (0-59 months of age) malnutrition in developing regions, 1970-95

Regions	Percentage of underweight children					Average annual change in malnutrition prevalence		
	1970	1980	1990	1995		1970-80	1980-90	1990-95
EAST ASIA	39.5	30.0	23.5	22.9		-2.71	-2.41	-0.52
LAC	21.0	12.2	11.4	9.5		-5.29	-0.68	-3.58
MENA	20.7	17.2	15.1*	14.6		-1.84	-2.57*	-0.003*
SOUTH ASIA	72.3	63.7	53.4	49.3		-1.26	-1.75	-1.59
SSA	35.0	28.9	28.8	31.1		-1.90	-0.03	1.68
ALL REGIONS	46.5	37.8	32.3	31.0		-2.05	-1.56	-0.82

Source: elaboration on Smith and Haddad (2000). * indicates that one of the two extremes is 1985 and not the value indicated in the column's heading.

Improvements in mortality and school enrolment – which are mainly driven by public expenditure and donor support – were broadly sustained over the last 15 years. But child nutrition is more sensitive to changes both in the adult time allocated to childcare and in the level, stability and distribution of family incomes – and these are variables that have shown unfavourable trends over the last two decades in over 80 developing and transitional countries. For instance, the stagnation or decline in the last 10-15 years in the incomes of poor agricultural labourers in India is a possible factor associated with the slow decline in child malnutrition in South Asia. Growing instability in family income may also have been a factor since large short-term declines in family income – whose frequency intensified in the recent years of increasing growth instability – can be the cause of long-term stunting in very young children. World Bank studies of the impact of the Mexican and Thai financial crises of the 1990s show, for instance, that even after the recovery took place, child malnutrition remained high because during these acute recessions some children suffered irreversible damage.

Data on child poverty is scattered and, surprisingly, no attempt has been carried out to compile consistent time series in this area. Yet mounting evidence from national case studies seems to point to a rise in the number of poor children in most regions. In some countries, the increase in the absolute number of poor children was due to population growth. But, as a whole, demographic factors do not account for the growth in child poverty.

Child-poverty rates increased – if at times moderately – in 9 of the 17 OECD countries with data covering the years between 1970 and 1990 and including the United States, Ireland, the United Kingdom, Canada and Australia (Cornia and Danziger 1997). However, evidence for the 1990s suggests that child-poverty rates have stabilized or declined, as in the case of the USA. Child poverty rose much more markedly in the 1990s in the European economies in transition following a surge in unemployment, an increase in the number of 'working poor' with dependent children, a contraction in child allowances and a steep rise in parental mortality (UNICEF 1995). In Latin America, despite a sharp drop in the number of births, child poverty rose both in absolute numbers and faster than overall poverty thanks to a worsening income distribution that pushed up the number of working poor with dependent children. In Africa, stagnation-induced child poverty was compounded by high AIDS- and conflict-related mortality among male and female breadwinners and the consequent rise in the number of orphans facing a high risk of poverty (see section 3).

During the 1980s China and, to a lesser extent, India, Indonesia and other countries of South East Asia achieved a great deal in terms of reducing child poverty. In China this was largely achieved through fast and broadly spread economic growth rather than through child allowances or other social measures. Rapid growth generated a surge of employment in agriculture, small and medium enterprises and labour-intensive, export-led manufacturing that raised the incomes of wage earners with dependent children – though the reduction in child poverty was more closely associated with rapid agricultural growth than with increased exports. Chinese child-poverty reduction was also accelerated by the rapid fall in the birth rate, which dropped from 1.5 to 1.1 per cent a year between the 1980s and the 1990s (see Chapter 7 of this compilation). As a whole poverty decline was less pronounced in the 1990s: fast-rising inequality and the lack of mechanisms for redistributing income led to slow gains in the living conditions of the poor. As inequality in China continues to grow, children in poor families and poor regions remain trapped in permanent disadvantage, if not in absolute poverty, as the trickle-down effect of urban and coastal growth has not been sufficient to benefit all of them (ibid.).

India and Indonesia also recorded sizeable falls in child poverty during the 1980s, years in which there was rapid agricultural growth and strong budgetary support to rural-development programmes. In the India of the 1990s, however, fairly rapid economic growth and a decline in birth rates had less impact on child poverty than was expected and – worse still – mass poverty persisted for a large class of agricultural labourers and their children. Growing inequality, the concentration of income growth in the urban sector and the stagnation of rural incomes are at the heart of this problem, as argued in greater detail in section 3.

While the empirical base for such conclusions is still incomplete and needs to be consolidated – and while more work is urgently needed to measure child-poverty trends accurately – the evidence points to a rise in the number of poor children in many countries during the 1990s.

(iii) <u>increasing relative distance of child well-being indexes between countries and regions</u>: the 1980s and 1990s were also characterised by a rise in the relative distance in child well-being indicators among regions, among countries within each of the main regions, and among social groups within countries. The first two effects are synthesised in Table 3 by the rise in the coefficient of variation (CV), an index that measures here the relative distance of regional IMRs from the world mean, and the average relative distance of national IMRs from their regional average. Data in Table 3 suggests that over 1980-98 the gains in IMR were distributed in an increasingly less equal way between the 'winners' and 'losers' of globalisation.

Table 3. Trends in IMR by main regions and in coefficient of variation (CV) within and between regions, 1980,1990 and 1999

	1980		1990		1999		% Decline
	Average*	CV	Average*	CV	Average*	CV	1980-99
E. & S.E.Asia(25) **	49	0.91	36	0.94	30	0.99	-39
European Union (15)	12	0.36	8	0.17	5	0.13	-59
EE and FSU (27)	30	0.43	20	0.48	15	0.45	-50
Latin America (32)	50	0.59	34	0.57	26	0.58	-48
MENA (20)	67	0.55	44	0.73	33	0.88	-51
North America (2)	11	0.14	8	0.23	6	0.19	-46
South Asia (7)	117	0.38	89	0.50	70	0.62	-40
Sub-Sah. Afr. (45)	118	0.29	102	0.34	98	0.35	-17
All regions	**57**	**0.74**	**43**	**0.83**	**35**	**0.92**	**-39**

Source: Cornia, Giovanni Andrea and Leonardo Menchini, Chapter 2 of this compilation. The results are based on data from the World Bank's *World Development Indicators 2001.* Corrections for Sub-Saharan Africa for 1999 are based on UNICEF sponsored MICS surveys.
Notes: *:unweighted average; ** number of countries in each region. Note: an increase over time in the coefficient of variation indicates that the distance between the IMRs of the region considered has risen.

As shown in the last column of Table 3, over 1980-98 the regional (unweighted) IMR fell at very different paces, ranging between 17 and 59 per cent. The countries with the highest IMR levels (i.e. in war–stagnation-AIDS affected SSA and in South Asia) recorded slower proportional improvements than regions with better initial IMRs, a fact that by itself led to <u>divergence in IMR levels among regions</u> (see last line of Table 3). Indeed, the intra-regional differences in IMR rose remarkably as shown by the rise in the coefficient of variation from 0.74 to 0.92 between 1980 and 1999. This divergence would be even more marked if, as noted earlier, more recent and detailed data for Eastern Europe and Sub-Saharan Africa were factored in. Increasing intra-regional divergence in IMRs and U5MRs appear to correlates closely with the increased divergence in economic performance among regions and with the intensity of local conflicts and new pandemics, as discussed in section 3.

A similar pattern of divergence is observed within all developing regions with the exception of Latin America, a finding that reinforces the view that recent gains in IMR have varied substantially across countries part of the same region. The sharpest divergence is apparent in South Asia and MENA (where the coefficient of variation rose respectively from 0.38 to 0.62 and from 0.55 to 0.88). With the highest initial regional IMR, and the slowest rate of IMR decline over 1980-98, Sub-Saharan Africa shows a fairly stable intra-regional variation in IMR, suggesting that stagnation affects all countries of the region indistinctly. In contrast, the decline from already low levels in the EU coefficient of variation suggests growing equalisation in living standards and social homogeneity within the region. The same analysis carried out on U5MR data for 125 countries yields results very similar to those identified in the case of IMR.

(iv) within countries, in about half of the cases the average national gains have been distributed in an increasingly polarised manner among groups of children (male/female, urban/rural, rich/poor, born to educated/illiterate mothers, etc.), a tendency broadly aligned with the trend towards increasing within-country income inequality noted in section 3. The impact of such tendency could have been offset by an increasingly more progressive distribution of public expenditure on health and education, but unfortunately little is known about changes in the 1990s in this field. Be that as it may, analysis of the limited survey-based evidence on changes in the within country distribution of child well-being shows that there are as many cases of divergence as of convergence:

(a) the most favourable case of convergence in child well-being indicators concerns education. Indeed, for most indicators of school enrolment there is convergence in rates of improvements among different social groups. The secondary enrolment rates of children in the main geographical regions converge in the vast majority of countries. The same applies – remarkably - to differences in secondary enrolment rates between boys and girls. The picture is unfavourable only in the case of the ratio of gross primary enrolment rates for boys and girls. Such differential fell when overall enrolment rates improved and rose when total enrolment rates fell. In other words, an expansion of education was more likely to benefit girls than boys, while its stagnation or decline penalised girls more than boys.

(b) for most DHS-based indicators of child health, in contrast, the improvements occurred at vastly different rates, as in the case of:

- the ratio of rural-urban IMR. In Latin America, such differential widened in five out of the six countries with available information (Table 4). Though there seems to be no association between overall IMR trends and the rural-urban ratio, gains in infant mortality appear to be mostly concentrated in the urban sector. More detailed country analyses of the distribution of gains in child health – as that carried out by UNICEF Lima - show that gains in IMR in this country were indeed concentrated in a few urban areas, including in their low income neighbourhoods.

Tab. 4 IMR and rural/urban IMR ratio in selected countries of Latin America

Country	Mid-late-80s		Early-90s		Mid-late 90s	
	IMR	R/U Ratio	IMR	R/U Ratio	IMR	R/U Ratio
Bolivia	91	1.36	65	1.35	67	1.98
Brazil	75	2.10	79	1.68	41	2.13
Colombia	36	1.11	…	…	33	1.23
Peru	94	1.98	54	2.14	47	2.08
Guatemala	89	1.34	53	1.66	51	0.82
Dominican R	70	1.00	33	0.87	51	1.56

Source: Cornia, Giovanni Andrea and Leonardo Menchini, Chapter 2 of this compilation.
The results are based on selected Demographic and Health Surveys for the 1980s and 1990s

- the ratio between the IMR of children born to mothers with higher education and those born to mothers with primary education or less. In a few cases, the worsening of the IMR or U5MR differentials is the result of the absolute worsening of the indicator for the group already at a disadvantage. In most cases, however, the worsening of the IMR differential resulted from a slower improvement for the group already at a disadvantage. While this situation is less worrying than in the case in which the IMR or U5MR worsened in absolute terms, such an increase in relative distance is still inefficient, undermines overall child well-being and may lead to social instability.

- In the 1980s, the ratio of the U5MR of the children of low income families (i.e. families belonging to the bottom 20 per cent of the population ordered in ascending order according to an “asset index”) to that of the high income families (i.e. families belonging to the top 20 per cent of the same distribution) ranged between 1.3 to 4.7 in a sample of 20 countries for which a DHS survey had been carried out. Between the 1980s and 1990s, such mortality gaps worsened in 16 of the 20 countries considered. In only two countries with relatively small populations, was there both an average improvement and a reduction of U5MR disparities by income level (Table 5).

Table 5. Changes between the 1980s and 1990s in average U5MR level (by row) and the relative gap between the U5MR of children of the poorest and richest 20 per cent of population.

	Trends	RELATIVE U5MR GAP by wealth quintiles	
		Narrowing	Widening
AVERAGE U5MR	Improving	Guatemala, Niger	Bangladesh*, Bolivia*, Brazil, Dominican Republic, Colombia, Egypt*, Ghana, Indonesia,Peru*, Philippines, Senegal*, Tanzania
	Worsening	Kenya*, Zambia	Burkina Faso*, Cameroon*, Kazakhstan, Zimbabwe

Source: Minujin, Alberto and Enrique Delamonica Mind the Gap!: Child Mortality Inequities and Globalisation’, Chapter 3 of this compilation.
Notes: a * indicates only a modest change in relative gap.

(v) Summing up: children who have been failed by the global economy. In conclusion, notwithstanding the limitations of the survey data on child-welfare differentials, it would appear that the last 20 years have been characterized by slower aggregate gains in child well-being and by an increasingly more unequal distribution of those gains. Recent improvements have mainly benefited the children of middle- and high-income urban groups while the disadvantaged groups have been bypassed. While in many cases this increasing divergence in child well-being has resulted from a faster pace of improvement among the better-off, there have also been numerous cases of absolute deterioration for poor and marginal populations.

Among those left behind are:

(a) Children in large swathes of marginalized economies, such as those from Sub-Saharan Africa, Eastern Europe and the former Soviet Union, Central America, parts of the Andean region, Nepal and Bangladesh;

(b) Children in many rural, marginal or remote areas and children born in urban poor families or to parents with no education in relatively successful countries. The enduring drama of urban street children in relatively prosperous Latin American countries and of rural labourers' children in India are cases in point;

(c) Those children in relatively successful market economies – like those in Indonesia, Thailand and Turkey – who have been severely affected by domestic or international financial crises or global recessions and have been unable to count on stable systems of social protection;

(d) Orphans or other children in AIDS-affected economies who face not only growing psychological and material deprivation but increasingly difficult access to health and education as well as mounting social stigma; and

(e) Refugee children and other children affected by war.

While the survival and development problems of these children, or their recent worsening, are often partially related to globalisation, it can be safely argued that, if globalisation had been properly harnessed, it should have been able to reduce the incidence of pre-existing forms of deprivation among children – as well as to prevent the emergence of new problems.

A second subtler and less easily measurable failure of globalisation concerns aspects of child well-being – especially for older children and adolescents – that are seldom monitored and on which the systematic information for the last two decades is totally inadequate. While the measures of mortality, nutrition and education of children are essential, they only capture a few aspects of overall child well-being. Other important aspects involve issues of child and youth protection – in particular child labour, child abuse, abandonment and orphanhood, the participation of children in armed conflicts, psychosocial deprivation experienced by children and so on. Developments in these areas are connected to the changes in the local and, at times, the global economy and to shifts in community structure and cohesion. Systematic information in these areas may be difficult to come by, but this does not make the problems go away. In fact, as discussed in section 3, there are clear indications that the problems of orphans, child labour and children in conflict are growing in intensity in some regions. In several of these areas the connection with globalisation is tenuous, but even assuming that globalisation is not responsible for these problems, it is equally true that it has done nothing to prevent them or control them once they have erupted. In a way, today's globalisation seems poorly equipped to bring into its fold a large number of marginal countries, families and children.

3. Factors behind the changes in child well-being over the last 20 years

What are the factors behind the only partially satisfactory trends described in section 2? The changes in child well-being discussed depend on several variables including: the level, distribution and stability of household incomes; public expenditure on basic health and education; family structure and stability; public policies on the family, orphans, and children in difficult circumstances; the adult time allocated to childcare; and the prices of basic goods such as food and medicines. What follows is a review of the main changes over the 1980s and 1990s in such determinants of child welfare:

(i) Slow or negative growth of GNP per capita and household income. Slow growth or, worse, a decline in family income affects the pace of improvement in child well-being, especially in the fields of nutrition, poverty and labour – and especially in the 120 or so economies with a GDP per capita of less than US$2,000 (UNDP 1999).

The 1990s brought changes that were expected to have a positive effect on economic growth and family income. Among these were the end of the Cold War (which was supposed to generate a 'peace dividend' equal to 2-3 per cent of GDP), the transition to the market economy of the former communist countries (which was expected to generate a huge 'market dividend') and the steady spread of democracy. The last decade has seen also the maturation of the information and communication revolution – it was predicted that the growth rate of any economy adopting such technology would be raised by one full percentage point a year. Finally, in the 1990s, all developing regions but Africa enjoyed a huge 'demographic dividend' as the labour force grew faster than population.

Table 6. GNP per capita annual growth rate: 1960-99 and sub-periods

	1960-98	1960-79	1980-98	1960-69	1970-79	1980-89	1990-98
World	1.8	2.6	1.0	3.4	1.8	1.2	0.8
- High income	2.7	3.4	1.9	4.3	2.5	2.2	1.4
- East Asia & Pac. except China	4.4	4.5	4.2	4.2	4.9	5.1	3.2
- China	5.4	2.8	8.4	1.3	4.4	7.7	9.2
- Eastern Europe & Central Asia	2.5*	4.2*	-0.8	5.0*	2.3*	2.1*	-3.3
- Latin America & Caribbean	1.7	3.0	0.2	2.7	3.3	-1.1	1.9
- Middle East & North Africa	..	..	0.1	..	..	-0.4	0.7
- South Asia except India	2.1	1.5	2.8	2.3	0.6	3.0	2.5
- India	..	..	3.6	..	0.8	3.4	3.8
- Sub-Saharan Africa	0.4	1.5	-0.8	2.6	0.6	-1.1	-0.5

* The data in the various columns refer to the periods 1950-98, 1950-82, 1982-98,
Source: Cornia, Giovanni Andrea 'Globalisation, the Pattern of Growth and Child Wellbeing', Chapter 4 of this compilation of studies. The GNP per capita figures used for the computation of these results are in constant 1995 US$ and are contained in the from *World Development Indicators 2000* cd-rom.

In spite of all these favourable changes, the last 20 years witnessed a decline in the rate of growth of world GNP per capita (Table 6), which fell from 2.6 per cent a year over 1960-79 to 1.0 over 1980-98. Growth was particularly weak in the 1990s owing – amongst other things – to the economic collapse of the Eastern European economies in transition and to a growing number of financial crises. Over 1997 and 1998, for example, the growth rate of the world economy declined by one full percentage GNP point because of the East Asian crisis. The growth deceleration also affected the OECD countries, and all developing regions except China, India and a very few others were hit. While in China and India the acceleration of growth was associated with a degree of domestic liberalization, greater export orientation and a general opening up of the economy, these two economic giants followed a distinctly home-grown pattern of reforms, considerably more selective and gradual than the standard prescription.

Stagnant, slow or increasingly unstable growth affects both family income and public revenue and thus influences the resources available to keep a child well nourished, in good health and in school. As noted throughout this report, falling family incomes have a particular effect on child malnutrition, child poverty and exploitative child labour.

(ii) Increasing volatility of growth and instability of family income. In the absence of adequate social safety nets, volatile economic growth has a negative effect on the well-being of children who – during periods of recession – may be taken out of school, enter hazardous jobs or be forced to adopt other unsustainable survival strategies. Growth volatility rose sharply in Latin America in the 1980s before declining moderately in the 1990s, while it surged in East Asia and in the Eastern European bloc in the 1990s. In Africa, meanwhile, humanitarian conflicts and natural disasters contributed to mounting GDP volatility over the two decades. The main overall source of instability was, however, an epidemic of banking, financial and currency crises triggered by the widespread domestic financial deregulation of the late 1980s and by the liberalization of international capital flows of the 1990s (see on this also Chapter 5 by Valpy FitzGerald).

These crises have had a severe effect on both poverty and health. In Russia, for instance, the crude death rate rose by almost 20 per cent between late 1998 and the first part of 2000 following the financial crisis of August 1998. The World Bank, moreover, estimates that the financial crises of Argentina (1987-90), Mexico (1994-6) and Russia (1996-7) raised their poverty rates by 8.5, 7.0 and 10.1 percentage points respectively. While there are no data on changes in child poverty, this has certainly risen as fast or faster than the average poverty rate (see section 2).

The East Asian crisis which began in July 1997 is one of the best analyzed examples of losses in child well-being induced by systemic financial instability, though since then other sizeable crises have erupted in Brazil, Russia, Ecuador (see chapter 8 by Daniel Badillo et al.) Turkey and Argentina. South Korea, Malaysia, Indonesia and Thailand all suffered from the financial crisis though, because of differences in initial conditions and in policy responses, the impact was less devastating in South Korea and Malaysia than in the other two countries (see Chapter 9 by Gamini Abeysekera and Sauwalak Kittiprapas).

A first effect of the crisis was a sharp rise in unemployment and underemployment that, combined with a reduction in real wages, led to a surge in poverty. Another factor was a hike in the prices of basic goods that eroded the purchasing power of the poor. This was particularly evident in Indonesia where the prices of food, fuel and medicines skyrocketed following a massive depreciation of the rupiah. The deterioration in health and poverty was most pronounced in Indonesia and Thailand and least pronounced in Malaysia, which suffered only a negligible deterioration in severe malnutrition, child labour, drug addiction, child prostitution and child abuse. In all these countries, the impact of the crisis on children was moderated by the priority assigned by governments to social spending. At the same time, inappropriate responses to the crisis – pivoting around large fiscal cuts and interest-rate rises – probably compounded the severity of its impact. Also, despite the social concerns shown by the governments of these countries, the lack of permanent social-security arrangements forced them to rely on improvised, poorly targeted, short-term social safety nets. This made it clear that social-security systems should be in place before a crisis hits rather than being instituted as an emergency response.

(iii) Rising inequality in the distribution of family income. Child well-being is also affected by increasing income inequality. Over the last two decades, income inequality rose in 48 of the 73 countries with reliable time-series data (Table 7). While it fell in nine countries, these were mainly small and medium-sized nations such as Honduras, Jamaica, Tunisia, Malaysia and the Philippines, whose combined population and GDP-PPP account for only 4 and 8 per cent of the world total. The rise in inequality was universal in the former Soviet Bloc, almost universal in Latin America, common in OECD countries and frequent in South, South East and East Asia. In about half of these cases, the surge in inequality was large or very large. The trend towards higher income inequality appears to be related to the impact of liberalization and globalisation – in particular, the deregulation of domestic banking, the liberalizing of external finance and reductions in tax rates. Trade liberalization, in contrast, appears to have an ambiguous effect on the inequality of household incomes.

A rise in inequality – especially if it occurs from an already high level or if it is very large – generates a number of negative effects. It slows the pace at which child poverty and malnutrition are reduced by aggregate income growth and pushes into poverty a larger number of families and children than in the case of more egalitarian growth. As noted in section 2, an increasingly urban-focused growth (a common occurrence in the 1990s) raises inequality and does not reduce mass rural poverty. In addition, when the increase in inequality is sizeable, growth itself might be reduced, owing to the erosion of the work incentives of the poor and to political instability. High inequality, in other words, can compress growth and in this way affect family incomes and child well-being. Finally, high inequality erodes social cohesion and adversely affects the ability of communities to undertake collective action. As income gaps widen, the disparity of interests among economic groups rises, taxation and the provision of services tend to decline and both political participation and the efficacy of government institutions diminish.

Table 7. Trends in the Gini coefficient* of income distribution from the 1950s to the 1990s for 73 countries.

	Sample countries in each group	Share of population of sample countries	Share of world population	Share of GDP-PPP of sample countries	Share of world GDP-PPP
Rising inequality	**48**	**59**	**47**	**78**	**71**
-of which U shaped	*29*	*55*	*44*	*73*	*66*
Falling inequality	**9**	**5**	**4**	**9**	**8**
No trend	**16**	**36**	**29**	**13**	**12**
Not included in sample	...	...	20	...	9
Total	**73**	**100**	**100**	**100**	**100**

Source: Cornia, Giovanni Andrea with Sampsa Kiiski (2001). For a more recent discussion of these data see Cornia, Giovanni Andrea (2002)

(iv) Changes in public expenditure on health, education and child welfare. The debate about globalisation has often highlighted the risks posed to revenue collection by liberal tax reforms, by 'tax competition' among developing countries and by the informalization of the economy as large corporations outsource tasks to a chain of ever-smaller subcontractors. If these fears prove to be well founded, the fall in revenue might sooner or later trigger a decline in public expenditure – including spending on child health, education and care.

The aggregate data, however, do not seem to provide evidence of a systematic decline in social spending as a proportion of GDP. In low-income developing countries, public expenditure on health stagnated at a meagre 1.1 per cent of GDP over 1990-6 while that on education fell marginally from 3.4 to 3.2 per cent. In middle-income countries there was a clear rise in public spending on education and a modest one on health. This, however, was not true in most of the economies in transition where public expenditure on health and education fell both as a share of a fast-shrinking GDP and in per capita terms. There are other examples, such as China, of drops in public-health expenditure but there are as many others in which it was sustained or increased moderately, as in Latin America and MENA.

Such evidence is broadly consistent with the trends in child well-being identified in section 2 which showed that, on average, indicators of health and education (which depend fairly closely on public expenditure) performed better than those of poverty and nutrition which are more affected by changes in household incomes.

In some countries, however, globalisation might have affected the real value of health expenditure by raising the price of imported medicines, as illustrated by the case of the HIV/AIDS drugs covered by the TRIPS agreement. TRIPS as well as trade pressures by large countries have restricted the possibility of producing or importing affordable generic drugs in the developing world.

(v) Privatization of utilities and child well-being. Globalisation has driven the privatization of state- owned utilities all over the world, through which international companies have come to play a perceptible role in the provision of water and sanitation, electricity and telephone services in developing countries (see chapter 11 of this compilation of studies by Cecilia Ugaz). In 1999, for instance, there were already 140 public-private partnerships in the water sector.

What has been the impact of the privatization and 'transnationalization' of utilities? First, while the private sector has undeniably brought with it additional capital to expand existing urban networks, this was still a modest proportion of the need (private capital represents about 10 per cent of the annual investment in water and sanitation in developing countries). Second, there is no clear evidence that privatization has meant increases in efficiency and declines in tariffs. In the water sector, for instance, the cases of improvement, no change and worsening are about the same. Ideally, to benefit consumers and improve efficiency, truly independent public regulators and consumer associations ought to be in place prior to privatization. The opposite has, however, generally been the case, so that privatized utilities have often operated as unregulated monopolies charging high prices and thereby hitting poor consumers – children and women in particular. This is particularly important in the case of the poorest households where increasing expenditure on basic infrastructural services may cut the money available for food, health or education. Finally, the involvement of the private sector has risked diverting the focus of public action away from the peri-urban areas and the rural areas, where most of the people have no access to water, sanitation, electricity or telephones.

(vi) Changes in family size, structure and stability. Most aspects of child well-being depend on the structure and stability of the households within which the child lives. Generally speaking, children from large families enjoy lower levels of well-being than children in families with fewer children or lower child/adult ratios. For instance, in 1992, Hungarian children living in families with four or more children were 2.3 times more likely to be poor than single children living with both parents (UNICEF 1995).

Divorce, separation, lone parenthood and the death of a parent are causes of severe material and psychological child deprivation. First, there is a higher risk of falling into poverty because of the low ratio of working adults to dependent children. Second, the risk of inadequate parental guidance and parent-child interaction is higher, a fact that gives rise to a higher risk of injury, lower educational achievement and school abandonment. In China, for example, children living with one parent have a poverty rate of 11.6 per cent as compared with a rate of 4.4 per cent for a single child with both parents (see chapter 7 of this compilation of studies by Lu Aiguo and Wei Zhong).

Has the size, stability and structure of the family changed during the era of globalisation? Outside Sub-Saharan Africa, birth rates have declined steadily, either spontaneously or as a result of population policies. All other things being equal, this should have enhanced child well-being, especially when it occurred in large families. In extreme cases, such as the Chinese one-child policy, the drop in the number of children per working adult in the family was an important factor in the decline in child poverty, though its long term effects on child welfare and the overall social situation are far more complex.

During the last 20 years, the number of children living without both parents has risen in many countries. To start with, in middle- and high-income countries the number of children whose parents divorce or separate has risen since the 1970s (see chapter 4 of this compilation of studies by Giovanni Andrea Cornia). Second, single-parent births have increased sharply with the demise of the traditional family. Lone-parent families now represent 10-15 per cent of all families with dependent children in OECD countries and a higher percentage in Latin America, the Caribbean and parts of South East Asia. Tellingly, the trend has surfaced even in China, where traditional values used to leave no space for this kind of family arrangement. Third, in the HIV/AIDS-affected countries the number of orphans has risen well above the ‘normal rate’ of 1-3 per cent and the level that can be handled through extended family arrangements (Table 8). In some of these countries (in Lesotho, for example), child abandonment has risen almost as fast, signalling in this way the poverty and stress to which families are now subjected by HIV/AIDS. In other countries, such as Bosnia and Ethiopia, war and ethnic conflicts have also been important contributors to the rapid increase in the number of orphans.

In the 1990s, most European economies in transition were affected by a startling stress-related surge in adult mortality. In Russia, the mortality rate of men aged between 20 and 40 more than doubled between 1992 and 1994 while that of women in the same age-group rose by 40 per cent. Overall, between 1989 and 1999, the former Soviet Bloc countries accumulated four million excess deaths, an estimated three-quarters of whom were men and women of parental age.

Table 8. Percentage of orphans aged 0-15 in relation to the total 0-15 population

	1990	2000	2010 *(projections)*
South Africa	4.3	9.1	*30.0*
Myanmar	2.6	9.6	*7.9*
Haiti	12.0	12.4	*10.3*
Botswana	4.4	16.0	*36.0*
Namibia	6.9	16.3	*32.1*
Ethiopia	14.2	17.1	*17.7*
CAR	13.5	25.7	*30.9*
Total for 34 countries (million)	22.2	34.6	*44.2*

Source: Hunter, Susan and John Williamson (2000)

While many of these changes in family stability and structure are the result of complex interactions between social, political, cultural and epidemiological factors – which are only very tenuously related to globalisation – others are closely connected with economic trends and explicit economic policy decisions. The rise in adult mortality and – as a consequence – in the number of orphans in Russia, for instance, was caused by inappropriate price and trade liberalization policies and by severe cuts in public expenditure on health, education and law and order. A different approach to liberalization – like that followed in China, Poland or the Czech Republic – would have had a less violent impact on health. Similarly, recessionary adjustments (as in Zimbabwe) and financial crises (as in Thailand) increased the chances of people adopting risky coping strategies (such as prostitution and drug-taking) and thus contributed to the spread of HIV/AIDS. Many analyses have established a link between poverty and the risk of contracting HIV.

(vii) <u>A decline in time allocated to childcare?</u> The risks of child malnutrition, injury, school abandonment and poor socialization are influenced by the time allocated by adults to childcare, stimulation and supervision. Globalisation might thus influence child welfare in an indirect and often overlooked way, through a rise in female participation in the labour force. Women's earnings from market production can have a strong positive effect on family income, improve women's bargaining power within the family and, by extension, foster child welfare. Yet, children's nutrition, school performance and risk of injury may worsen if the increase in market work by women is not accompanied by a significant reallocation of household and care-giving obligations within the family and by the development of child-care institutions.

In several countries, globalisation has drawn women into the labour force in unprecedented numbers as the rewards for paid work have risen relative to those for unpaid work (see on this chapter 15 by Bharati Sadasivam). In East and South East Asia, for example, up to 80 per cent of the workforce in the export-processing zones is female. In Bangladesh the number of garment factories shot up from just 4 in 1978 to 2,400 in

1995; they now employ 1.2 million workers, 90 per cent of them women aged below 25. Millions more are doing low-skilled and precarious work, much of it informal, home-based or part-time. While 'flexible' forms of employment are often presented as being beneficial to women, allowing them to manage household duties including childcare, there is no statistical evidence to support or negate this proposition. Statistical data on direct or indirect provision of childcare, for example, are few and far between while those on changes in caregiving duties within the family are completely absent. The issue therefore requires greater attention.

(viii) An escalating number of local conflicts. The local conflicts that have increasingly hit the developing and transitional world in recent years have resulted in a rise in child mortality, malnutrition, disability and school abandonment – as well as in the number of orphans and of children maimed, abandoned or separated from their families.

The total number of children affected is hard to estimate but the increase in the number of local wars and humanitarian emergencies – from about 20 in the early 1980s to around 50 in the mid-1990s – suggests that more children must have been affected. Children are the main victims of these 'new conflicts' that are fought amidst the civilian population and have a disproportionate effect on its most vulnerable members. Children suffer violent death and mental trauma and, because of their naiveté, are more likely to be maimed by landmines (see chapter 14 by Frances Stewart and Jo Boiden). It is also young children who are most likely to die of infections or malnutrition following the disintegration of families that goes hand in hand with conflict. Children suffer too as school and play are disrupted and the social infrastructure is destroyed. Older children and adolescents are also at risk, not only because adolescence is generally recognized as a vulnerable stage of development, but also because they tend to be left to their own devices. Worst of all, the new conflicts turn an increasing number of older children into perpetrators of heinous crimes since child soldiers (whose number was recently estimated at around 300,000) are more easily pressed into violent military action.

Economic stagnation, horizontal inequality (in other words, inequality among ethnic, religious, regional and social groups) and private economic incentives to fight are now recognized as being among the main causes of local conflicts. In addition, a weak state can encourage rebellion. Global influences contribute to all these elements. The growth rate of the world economy and of many countries has slowed in the last two decades (Table 6) and the region that has suffered most, Africa, has also suffered the most wars. Horizontal inequality substantially predates the current phase of globalisation but it is often exacerbated by it, as privileged groups may find it easier to compete in the world economy. Aid too, has frequently contributed to rising horizontal inequalities. In turn, private incentives for war are enhanced by the smuggling of valuable commodities such as diamonds, oil, drugs and timber. The liberalizing agenda has tended to weaken states and as governments provide fewer social and economic benefits people's adherence to the social compact is reduced.

In some respects, therefore, globalisation has encouraged outbreaks of war, helped to finance them, and provided incentives for their continuation. But in other respects, globalisation might be expected to have reduced the likelihood of war. When people become successfully integrated into market economies, they require peaceful conditions for economic success. In some situations, democratization, which forms part of the globalizing agenda, can help solve conflicts by peaceful means, but in other contexts it can help provoke war as established leaders feel threatened and use ethnicity or religion to sustain their positions.

4. Domestic and international measures to harness globalisation for children

If globalisation is to be child-friendly there is little doubt that its main objective should be to ensure the gradual realization of the rights of children regardless of their country, gender, social class or income level. The dominant globalisation approach at present lacks explicit social or ethical goals and often confuses the means of globalisation (the liberalization of domestic and global markets) with its ends (human well-being and human rights). Acceptance of child-friendly objectives would therefore require a considerable – yet feasible – reorientation of policy targets and instruments. This new approach to globalisation would deliberately aim to channel the enormous creative, financial and technological resources it generates to the solution of the world's greatest problems. It would address the eradication of poverty, the maintenance of peace, the reduction of the North-South gap and – topical to this report – a rapid realization of the rights of children by means of a series of overall policy changes and of a few child-focused programmatic interventions.

This report discusses in section 4.1 the changes in domestic economic and social policies that would increase countries' readiness for globalisation while enhancing child well-being, and section 4.2 examines the changes needed to render global markets more efficient and equitable. Finally, section 4.3 reviews the shifts in international governance required to ensure that the changes in 4.1 and 4.2 could actually take place.

4.1. Towards an equitable national development model

(i) An equitable and 'age-sensitive' approach to economic policy requires to:.

– <u>Remove the old causes of child poverty</u>. Although there is general consensus on the reforms necessary to address the structural causes of poverty, little change has taken place in this area over the last two decades. This lack of progress is a major brake to globalisation and a main source of inequality in the distribution of its gains. The first reform required to promote broad-based growth is land redistribution. Where land ownership is highly concentrated in the hands of a minority it remains a key determinant of poverty in rural as well as urban areas, affecting child poverty, child labour and low school enrolment among the children of the landless and the urban underclass in Latin America, South and South East Asia and a growing part of Africa. Agrarian reform can now be implemented in ways that are compatible with the market, for example by sharing the costs of reform between the urban rich (via taxation), the urban middle class (through higher food prices) and the beneficiaries of the reform themselves (via reimbursable long-term credits).

Another area on which there is broad agreement on the need for change is in the credit and insurance field, where market forces are in notable need of correction if the poor are to be provided for. Well-designed micro-credit programmes are now doing much to raise the incomes of the poor. Less attention has been given, however, to crop and personal insurance against individual shocks which remains unavailable to most.

– Adopt pro-poor macroeconomic policies (see chapter 10 of this compilation of studies by Stefan de Vylder and chapter 4 by Giovanni Andrea Cornia). Governments should avoid macroeconomic policies that generate economic instability and mortgage the prospects of future generations through excessive borrowing. They should instead promote predictability, stability and a pro-poor bias. When, in spite of these measures, the economy falls out of balance, stabilization measures should not be postponed. Yet conventional stabilization, which pivots around high interest-rate rises and expenditure cuts, tends to generate avoidable recessions and to stall progress in child well-being, as was dramatically demonstrated by the East Asian crisis. The challenge is thus to pursue stabilization in ways that protect both growth and children.

Stabilization targets for inflation, budget deficit and debt reduction ought to be fixed in pragmatic ways that avoid deep and long-lasting recessions. Monetary and financial objectives should not be utterly dominant, pursued at the expense of employment, education and child well-being. Targeting rapid reductions in inflation through large interest-rate hikes, for instance, is unlikely to be in the best interests of the child. The same applies to the conventional approach to reducing a budget deficit. This generally errs on the side of excessive fiscal prudence, and often turns out to be politically and technically unsustainable, as was shown in Indonesia in 1997-8. It is excessively prudent, for example, not to include foreign aid in the computation of the fiscal deficit itself. And reducing the deficit too fast is also ill advised – gradual but irreversible cuts (accompanied if necessary by import controls and export subsidies to improve the balance of payments) are technically and politically more viable than ambitious but unsustainable cuts.

There is also some room for manoeuvre in the way deficits are balanced (through higher taxes on the rich and the middle class or expenditure cuts on basic social programmes) and in establishing permanent social-security arrangements supporting labour-intensive activities such as small-enterprise development and public works. Finally, as highlighted by the recent debate on the East Asian crisis, stabilization may be better achieved through devaluation than through large interest-rate hikes, while trade and exchange-rate policies should be framed so as to reduce vulnerability and susceptibility to external shocks. In all these areas there is room for improvement that ought to be exploited.

– Ensure policy consistency between the dominant economic approach and the Convention on the Rights of the Child. The making of macroeconomic policy is 'child-blind' – in other words, it does not take into consideration its impact on the well-being of children. As a result, the so-called 'hard-nosed' approach to economic policy is shaped in isolation from other overriding human concerns enshrined in international conventions. The United Nations, UNICEF, the social-policy departments of the World Bank, the bilateral donors and the NGOs have no role in the formulation of such policies, but are often called in to cope with their social impact, including providing assistance to the victims of adjustment crises.

International economic policies and agreements driven by purely commercial goals have at times interfered with the realization of children's rights. While globalisation emphasizes free trade and market-based access to goods and services (without always offering equitable access for all to local and global markets), the rights approach promotes entitlement-based access to basic goods, services and opportunities. In addition, 'laissez-faire'-type globalisation operates on the basis of highly imperfect markets and of asymmetric power relations which have hampered the implementation of rights covenants in a number of well-documented cases. Despite near-universal approval and intense NGO campaigning, the international convention on the marketing of breastmilk substitutes is, for example, only partially implemented and many of its potential benefits remain elusive. The recent debate over access to HIV/AIDS drugs has, in turn, underscored the conflict between the TRIPS agreement and the rights of poor HIV/AIDS patients to life-saving drugs.

Thus, if globalisation is to promote child well-being, economic policy must include a child-friendly perspective. One way is to ensure that the key economic decisions are assessed in terms of their impact on the rights enshrined in the Convention on the Rights of the Child. The tools for such evaluation – the social cost and benefit analysis – are available and have been widely applied to determine the environmental impact of economic decisions. The use of economy-wide models is more controversial but these have been used to analyse the distributive impact of alternative economic policies and have helped to advance the debate in this area. Other tools might be developed if the issue were taken up seriously by policy makers – and they may be pressed into such action by international public opinion, which is increasingly worried about the apparent conflict between freedom of trade and enterprise on the one side and human rights on the other.

A first step towards ensuring compatibility between economic and human-rights objectives could be the establishment of a permanent observatory, supported by UNICEF, monitoring the impact of mainstream economic policies on child rights. The observatory could collect and consolidate information in this area, as well as identifying concrete situations where economic policy and human-rights objectives are apparently in conflict. Some initiatives along these lines have already been launched. For instance, in recognition of the possible conflict existing between the patents regime sanctioned by the WTO TRIPS agreement and the access to HIV-AIDS drugs of people in developing countries, in May 1999 the World Health Assembly mandated the World Health Organization to monitor the health consequences of international trade agreements.

This initial step might pave the way to the creation of a tripartite commission to assess the compatibility of major economic and social objectives and policies, and to propose mediation mechanisms in case of open conflict between economic prescriptions and child rights. Such a tripartite commission could bring together the IMF, World Bank and the WTO with the WHO, ILO, possibly the Human Rights Commission and UNICEF. The third and most important pillar of the commission would be the government and civil society of those developing countries that have signed up to both the CRC and international economic agreements.

(ii) A social policy compatible with and compensating for the vagaries of globalisation would:

– Strengthen human capital formation. Research has long shown that investment in human development – including health, water and sanitation, literacy, education and training, breastfeeding, child nutrition and nutritional rehabilitation, childcare, gender balance and community empowerment – generates high economic returns, improves child wellbeing and reduces child labour (see chapter 6 by Alessandro Cigno, Furio Rosati and

Lorenzo Guarcello). It also results in a better distribution of income, greater social cohesion, a stable macroeconomy and – central to the theme of this report – greater national competitiveness in the international markets. Such policies are not just good for children but are a necessary precondition for globalisation. Refocusing public spending (and foreign-aid budgets) on these activities – particularly on girls and women, basic health care, primary education, safe water and sanitation – is essential, as public budgets often allocate huge sums to prestige projects, excessive military spending and so on. Existing public spending on health and education is seldom targeted on the poor and their children – the money is captured mainly by the middle class, as it is directed to public services used mainly by richer families.

However, the reallocation of existing expenditure is difficult to achieve, as suggested by the limited progress of the "20/20 Initiative" (under which aid-receiving governments and aid donors would spend at least 20 per cent of their budgets on human development). Indeed, the reallocation of a stagnant amount of public (or aid) resources meets in most cases considerable opposition from the existing beneficiaries. Reallocation is more realistically carried out when budgets expand, as in this situation the better-off might lose in relative terms but would still receive more resources than before. If the reallocation of public resources proves too sticky, it will be necessary to generate additional revenue earmarked to these activities through non-distortionary progressive taxes and local taxes. Imposing user fees in this sector, in contrast, is in most cases a self-defeating proposition.

– Regulate privatized utilities to benefit poor children. A successful basic services policy – an essential component in any approach to health improvement – requires also that the population has access to fresh water, sanitation, electricity and, increasingly, public phones. This goal will often mean that policies on the privatization of public utilities need to be re-examined. Ideally, each country should create a regulatory body before the privatization of utilities takes place, especially if there is likely to be a lack of competition. Regulation should aim at providing universal access at equitable prices to water, sanitation, electricity and – through collective installations – telephones. It should also accommodate the needs of the urban poor through differential tariffs or local subsidies to poor consumers and families with many children (see chapter 11 by Cecilia Ugaz).

Next, governments have to secure the extension of basic services in peri-urban and rural areas – especially in the case of water, which is generally not provided by utilities companies – by encouraging private investment or by making up for the lack of it.

Regulation of the privatized utilities needs to strike a balance between the conflicting interests of governments, private companies and consumers. To do that, the regulator must be independent from partisan politics and minimize the risk of capture by the private monopoly, often a powerful transnational corporation (TNC). This is particularly difficult in the water sector, where the regulator is usually a weak local government overseeing a large and well-connected corporation, as in the case of the Spanish TNCs in Latin America. Consumers should be represented in the process of regulation through experienced consumer associations, whose development should be supported by the government.

This kind of regulation will also require action from governments of the developed countries that are home to the TNCs to deter any misconduct. Finally, the international community could consider the establishment of protocols to refrain Northern governments from exercising pressures to favour their own corporations to the detriment of poor consumers (children in particular) in developing countries.

– Strengthen childcare and family policies. In an era of increasing female participation in the labour market, of rapid changes in family structures and of rising labour mobility, childcare must form an integral part of social policy. Central and, especially, local governments – which have traditionally paid little attention to childcare – will have to face the difficult task of enlarging access to reliable and affordable services in this area. They will have to frame overall policy in this field, set standards, train teachers, establish clear reporting mechanisms and oversee the delivery of services through a variety of public, private and community-based organizations.

Trade unions, which represent increasingly large numbers of women, and labour-rights bodies ought also to make greater efforts than before to address childcare concerns (see chapter 15 by Bharati Sadasivam). Organized labour must no longer be absent from childcare policy discussions and must defy the perception that rising labour costs could reduce the appeal of cheap female labour for TNCs. Companies may themselves promote initiatives to foster childcare activities not only for the women they employ but also others in the locality. If successful, such initiatives could set an example for the private and public sector that would be imitated elsewhere.

In medium- and high-income countries (including not just the OECD but also the Gulf states) emigrant women from labour-exporting countries are increasingly a large proportion of the childcare workforce, contributing to the ‘globalisation of childcare’. The growth of this workforce has important policy implications, since those who lighten the household burden of their employers often do so by disrupting the balance between their own work and family life. The needs of childcare workers’ own children thus require urgent attention. In the Philippines, for instance, the government estimates that more than a million children of overseas Filipino workers are growing up in single-parent families, subject to rape and incest, alcoholism and other forms of abuse. A more radical solution in this area would involve some relaxation of immigration policies, allowing for family reunion accompanied by specific childcare provision for the children of the new migrant.

– Create permanent social-security arrangements. People in developing countries have long managed shocks by means of informal transfers and, less frequently, by means of formal social-security schemes including insurance against old age, injury, widowhood and unemployment. In addition, since 1986-7 some 70 ad hoc, temporary Social Emergency Funds have been set up in countries undergoing structural adjustment. While useful, these Funds took considerable time to be set up and provided limited social protection against the turbulence of the 1980s and 1990s.

Formal and affordable arrangements such as those mentioned above, together with public work programmes, micro-credit, social assistance and targeted food subsidies should thus be built up in times when there is no crisis. Their institutional development requires years to be completed but should in any event precede domestic and external financial liberalization. The well-being of children can be protected by transfers targeted at the family as a whole, but in some cases it is preferable to channel resources directly to them. Child and orphan allowances; subsidies to foster families and other institutions caring for orphans; nutritional and school-lunch programmes; protection of basic child services; elimination of school and other service fees: these are some of the key instruments to protect children in crisis periods. In some cases, however, children are more rapidly reached in roundabout ways, making use of administrative mechanisms already in place. In South Africa, for instance, the easiest way to transfer resources to HIV/AIDS orphans (who are often cared for by their grandparents) turned out to be an increase in old-age pensions.

Finally, social-insurance mechanisms should be set up also at the global level. In several cases child well-being has suffered not so much from domestic shocks or bad domestic policies but from external shocks such as financial contagion, drops in commodity prices, recession in the OECD countries and so on. When the shocks clearly originate from the global economy, compensation should be provided by the international institutions. An example of a somewhat similar arrangement can be found in the IMF's compensatory financial facility, which in the 1970s and 1980s provided credits to countries hit by large rises in the import prices of food and oil. The World Bank is now working on a similar innovative arrangement. The Common Fund proposed by UNCTAD in 1981 (but which never became operational) aimed, in contrast, at preventing shocks by stabilizing commodity prices.

(iii) A selective and paced approach to external liberalization.

The international economic reforms of the last 20 years have not yet managed to create an efficient, stable and non-exclusionary global marketplace capable of making room for rich and poor competitors alike. First, while access to the markets of many developing countries has been liberalized, the same cannot be said for the OECD countries that still protect their agricultural, textile, footwear and other low-technology sectors in which the developing countries have a comparative advantage. Second, the 1990s have seen the introduction of a large number of new legal, sanitary, administrative and even political conditions that further restrict access to the markets of the industrialized countries. As a result of all this, UNCTAD (1999) estimated that in low-technology industries alone, developing countries miss out on $700 billion in annual export earnings.

Autarky is clearly not an answer to this problem. Yet, under the present circumstances, import liberalization in developing countries should not be pursued in a textbook, big-bang manner but only when domestic and external conditions are ripe. Import liberalization needs to be preceded by the strengthening of local enterprises and farms, human capital and infrastructure, technological capacity and export capacity, as happened in the East Asian countries in the 1970s and 1980s. These nations pursued prudent macroeconomic policy, promotion of exports, the slow reduction of tariff and non-tariff barriers on imports, and restrictions on foreign capital flows. This led to rapid growth in exports and output, massive improvements in child well-being and speedy integration into global markets.

Countries with a diversified economy, good human capital and a developed physical infrastructure may find it easy to liberalize imports and foreign investments at a comparatively early stage. For the remaining countries, weak domestic conditions and persistent problems accessing global markets mean that fully fledged external liberalization is not an option. No doubt, these countries have an interest in strengthening their human resource base, infrastructure and macroeconomic balance. But it is equally clear that, under the present rules of access to international markets, their further liberalization will not by itself necessarily promote growth, poverty reduction and child well-being. For them, a gradual and selective integration into the world economy linked to improvements in their domestic supply-side capacity – and backed by the removal of the major asymmetries in global markets and the creation of democratic institutions of global governance – is preferable to big-bang liberalization.

4.2 Improving the functioning of the economy

The harnessing of globalisation requires an even more imaginative approach when it comes to the creation and regulation of international markets and institutions. Here are a few proposals for some of the main areas:

(i) Promote 'international public goods' and global action to improve child well-being.

Global markets, global research and global institutions can be important sources of improvement in child well-being in developing countries. Much can be achieved, for instance, by harnessing global forces to sponsor, transfer and disseminate the results of technological innovation to all the children of the world, to prevent the impact upon them of domestic conflicts and to promote fair trade.

– <u>Harnessing global technological progress for children.</u> One of the areas in which globalisation could most benefit children is in the promotion of international research on 'global public goods' with the potential to improve child well-being – and in the active, cost-free dissemination of the new knowledge so generated. Purposely harnessing technological progress to the interests of the poor and children in particular is arguably the key development challenge as it is now clear that the benefits of technology will not spread spontaneously.

The case of the rapidly growing Indian software industry illustrates this point. The sector is undoubtedly the brightest star of the Indian economy. Its $6 billion of software exports in 2000 accounted for 13 per cent of total exports and the industry undoubtedly helped sustain a respectable growth in income per capita of 3.8 per cent over the 1990s. But the software industry has directly benefited only a small proportion of the population. Software companies employ just 340,000 out of India's half a billion or so working-age population and have done little to lift out of poverty the estimated 330 million Indian poor. The impact on education and poverty has also been limited. For instance, more than 50 per cent of the population of Andhra Pradesh, the hub of software technology in India, remains illiterate, while the growth of agriculture – the sector in which most poor people work – slowed in the 1990s. India is discovering that technological progress alone – unaccompanied by measures to bridge the domestic digital and educational divide – is unlikely to improve the well-being of its children.

This is why attempts at promoting and disseminating research in areas that hold the potential for benefits with broad scope and easy access need to be vastly expanded. The most important example of past success in this area has been the improvement in rice, corn and wheat seeds promoted by the Consultative Group on International Agricultural

Research (CGIAR – a consortium of international foundations) in the 1970s. The development of improved seeds was the main component of the 'green revolution' which significantly enhanced the health, nutrition and well-being of both adults and children. However, initiatives specifically targeting the needs of children and women have been few and far between. A greater effort is thus required for the future in this area.

This objective could be achieved through the establishment of a 'Technology Research and Transfer Programme for Children' that ought to focus over the next 20 years on three aims. First, it should promote, co-ordinate and help arrange finance for research in areas in which recent technological changes suggest that potential gains in child well-being are within reach. These areas include new drugs for prevention and cure of infectious and other diseases affecting children and women (including malaria and HIV/AIDS); food biotechnology and nutritional interventions; and information and communications technology, particularly long-distance teaching-and-learning technologies. Second, such a programme should aim to facilitate the diffusion of the new (or of existing but unused) knowledge by means of all formal and informal networks. Third, the programme should develop economic arrangements, such as those proposed by the International AIDS Vaccine Initiative (IAVI), that provide private firms with the incentive to invest in research in these areas. It should also ensure, however, that legislation on intellectual property rights or other economic barriers do not hamper the cost-free transfer of essential knowledge to poor countries and people. The programme would not provide research financing, except perhaps for some seed money, but it would help to arrange it and could be funded in one of the ways discussed below.

The success of the proposed Technology Research and Transfer Programme for Children would depend on action at national level. The results of technological progress would need to be rapidly and efficiently absorbed through training and information dissemination. In addition, new food technologies which may have health and nutrition implications would need regulating and monitoring. Furthermore, to enhance the beneficial effect of Information and communications technology (ICT) on children, governments would have to invest in infrastructure. With literacy and schooling still at indefensibly low levels in many developing countries, the first task of governments would be to rapidly advance the reach of literacy and school education.

The administration of such a global programme need not require extensive new 'machinery' but could be run by a comparatively small inter-agency secretariat located in one of the international or national organizations working in this area. Recent examples of similar arrangements are provided by the Expanded Programme of Immunization (EPI) or the Joint Nutrition Support Programme (JNSP), the Global Alliance for Vaccines and Immunization (GAVI) and – to an extent – by UNAIDS itself. The first two of these programmes operated in a similar fashion, received donations for highly targeted, measurable interventions and operated within a given time frame. While they did not pretend to solve the entire child survival and development problem, they were able to focus national and international attention on some of the most distressing unresolved problems faced by children in developing countries and to mobilize considerable resources.

In the case of drugs research, the chief problem is inadequate investment in the preventive and curative treatment of a range of diseases prevalent in low-income countries (see chapter 12 by C.P. Chandrashekar and Jayati Gosh). Even when the technology exists, the production of drugs predominantly used by poor populations is inadequate. High prices, market segmentation and monopoly control all affect the access of citizens of developing countries. Even in the absence of monopoly prices and when the drugs are produced, poverty and inadequate information about alternatives reduce people's access to life-saving drugs.

In the case of food biotechnology, the main issue is that while GMO technologies may have revolutionary effects on land productivity and nutrition, their on-farm application is still preliminary and many of their side-effects are still unknown. Caution and clear international protocols for their use are thus necessary so as to avoid developing countries with weak regulatory capacity becoming the object of 'technological dumping': acting as the testing ground for these new products and then being excluded from the benefits of such research by the patenting of the new discoveries.

ICT is also seen as a source of potential improvement in child well-being, for instance in the field of distance learning. However, despite its rapid growth, the information-technology sector in developing countries (even in a country which is prominent in this area like India) is small and marginal. There are signs that the barriers to expansion beyond the realm of production in both the hardware and software sectors are substantial, and the digital divide is real. Governments need to play a more proactive role to ensure that the benefits of this new technology are more widely dispersed.

What can be done about these problems? The basic problem of inadequate investment in this field and in others (see *health and nutrition*, below) can be addressed through more public investment and international public-private partnerships, like that achieved by the CGIAR. Both nationally and internationally there is a need for more public expenditure and more contributions by private companies to be directed towards human-development ends. A fraction of the revenue generated by e-commerce would, for example, be sufficient to create a fund to pay for research into tropical diseases, the production of essential medicines, distance-learning technologies and so on. Fiscal incentives could be provided to encourage socially desirable and biomedical research as well as investment in crucial drugs. Another approach to the funding of research on global public goods might take inspiration from the IAVI initiative. This would see a pool of international donors set up which would guarantee firms investing in this type of research a minimum level of demand (backed by international aid) for – as an example – drugs to cure diseases prevalent in developing countries.

It is important to devise alternative mechanisms that will generate resources for human-development initiatives to benefit children. But in general more donor funding – whether it is fresh money or debt relief – seems warranted at this point. Any resultant fund could be administered and the research co-ordinated by international organizations such as the WHO, UNICEF and the World Bank in consultation with representatives of TNCs. Companies from these sectors might participate in orienting research in these broad areas, benefit indirectly from the new discoveries and give a clear indication of their willingness to carry a greater share of the world's problems.

– Sustaining global solidarity through action on child health and nutrition. The growing integration of the world economy and the greater awareness of living conditions all over the globe means that the moral obligation to help the poorest members of the world community is evolving. In the now- industrialized countries a century-and-a-half ago, child poverty, famines and deprivation were traditionally responded to at the local level, most often with poor results. As contact and commerce with distant regions grew, people learned more about the living conditions of the poor in other parts of the country. The locus of the obligation to act gradually shifted ever higher, ultimately reaching the national level. Indeed, a local crop failure, unemployment shock or epidemic gradually became an issue involving a nationwide obligation to act.

A similar phenomenon is slowly occurring now at the global level, even if the world is far from becoming a unified political entity. The first area in which there is a *de facto* global obligation to intervene is that of famines. Except in cases where there is a complicating local conflict, over the last ten years, the international response to famines has been consistent and significant, and has helped avoid mass starvation in countries hit by drought. The challenge is now to extend such growing global solidarity to the basic needs of children, starting with child health and nutrition which – as was shown in Tables 1 and 2 – are still far from acceptable in many countries.

Concretely, the greater international solidarity that ought to accompany the emergence of a global economy should help in the establishment and development of the kind of fund discussed above in relation to the Technology Programme. Such a fund could be used to ensure a minimum transfer of resources to the weakest members of the world community to solve some of the key unresolved issues in the fields of health and nutrition. It could contribute to: vaccination campaigns, the international procurement of life-saving essential drugs, accelerated training of health workers, expansion of the coverage of nutritional support and micro-nutrient programmes, nutrition rehabilitation and other activities in the poorest countries of Asia and Africa.

– Using global markets to reduce children’s suffering from war. One beneficial effect of globalisation is that the international community is slowly but steadily accepting the moral obligation to protect children from and during conflict. The growing number of peacekeeping and peace-making missions attests to that. In an integrated economy, such objectives can also be achieved through global markets and institutions.

To start with, the international system might be able to help prevent local conflicts by addressing their long-term causes. Systematic efforts are needed to monitor and moderate ‘horizontal inequalities’ (which have proven to be a major source of instability), not least in relation to aid and public-expenditure programmes. This would involve some reorientation of IMF and World Bank policies. While there is no immediate evidence that the international financial institutions’ policies are the source of humanitarian conflicts, their policies in countries at risk of or exiting from war have so far been ‘blind’ to these issues. Debt write-off and compensation for collapsing commodity prices could help reduce economic stagnation in vulnerable and war-affected economies, another frequent source of local conflicts. Current HIPC initiatives are not suitable for such economies because they require six years of good macroeconomic performance. Liberalization policies should also avoid weakening the state and hampering governments in their task of providing basic health, education, water and local-level security. The provision of basic services generally increases people’s adherence to the state and helps avoid the loss of cohesion often associated with local conflicts. Food subsidies may also need to be reviewed in this light. Policies to support employment and income-earning opportunities for adolescents are needed to improve their peacetime prospects and reduce the incentive to go to war.

As noted in section 3, commodity exports provide many of the resources and incentives for war, though it is true that many of the worst local war episodes are relatively ‘cheap’ and self-financing. But global policies can also be used to control these markets and ‘cut the oxygen’ they provide where war is financed through the export of primary commodities. In many areas policies have been suggested and negotiations to bring them about have begun, but more support for such policies and action is needed.

First, sales of natural resources from conflict zones need regulating. This can be achieved if intermediaries and consumers in importing countries demand a certificate of origin which ensures that the commodities exported do not support conflicting factions. Certification could be provided by large buying firms interested in defending their international reputation, by NGOs or independent monitors. Progress has been made on policies towards diamonds, with the co-operation of the ‘formal’ industry, but certification procedures to determine the origin of the diamonds traded are not yet in place. The NGOs have helped bring about action here. Similar action is needed in respect of other commodities, such as timber.

A second, difficult area is the control of revenue from drugs but attempts to control the drug trade have not met with much success.

Third, treaties reducing the availability of small arms and eliminating the use of landmines have been agreed or are being discussed – though there are large loopholes concerning the trade in small weapons which remain to be plugged (see chapter 14 by Frances Stewart and Jo Boiden). Despite the objections raised by some countries, including the US, initial progress in this area is already visible and might grow further with continued strong advocacy and lobbying by civil-society groups. The landmine agreement showed what was possible in this regard.

Fourth, another promising, if still rather controversial, area of action concerns the use of ‘smart sanctions’. General sanctions are usually ineffective and often, as in Iraq, hurt the most vulnerable while reinforcing the power of those against whom they are directed. Smart sanctions of various kinds – such as financial sanctions – can on the other hand be more effective. Fifth, policies tackling money laundering are key elements in reducing illegal trade. This is an area in which progress is being made by OECD countries. Finally, it is worth promoting corporate responsibility. If companies refused to make contracts with warring parties, it would have a major impact on the incentives and finance that fuel the fighting. Such a change requires a combination of NGO pressure, global regulations and increased corporate responsibility.

– Improving the conditions of child labour via ‘fair trade’. The relationship between globalisation and child labour is complex and its actual outcome largely depends on policies pursued at the national level. There is no empirical evidence that globalisation necessarily increases child labour. Its effects depend on the changes it induces in the growth rate and in the wages attached to different kinds of labour. If globalisation promotes growth, it also helps reduce child labour in the medium-to-long term through increasing family income. Yet the short-term effect may vary. In countries with an uneducated workforce, globalisation raises the wage rate of the uneducated workers in relation to that of the educated workers, a fact that may reduce parents' incentive to educate their child. Thus, unless governments take steps to counter this incentive erosion (by reducing the cost of education, for example), the net effect of globalisation can be an increase in child labour.

In contrast, in developing countries that have invested in education and thus have a relatively large number of workers with at least a basic education, globalisation probably raises the wage rate of educated workers in relation to that of the uneducated. In these countries, public intervention is needed not to raise the incentive for parents to educate their children but to reduce the cost of education, to provide student loans/grants and to protect children from the possibly adverse short-term impact of changes in the production structure. Thus developing countries can turn globalisation into an opportunity to reduce child labour by spending more on education and public health. Developed nations can help this process by supporting educational programmes in developing countries and by eliminating or at least softening their protectionist policies.

If it is explicitly guided by ethical principles, global trade also holds the potential for sustaining child well-being in countries with weak regulatory standards. Indeed, international markets can be used to promote 'fair trade' in goods produced under non-exploitative conditions. The starting point is evidence that people in industrialized countries care about the work conditions associated with the goods they purchase and are in principle willing to pay prices up to 20 per cent higher for goods produced under adequate working conditions. The issue is how to harness this premium so as to enhance the living and working conditions of children in developing countries.

The key obstacle here is the provision of information about the conditions under which the exported goods are produced. This challenge can be met through a variety of approaches, none of which is likely to succeed individually, but which may have an impact if they are implemented together. Labelling is a first approach, as in the case of Rugmark, which certifies that carpets are produced without child labour. In the long term, it is possible that one or two official (private or public) organizations will become the main providers of such information – in much the same way as Moodys and Standard and Poor provide information on the creditworthiness of firms. Another approach is activist publicity against large companies which subcontract to firms with no respect for minimum standards. This may lead to the voluntary adoption of codes of conduct by large firms and thereby ensure that minimum working conditions are enforced. This approach works for companies that have a reputation and a brand to defend that could be sullied by bad publicity, but not for less well-known firms. Finally, setting formal standards for imports is likely to do more harm than good. In practice, however, the impact on child labour of social standards imposed through international trade depends on the elasticity of the demand for child labour.

(ii) **Regulate to protect child well-being against 'international public bads'**

Some crises dominating the international policy agenda today reflect the inability to control 'international public bads'. The following measures are required to rein in those which have a strong influence on child well-being.

– Regulate those international portfolio flows which cause financial instability. The liberalization of short-term portfolio flows is a relatively recent phenomenon but has already contributed to considerable turmoil and losses in child well-being (see sections 2 and 3; see also chapter 4 by Giovanni Andrea Cornia and 5 by Valpy FitzGerald). Premature liberalization in the context of weak financial regulation has turned out to be a recipe for macro-economic and social disaster. The benefits of reducing financial instability are therefore considerable. So far, however, international action to control these flows has been blocked by powerful interests. Yet the orthodox position favouring the free movement of capital is now losing credence and the IMF no longer demands the liberalization of all financial flows in the countries demanding its assistance. The experience of successful globalizers such as China and Vietnam (which did not open their doors to short-term portfolio flows) or Chile in the 1990s (that successfully regulated the short-term capital flows entering the country) are now receiving greater attention and constitute a potential source of policy inspiration for developing countries. Indeed, it is increasingly evident that, given the current absence of global regulation, countries have to strengthen domestic prudential norms and impose controls on these flows. Similarly, countries coming under speculative attack should be granted debt standstills (a temporary break in their servicing of external loans) and the option of imposing controls on incoming and outgoing capital so as to ensure a degree of financial stability. Malaysia followed this approach and appears thereby to have been sheltered from the worst effects of the East Asian crisis.

Regulating short-term financial flows at the domestic level is, however, impracticable in a considerable number of developing and transitional countries which lack the institutional apparatus, supervisory capacity and sophisticated skills required for the effective implementation of these measures. While portfolio flows to such countries are only a modest fraction of the total, the damage that they can inflict there are considerable. For this and other reasons – such as redirecting flows to countries with weak regulatory frameworks, setting global standards and focusing the debate on the global allocation of international financial flows – systemic regulation has clear overall advantages over national-level controls.

Systemic regulation to deal with financial instability could be carried out through the creation of a World Financial Authority or by assigning a broader mandate to the IMF or another global institution in this field (see chapter 5 by Valpy FitzGerald). This would have the task of monitoring, regulating and ensuring greater transparency in the international capital markets. This Authority would require greater disclosure of the asset and liability positions and main operations of all international financial actors, particularly the hedge funds. If broad political agreement could be marshalled, the Financial Authority could also oversee the imposition of a modest and easily collectible cross-border charge for international capital transactions. This would have the effect of discouraging speculative flows while having only a small effect on genuine long-term investors. While the broad-based support necessary for the introduction of such a charge has not been reached, a few OECD countries are now seriously considering its potential application.

– Regulate ‘public bads’ directly affecting children: the case of infant formula and tobacco. Work in this area began years ago but needs to be strengthened and extended. Many of the problems of infants, children or youth today emerge out of the inability of governments to regulate 'public bads' at the national level and the lack of international norms for their control at the global level.

The rapid expansion of international trade and foreign direct investment has heightened the need for the systemic regulation of the trade and marketing of products that could be harmful to infants, children and adolescents. Trade in such products often preys on an information imbalance which means that their harmful qualities are not immediately clear to consumers in importing countries.

In theory, domestic regulation should be able to take care of the problem. In developing countries, however, there are limited traditions of consumer protection, weak regulatory institutions and even weaker oversight capacity (see chapter 13 by Judith Richter with Elisabeth Satow). Ministries concerned with the well-being of children have little status compared with the ministries of finance and trade. This means the best, and often only, solution is international regulation.

The corporations in question have vast legal, financial and political resources – the tobacco industry, for example, has an annual turnover of close to $400 billion – and they use these against attempts to regulate their production, advertisement and sales. In addition, porous borders make nationally based regulations hard to enforce. The internet; cross-border trade and travel; satellite television: all of these make the regulation of advertising, for example, virtually impossible.

How can one provide consumer protection under such circumstances? Industry self-regulation or co-regulation have been proposed as solutions, but are affected by the 'free rider' problem, potential conflicts of interest and doubts about enforcement. International regulation has, in contrast, distinct advantages. First of all, it removes the possibility that a corporation might evade domestic regulation by moving operations from one country to another. It also sets minimum global standards that may cut down on confusion, provide a focus for debate and take care of the 'free rider' issue.

In two well-known areas, those of breastmilk substitutes and tobacco, infants, children and adolescents would be the main direct beneficiaries of enhanced regulation. Where international agreements already exist, the main task is to monitor their full implementation. This requires – as the case of the marketing of breastmilk substitutes shows – continued vigilance and the launch of advocacy campaigns to counterbalance slippage and implementation fatigue. The role of TNCs in improperly marketing breastmilk substitutes and tobacco – not to mention their ability to lobby home countries against such legislation – underscores the need for international rule-setting to support and complement national efforts to regulate, monitor and sanction. Both industries have used aggressive advertising to promote their products and withheld information that would have helped the consumer make an informed choice. They have also used similar tactics to prevent and obstruct global regulation. They gathered information on opponents, paid consultants to try to undermine the work of the WHO and used trade threats via their governments to cow countries into letting them do as they wanted.

– <u>Monitor and regulate the impact of international trade agreements.</u> One of the most important economic treaties of the last decade is the TRIPS Agreement, which stipulates that countries are obliged to introduce intellectual property-rights legislation with standards of protection similar to those of the Northern countries (which now generate over 95 per cent of the world's patents). This agreement has a number of unfavourable effects on developing countries: it hinders their technological development, increases payments of royalties to TNCs and raises the price of many products because of the monopolistic conditions it creates. Finally, while in the past most developing countries exempted agriculture, medicines and other essential products from their national patents laws, these have now been included in TRIPS. The price of medicines has therefore shot up, as competition from generic drugs has been restricted.

The health cost of such an agreement is high while its benefits for the developing countries are uncertain and in any case lopsided. The best solution to this problem is to invoke the conditions of emergency which allow the production or import of cheap generic drugs. In the case of the AIDS drugs, for instance, the generic drugs produced by the Indian manufacturer CIPLA are 50 times cheaper than those on offer by the TNCs. Pressure from large countries, however, often disallows the invocation of the emergency clause. There is thus a need for an international protocol preventing costly interference by developed-country governments and TNCs. An alternative would be the introduction of a two-tier pricing system for the patented items, with the full price charged in Northern countries and the marginal cost (exclusive of the cost of research and marketing) charged in the poorest countries. A third and more general proposal would encourage local research and development (R&D) while weakening international patenting rules in the interests of greater competition and global public health. Much R&D, including for substances to treat tropical and endemic diseases, has so far been funded by the public sector, though the private sector appears to be reaping the profits.

At the national level, governments should be made more aware of the possibilities for exceptions and avoiding monopoly even within the current TRIPS regime (such as compulsory licensing and parallel imports). They should also be apprised of the need for regulation in respect of the new forms of biotechnology and its products. International institutions can play an important role in the dissemination of such information. At the international level, in turn, there is definitely a case for reconsidering the TRIPS agreement, especially with regard to process versus product patents in pharmaceuticals.

4.3 Reshaping global institutions

The policy agenda highlighted in sections 4.1 and 4.2 is certainly a tall order and requires new or renewed global institutions if it is to be implemented. The need for such institutional innovation stems not just from rational argument but also from the demands of international public opinion. For instance, a June 2001 survey of 20,000 citizens of the G20 nations (a group that combines the major developed and developing countries and that accounts for approximately 65 per cent of the world's population) provided evidence of a shift in the popular attitude to globalisation, global governance and a liberalized free-market agenda. While 55 per cent of the citizens interviewed saw globalisation as at least somewhat in their interest, the majority believed that there is an imbalance in the present structure of global governance and that international safeguards, human rights, environmental protection and workers' rights ought to receive greater attention.

In view of all this, the mandate of the existing global institutions (the UN, IMF, World Bank and WTO), or of their successor institutions, probably needs to be broadened. In addition to their standard tasks, these institutions have to ensure that global markets offer symmetrical access – or preferential access in the case of the least-developed nations – for all developing countries' goods (including agricultural products, textiles and footwear from low-income nations). In this way they will remove a major obstacle to the growth of family incomes in poorest countries. They have also to step up their activities in the international regulation of destabilizing capital flows. The IMF, for instance, ought to devise an enhanced financial architecture regulating international short-term portfolio flows and other movements of capital that cause financial instability and contagion.

Such new financial arrangements may also generate revenue to finance essential initiatives, such as the creation of a Global Insurance Fund to sustain local living standards in countries hit by external shocks or financial contagion, or the Technology and Transfer Programme for Children discussed above. These revamped global institutions should also speed up cancellation of the debt of the least-developed countries – the HIPC Initiative is too slow to take effect – and ensure that fresh resources are earmarked for monitorable activities in the fields of child health, education and nutrition. While several of these proposals require a broad-based political backing that has not yet materialized, it is difficult to imagine an improved global economy devoid of the modicum of resources necessary to enhance its efficiency and equity.

Finally, if the global economy is to function properly it requires new international agreements for the control of 'international public bads' (tobacco, ozone-layer depletion, marketing of breastmilk substitutes) and the promotion of missing 'international public goods'. UNICEF, other UN agencies and the World Bank could play a major role in eliciting basic research in this area and in co-ordinating the transfer of such research.

The second – and more complex – change required is an enlargement of the voting rights, responsibilities and financial contributions of poor countries in the global institutions. This shift in voting rights is needed to improve these institutions' incentive to act swiftly on global issues that mainly affect poor countries. Many feel that without a perceptible shift in the control of these institutions, nothing much will occur in terms of international initiatives to harness globalisation for children. At the moment, the industrialized countries control the global institutions which have been entrusted with the responsibility for tackling the problems of growth, poverty, hunger, poor health and lack of education. Yet they very seldom observe, let alone experience, these deprivations – and are forcefully lobbied by their own domestic interest groups.

Most citizens of rich countries, in turn, are undoubtedly driven by altruistic motivations but are only vaguely aware of the specific problems faced by the poor in developing countries, and thus do not feel compelled to change the present state of affairs. Most of the improvements (in family incomes, public services and child well-being) deriving from international public action would, in any case, accrue to the citizens of developing and transitional economies and go unnoticed in the OECD countries (where, instead, talk of the failure of aid abounds). The lion's share of the cost of such programmes would also be borne by taxpayers and workers in rich countries. So, while the aggregate gains from the reforms discussed in sections 4.1 and 4.2 would be enormous and would benefit people in industrialized countries as well, lack of information and limited incentives within rich countries endlessly retard their implementation.

While they are better informed about child poverty, the governments of developing countries are also subject to political and economic pressures and it is by no means clear that they would tackle it with the requisite determination. An additional institutional reform that might help, therefore, would involve NGOs and religious organizations participating in the development of global agreements and policies. While this would undoubtedly raise some thorny issues, it is also true that many NGOs are more completely and directly informed than governments about the conditions of the poor in developing countries. Their motives are also strongly altruistic and they could therefore play an important role in monitoring the actions of governments in both North and South in their pursuit of the well-being of children. An important finding of the survey mentioned above is that the majority of G20 citizens trust NGOs and faith-based organizations to serve the public interest more than national governments and corporations. Of the citizens interviewed, 65 per cent trust the NGO community most and 58 per cent religious groups; only 45 per cent trust their governments to work for society's greater benefit, while global corporations ranked lowest at 42 per cent.

5. Tracking progress

A key component of the proposal on harnessing globalisation for children presented in this report is the establishment or – in most cases – the refinement of an information system which tracks progress in child well-being. Such a monitoring system is essential if we are to establish whether the long-term child-development goals set by the international community for 2010-2015 will be met despite a decade of slow progress.

While there were substantial improvements in the monitoring of child well-being in many developing countries during the last decade, more work needs to be done in selected nations and areas. First, those poor countries still lacking even the most basic information systems on child well-being must be assisted in building them up. They will need to rely on the information systems and data generated by the current wave of multiple indicator cluster surveys. Representative sentinel-sites will also need to be set up to monitor additional key information. The tools, methodology and national and international personnel for this task are available but remain to a large extent unused.

Second, the international goals should be monitored not only in terms of national averages but also at the level of smaller social and geographical groups, with particular attention to the situation of the poorest groups. This is because globalisation seems to have been accompanied by widening gaps in child well-being between the advantaged and the disadvantaged, whether measured in terms of income group, location, level of education of the mother, ethnic group and so on. The information this produces guides the action to be taken. There are alternative strategies for reducing child mortality, for example. Those that reduce mortality among children belonging to the poorest groups are more equitable and efficient than others which concentrate all infant-mortality gains among the high- and middle-income urban class.

Third, information on key aspects of child well-being is still woefully inadequate. This is true of child labour, child malnutrition, child poverty, child pornography and other forms of child abuse which are gradually being recognized as additional threats to the well-being of children in the era of globalisation. For instance, while one of the international community's main goals is to halve the incidence of poverty in developing countries by the year 2015, there is no effort under way to garner adequate information on child poverty, despite the fact that several studies suggest that it has risen in some countries.

The collection of this kind of information requires the active participation of the children themselves and their communities in the design of the surveys, in the interviewing and in the data analysis.

Fourth, information on changes in child well-being is not all that is required for the design of adequate policy responses. The framing of such policies also requires an understanding of the basic determinants of child well-being and of their changes over time. A comprehensive child-monitoring system should thus also track changes in the basic determinants of child well-being.

Finally, UNICEF, WHO and UNESCO have global responsibilities for generating, compiling and analysing trends in indicators of child well-being and for drawing out the implications for programmes and policies of such information. But the international institutions in charge of the design of global economic policies ought to make systematic use of such information, as well as of literature reviews on the impact of globalisation on children in countries undertaking major economic reforms. Some progress in this area is being made in the case of the World Bank-sponsored Poverty Alleviation Framework Papers and Poverty Alleviation Programmes. But there has been little alteration in the design of major economic policies as in the case, for instance, of the adjustment lending programmes of the international financial institutions, or the evaluation of aid by the Development Assistance Committee of the OECD.

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