The Causes of Poverty

So where does that leave us? In Community Aid Abroad's experience Third World poverty is caused primarily by **INEQUALITY** rather than by overpopulation, cultural "backwardness", lack of technology or even shortage of food.

It is entrenched social and political **INEQUALITY** at both the national and international level that makes people poor.

At the international level, **INEQUALITY** manifests itself in a trading and financial system that allows a minority in the developed world to enjoy an affluent - and ecologically unsustainable - lifestyle at the Third World's expense. Let's see how this works.

Unequal trade

Most Third World countries still suffer the colonial legacy of having "plantation" or "quarry" economies that rely on exporting a handful of agricultural or mineral commodities to rich countries.

Like commodity producers everywhere (including Australia), they are highly vulnerable to price fluctuations caused by weather, crop diseases, the activities of speculators in rich nations, and so on.

Photo. Belinda Coote, OXFAM UKI. A sugar plantation worker in the Philippines. The low price of sugar on international markets has meant poverty and unemployment for many such people.

But one big difference between developing country producers and those in the West is access to finance as a buffer against such market swings. In a falling market, Western producers can afford to hold on to stocks and sell when it rises again. Third World producers, however, need foreign exchange urgently (usually to repay debts to Western financiers) and are often forced to sell in unfavorable conditions.

The disturbing result is that rich producers are paid more than poor ones: for identical goods.

Also working against reasonable prices for Third World producers is the fact that, for some commodities, there are a large number of developing countries selling, but only a handful of organisations in the North buying, thus giving the buyers considerable control over prices.

Further depressing earnings are the trade restrictions imposed on Third World agricultural products by industrial countries like the US, the "champions of free trade". It's been estimated, for example, that Latin America and the Caribbean would earn an extra $1 billion a year if US trade restrictions were removed.

Completing the gloomy picture is the drastic commodity price fall of the last decade caused by worldwide recession. On the other hand, prices of fuel and of the manufactured and processed goods Third World countries import from the developed world have risen.

Many developing nations, already struggling to repay huge debts to Western financial institutions, have little option but to increase commodity production to service these debts and to pay for imports which means running down their resources of farm land, minerals and forests. The poor returns they get rule out environmental rehabilitation.

Next: Is manufacturing the answer?

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