

Remarks by Pasuk Phongpaichit on Combating Poverty and Inequality

27 October 2010, UNESCAP

I'd like to congratulate UNRISD for producing the report, *Combating Poverty and Inequality: Structural Change, Social Policy and Politics*. It is one of the most comprehensive studies on how to overcome the persistence of poverty and inequality, and why it is so important to do so. It takes into account institutional and political factors and provides policy recommendations, which emphasize the important role of the state in effecting economic transformation and bringing about comprehensive social policies based on universal rights and a principle of solidarity. I particularly like the conclusion that there is no one right way to reduce poverty, and that "Countries and people must be allowed the policy space to adopt different models of development where aspects of livelihood and food security, land reform, cultural rights, gender equity, social policy and associative democracy figure prominently".

The report is very timely and is relevant to the problems facing many countries in Asia. I will make my comments keeping in mind the relevance of this report in the context of current development in Southeast Asia, with observations on some global perspectives and agendas for further thinking and research.

The report calls for a greater role of the national state, not a retreat. On this I do agree. But there has to be a check on the state. How can we ensure that the state is accountable to the people? Here, of course, the role of social movements—which the report discusses—and freedom of the press are important. In some countries in our region, authoritarian governments—with a tendency to gag the press and constrain the activities of social movements through measures such as emergency decrees—can be an obstruction to the development of a government accountable to its people.

At the same time, we also must bear in mind that nowadays people all over the world are losing confidence in their governments. This may be due to problems of corruption, the way the state exercises power, or the sentiment that governments are not responding to the needs of the people.

Many national governments view the fight against poverty as an issue of charity. As such, they ignore people's dignity and needs. The people may actually want more participation and control over their resources and their lives. They may want to manage their own affairs at the local level, rather than be dictated to or provided for.

In Southeast Asia, as elsewhere, people are demanding greater roles and more power, managing their own lives. They are demanding real decentralization and would like to get more involved in running local governments. If local governments could collect their own taxes and decide on spending priorities, it may give people, through their involvement, the opportunity to better manage their resources and improve their lives.

The politics of decentralization and the relationship between local and central

governments in the area of social provision are now some of the key issues being discussed in the region. On these issues, we can learn a lot from experiences of countries like China and the Republic of Korea. In the Republic of Korea, for example, the minimum income guarantee introduced after the financial crisis of 1997 was managed by local governments, and financed by both local and central governments.

This report also deals with politics, mostly at the national level, as well as political issues at the global level, with respect to, for example, the question of how to regulate multinational companies. This question is touched upon in the report in terms of the promotion of international norms and laws that regulate multinational corporations. This issue is also relevant to Southeast Asia.

In the aftermath of the 1997 Asian crisis, many governments allowed a firesale of ailing banks and companies to rescue their balance sheets. As a result, multinational companies (MNCs) now figure more prominently in the economic life of these countries, in banking, industry, real estate and other services.

MNCs have their own agenda, which may not coincide with the national agenda. Yet they are important players for investment in technology for skill development, which no country can do without. For many countries, the involvement of MNCs did quicken the process of economic transformation. However, there are also concerns over, for example, the increased participation of multinational banks, which may be more interested in serving high-end consumers and other multinational companies like themselves. They are not interested in financing small and medium enterprises or investing long-term in local firms. There is also the phenomenon of shareholder capitalism, in which management pays more attention to the rise and fall of share prices rather than to setting aside some profits for future investment. Both of these phenomena may affect the investment for long-term growth. And sustainable growth is crucial for reducing poverty and combating inequality.

We cannot expect MNCs to think of the interest of national or local governments. However, most countries have anti-monopoly and environmental laws to regulate the working of local firms for the benefit of social good. In the same way, MNCs should also be regulated at the international, national and local levels.

Countries beset with poverty and inequality seem to have a problem with the rule of law, which could be used in the fight against poverty and inequality.

Last, one cannot address the global issue of poverty and inequality without addressing the question of how to deal with the way the sea of global money is creating havoc around the world and causing repeated financial crises, which could destroy decades of the fruits of accumulated economic development in a flash.