

The Global Picture

1. Introduction

- Globalization is not a new, unique phenomenon. It dates back at least 200 years, possibly 500 years to mercantilism; colonialism was one of its phases.
- Globalization received a major boost in past 30 years with advances in electronic media, enabling easy transfers of money and facilitating management from afar; secondarily, a decline in transport and communication costs. These advances specifically benefit corporations operating in two or more countries; other organizations also, e.g., Al Qaeda.
- Specializing in production and exchanging the output, within countries and among countries, is a primary determinant of economic growth, e.g., Canadian economy, especially western farmers. World Trade Organization [WTO] estimates world trade will grow 8.5% (i.e., some US\$620 billion) in real terms in 2004. {Fowler, 2004}
- Globalization is not a primary cause of current crises, e.g., economic collapse in Argentina; the human tragedy in Zimbabwe; continued poverty of low-income countries. "Such countries can appear to boom even during civil wars: well-guarded oil rigs continue to pump even as rebels burn the rest of the country. Soberingly, 60% of LDCs suffered conflict in 1990-2001, up from 40% in 1978-89. Now that really did have an "immiserizing effect". {*The Economist*, 2004: 74}
- Whenever significant changes in trading relationships occur, sub-groups need to adjust to emerging comparative advantages, e.g., pain experienced by Bolivian farmers and Argentine firms responding to devaluation in Brazil.
NOTE: Canadian Labour Congress has withdrawn its long-standing objections to the North American Free Trade association [NAFTA] (Curry, 2004: C16).
- The importance of a name:
 - comparative advantage (as the basis for production and exchange) – economists;
 - international division of labor – individuals affected adversely and critics of globalization;
 - out-sourcing – corporations.

2. Limitations of Contemporary Globalization

- Global data show, on average, GDP/capita has increased as a result of globalization (primarily the impact of China and India)
- Gains from trade for Uruguay Round changes were estimated at US\$200 billion. Gains from trade for a successful Doha Round are estimated at US\$500 billion by 2015 {*The Economist*, 2003: 26}.
- Distribution of these gains is unequal:
 - sub-Saharan Africa's share of Uruguay Round gains from trade, -0.2% of GDP;
 - estimated less developed countries' share of gains from Doha Round range from 15% to 42%; the higher the role of services in this Round the lower the benefits to low- and middle-income countries;
 - if India and China are divided into four economies, separating rural and urban, data show global distribution has become less equal {Wade, 2001};

- *The Economist*, a strong proponent of globalization, admits some 2 billion people (primarily African, secondarily Muslim) have not benefited significantly from current round of globalization;
- e.g., rural/farm community in Mexico is expected to decline significantly as agriculture tariff reductions under NAFTA are implemented – “These tariff reductions have occasioned the gloomiest predictions about the decline and fall of the entire agriculture sector, even the demise of the tortilla, the staff of Mexican life.” {*The Economist*, 2002: 31}
- Economists are weak in analyzing these distribution effects among trading partners and within any one country. We tend to dismiss it as a failing to take advantage of new opportunities (e.g., Mexican farmers and Mexican government). “Free trade is not much use if you have nothing to sell, and the least developed countries, by definition, produce little that the rest of mankind wishes to buy.” {*The Economist*, 2004: 73}
- In general, opening up to foreign trade has increased the average material standard of living in the countries involved but **it is not a panacea for poverty reduction and development**, i.e., UNCTAD’s “immiserising trade effect”. “The report does identify some troubling trends. Most of the world’s poorest countries formally opened their markets to international trade during the 1990s ... Yet average incomes are only slightly higher in LDCs than they were in 1990, and the overall incidence of extreme poverty did not fall during the 1990s. In about a third of LDCs, exports grew during the 1990s, but average incomes fell.” {*The Economist*, 2004: 74}

MCC Asia Consultation – “The effects of globalization are uneven and unpredictable, said many conference participants. Rural people in South Asia seem to be the most excluded from and hurt by globalization ... Women and tribal peoples also tend not to benefit from globalization.”

- **Major limitation of these studies** of globalization is their narrow focus on economics and economic growth. Social and political developments are lagging behind. As a result, cultural diversity and natural biodiversity have become vulnerable.
 - MCC Africa Consultation – “Many participants spoke of the devastation that globalization has brought to traditional African cultures.”
 - Latin America MCC Consultation – “Where are the Human Values? Their list of values: democracy, participation, peace, equality, solidarity, justice, love, the local.
 - MCC Africa Consultation – SASOL seems “... to embody the potential for traditional African values – such as community involvement, simplicity, collective self-help and relying on the wisdom of elders – to improve economic conditions.”
 - The “olive tree” in Friedman’s *The Lexus and the Olive Tree*.
- “Fair trade” now part of the language, but with two quite different meanings: for economists and trade negotiators it means a level playing field and harmonization of trading rules among countries; for NGOs and other social activists it means a more

equal distribution of gains from trade.

- Are nation states the appropriate forum within which to address biodiversity in nature, cultural diversity and social development?

3. A Failure to Practice What We Preach

Unequal distribution in the gains from trade is, in part, a product of a failure of the primary proponents of free trade to practice what they preach.

- United States took action in late 1940's to exclude agriculture from the General Agreement on Tariffs and Trade [GATT]. Subsequent use by the United States of food exports for political purposes caused Europe and Japan to take advantage of this exclusion to subsidize agriculture and eliminate their dependence on the United States for staple foods.
- The current effect is high-income countries subsidizing their farmers at a rate just under US\$1 billion/day. Significant reductions here would be worth several times more to low-income countries than foreign aid they receive at present.
- Subsidizing farmers per se is not the problem; rather it is the trade-distorting "dumping" of excess production on world markets at these subsidized prices. This is unfair competition for farmers growing cotton for export and food – especially wheat, corn and oilseeds – for their domestic markets.
- Current World Trade Organization rules to define and govern dumping are inadequate, facilitating the "right" of the United States Congress to intervene whenever they perceive "dumping".

NOTE: WTO, created in 1994 as part of the Uruguay Round of GATT, has a budget that is approximately 50% of what World Bank spends on travel. {*The Economist*, 2003: 25}. Decisions are by consensus, so amazingly democratic.

- Brazil is now formally challenging U.S. cotton subsidies at the WTO {*The Economist*, 2004: 77}.

4. Multinational Corporations Exploit Globalization Opportunities

- Growth is imperative for the continued existence of these corporations. The way they are organized and the way they operate makes them especially well-suited to exploit opportunities presented by contemporary globalization. They have been active in lobbying for rules that enhance their natural advantages (e.g., adding TRIPS to the WTO set of regulations). Proponents of globalization do not see these corporations as a problem as government regulation and consumer behavior provide adequate checks and balances.
- International trade theory assumes all resources are owned internally within a country and tends to ignore issues of control and transfers of fees, interest and profit associated with foreign ownership of resources and assets in low- and middle-income countries.
- Much of the criticism of globalization focuses on the behavior of corporations rather than international trade per se, e.g., MAI, TRIPS, outsourcing to avoid environmental standards and laws governing humane working conditions.
- There is some anecdotal evidence that shows selected, small informal enterprises in low-income countries are exploiting niche opportunities.

- Fair trade networks provide an advantage to selected low-income country producers by providing access to selected high-income country consumers. As an alternative trading regime it remains relegated to a niche market as it cannot compete in many cases against the cost advantage of economies of scale obtained by multinational corporations [Fridell, 2004].

5. Where Do We Go from Here?

- Latin America MCC Colloquium: 1) neo-liberalism with a human face; 2) resistance and progressive alternatives; or 3) a radical Christian vision.
- **MY VIEW: Globalization is here to stay. The options are to shape it, to adapt to it, or drop out.**

5.1 *Shaping the globalization system*

- Limit World Trade Organization [WTO] to trade issues only (i.e., cut out protection of intellectual property rights (e.g. TRIPS) and national treatment of corporations. "...the World trade Organization, though enormously successful, has strayed too far from its primary function of promoting trade liberalization – by, for example, becoming involved in trade-related aspects of international property rights – and should be brought back firmly to its specific aim." {Martin Wolf as cited by Ebrahim-Zadeh, 2004: 318}
- Bring trade in agriculture goods fully into the WTO system to eliminate the dumping that occurs from just under a billion dollars a day paid as subsidies to farmers in high-income countries.
- Change the rules of the system so corporations serve all people (a proposal similar to the mice wanting to bell the cat!)
Growth is imperative for continued existence of large corporations. Is maintaining cultural diversity and biodiversity consistent with an institution that requires continued growth?

NOTE 2: The case for globalization as a means to reduce poverty is premised on growth as a primary determining factor. Hence corporations that promote and achieve economic growth form an integral part of the "solutions" for global disease, malnutrition, poverty, etc. This premise has severe implications for biodiversity, cultural diversity and equity, but **it makes action politically palatable** as it reduces the need for the rich to re-distribute to a point where their income and wealth actually declines.

POSSIBLE ACTION

- 1) At the United Nations revive the process of defining a code of conduct for multinational corporations – "to curb conflict requires, among other things, better-designed international rules and institutions, so that nations, no less than individuals, can regard each other as honorary friends." [Paul Seabright as cited in The Economist, 2004: 16]. Such a code of conduct should:
 - require corporations to set the same environmental standards and working conditions in every country in which they locate branches; corporations to

enforce such rules and standards for all contracting out of production and services;

- require corporations to pay income taxes on value added in each country in which their branches operate;
- develop some form of sanctions against want creating advertising, e.g., remove it as a tax deductible expense.

NOTE: If these recommended changes are implemented this will be resisted by governments and employees in low-income countries as they will view such actions as a form of protectionism designed to by high-income countries to limit competition for higher value-added goods from low- and middle-income countries.

- 2) More generally, enhance our understanding of technology, including its origin, how it is directed, and how it is to be shared.

MCC Africa Consultation – “...many participants expressed support for a different vision of globalization, a “bottom-up” approach in which people around the world benefit from learning from each other.”

This would be a direct challenge to current patent systems as the “preferred” way to induce development and implementation of new technology.

“How do you transfer biotechnology to African countries and strengthen their technological competence to acquire, assimilate, further develop, and effectively apply the technology for enhanced agricultural production? What policy and institutional arrangements should be put in place to make the technology and its product accessible to rural farmers in the region?”
[Kameri-Mbote, 2002: 2]

5.2 *Adapt to forces that drive globalization*

- 1) A radical, effective solution is to remove all national and international barriers to the free movement of labor. Even now, remittances that flow from the international movement of labor is estimated at US\$93 billion in 2003, exceeding transfers to low-income countries from foreign aid and capital markets combined. [*The Economist*, 2004: 66]

MCC Asia consultation – Remittances from Nepalese migrant workers “This money is crucial to their families and their communities. The money is also crucial to the Nepali economy as a whole ... and makes up about a quarter of the national income.”

- 2) Revive the Jubilee 2000 debt movement to expose HIPC {highly indebted poor countries} as a cynical, inadequate response to the continuing debt crisis (where crisis is defined not by banks and international financial institutions, but by lower income groups in low-income countries. This should include some form of “bankruptcy procedure” for international debt.
- 3) Through the emergence of civil society as a potent social and political force, advance political and economic means to accomplish three things:

- local communities, (smaller than nation states?), have a significant say in how their natural resources are exploited (e.g., Sasol);
- counter the practice of reducing people, who are employed to work, to being merely another resource or productive input, labor. Facilitate employees having a collective voice to address their needs AND to develop approaches to production that enable their creativity and dignity as human beings to flourish;
- challenge actions by corporations to reduce people to being mere consumers. We need to re-discover the importance of people being in community and we need to become creative in developing alternate means to building community.

5.3 Drop out

- 1) Local level - decide on a limit range of products that can be produced locally and establish co-operative ventures to bring together consumers and producers.
- 2) Within your communities - facilitate and promote fair trade as a bridge between specific producers in low-income countries with specific consumers in high-income countries.

NOTE: organic and fair trade production constitutes niche markets that cater to committed minorities; average costs tend to be higher and it is not a feasible means to feed the world.

- 3) Organize community approaches to sharing durable consumer goods as well as sharing responsibilities, e.g., for child care and child development, care for the elderly in our extended families, etc.
- 4) Re-discover the Sabbath to honor our creator, to celebrate all of creation and to foster a sense of “enough” within our lives.
- 5) Recognize the importance of support groups (e.g., churches?) to provide the strength and staying power to swim against the stream of contemporary emphases on consumerism and growth.

My Altar call: INSTEAD OF DROPPING OUT, CAN WE BECOME ENTREPRENEURS WHO WILL DESIGN AND SHOWCASE BETTER MODELS OF LIVING FOR THE FUTURE?

6. My Prognosis for the Future

- Low-income countries will begin to use effectively WTO mechanisms to address their development needs, e.g., role of Benin, Burkina Faso, Chad and Mali, whose farmers are heavily dependent on cotton production, using the Cancún WTO meetings to challenge US\$3 billion granted annually as subsidies to 25,000 U.S. citizens involved in cotton production. Similarly, a larger rejection of EU/US position at Cancún, led by Brazil, China and India.
- Regional trade agreements will flourish and there will be attempts to build effective cartels (e.g., DeBeers in diamonds, Indonesia and Grenada in nutmeg, to a lesser extent OPEC in oil). Such actions will reduce “gains from trade” at the global level,

but will distribute of some of the gains from trade more equitably for participants in these agreements, i.e., a form of “affirmative action” to reduce current disparities.

- Where democracy prevails, people will re-act by electing governments more attune to their aspirations, e.g., Brazil, Uruguay, (South Africa?), Sandinista in Nicaragua?
- When this happened previously, the United States responded by facilitating military coups and supporting military regimes in power. Can this happen again?
- Concluding caution based on experience – **“If it doesn’t pay it is a hard sell!”**

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