

Program 2: The business of Globalisation

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Montage

It is control of all the societies of the world, all the economies of the world by a handful of corporations located in the West, assisted by the G7 powers and the three Breton Woods institutions the WTO who I prefer to call the 'unholy trinity'. There are issues that are best dealt with by national governments and there are issues that can only be addressed adequately in multilateral institutions like the WTO or the World Bank and the IMF.

Rena Sarumpaet

Hello, I'm Rena Sarumpaet and welcome to Globally Speaking, a series on the politics of globalisation. Today, the business of globalisation.

It's interesting to note that of the world's one-hundred largest economic units about half are countries and the other half are companies. Economic globalisation has been defined variously as the worldwide extension of markets, as a new global division of labour, and the end of geography. These days German Volkswagens are produced in Mexico, Australian souvenir kangaroos in China, Scottish bagpipes in Pakistan and hot water bottles in tropical India.

It's said that now anything can be produced anywhere, from the world's car to the world potato crisp.

Dr. Graham Dunkley teaches economics at Victoria University in Melbourne and is author of 'The Free Trade Adventure'.

Dr. Graham Dunkley

Well the shape of the global economy is a vast complex consisting of micro and macro elements. The micro part is a chain of some 40-thousand transnational companies with over a quarter of a million affiliates worldwide which now control much of world trade and investment. The less discussed macro aspects of the global economy is the mix of policies by governments and global institutions which are now pushing for deregulation of trade, capital and finance and technology worldwide.

Rena Sarumpaet

The World Economic Forum brings together the international business community with the political and economic leaders of individual countries. The Forum's managing director Claude Smadja says economic globalisation is here to stay but acknowledges that its benefits need to be more widely shared.

Claude Smadja

I think it is a fact that today economic activity or financial flow don't know any boundary, and in addition to that they move at the speed of light. And so it requires that everybody adjust to that. It is a reality, it is something that we cannot turn the clock back on. So the issue is how do we create the conditions for people to benefit from this revolution, not to be a victim of this revolution but to benefit from it.

Rena Sarumpaet

But is economic globalisation an irresistible, unstoppable force? Graham Dunkley again.

Dr. Graham Dunkley

Well technology seems to be making globalisation inevitable, but there is also a discretionary element. Governments are deliberately pushing deregulation of trade, capital, financial flows and so on thereby committing sovereignty suicide. There's now worldwide a strong elite consensus amongst economists, businessmen and bureaucrats but certainly not amongst people at the present time.

Rena Sarumpaet

So when did this new push for free trade and globalisation begin?

Well, the United States, many economists and some business leaders have been pushing for free trade and investment throughout the post war period. But it really took off with the conclusion of the Uruguay Round of the GATT in 1994. Under this vast agreement most of the world's governments have greatly cut tariffs, and eliminated many. The agreement extended trade liberalisation to agriculture and services; it also agreed to restrict the use of subsidies and investment controls; to make product standards more scientifically rigorous and to adopt intellectual property systems.

Some argue these new rules favour transnational corporations. So what are the implications of this new model free trade agreement for individual countries?

Gordon Laxer is a sociologist from the University of Alberta in Canada who's co-ordinating a multi-disciplinary study into globalisation.

Gordon Laxer

There's two really important things that you get in any of these agreements. One is the idea of national treatment, and the second is right of entry. Now what national treatment means is that you've got to consider a foreign corporation as if it's your own, and it means that no matter what kind of labour practice or environmental damage has been done a product is a product and you have to consider it the same, even if the foreign owned company operates differently, they don't process or manufacture in your own country, they just take out your resources, you've got to treat them the same.

Right of entry means that corporations have the right to move into any country. They really have citizenship like rights into over a hundred countries. Now people don't, labour doesn't, citizens don't, but corporations do, and it means that corporations can play, this is the kind of analysis that's come out, they're able to play one country off against another and say, well if you don't give me lower corporate taxes, laxer environmental regulation, get rid of your strong safety regulation whatever, then we're going to move and go to another country, we have no commitment to you.

Rena Sarumpaet

According to Canadian economist, Marjorie Griffin Cohen governments can also use these agreements to make decisions that don't always have popular support.

Marjorie Griffin Cohen

One of the most difficult things I think for politicians is getting a grip on it. I mean these are very complex issues, the trade agreements are extraordinarily dense. I remember the first trade agreement with the United States and Canada was a hundred pages long. By the time it got to NAFTA it was a

thousand pages long, and the World Trade Organisation documentation is so big that no one person would read it in a whole lifetime.

So these are documents of governance for a world that are difficult for nation states to stand up to. So often what is happening internationally I think is very convenient because sometimes ideologically governments want to undo things that have been done in the past. They don't necessarily want things in the public sector anymore. They want to reduce taxes, they want to have education and health care privatised, they want to have electricity privatised and it's very handy to have an international institution say you've got to do it rather than to have the big argument at home.

Rena Sarumpaet

Marjorie Griffin Cohen points to NAFTA (the North American Free Trade Agreement) and Canada's experience in relation to education, as illustrations of the impact of trade liberalisation of services. She also points out that the Uruguay round established a services liberalisation agreement, the General Agreement on Trade in Services - GATS - whose overall provisions are compulsory for members of the World Trade Organisation. And while it's not compulsory to schedule particular services such as education, for liberalisation - in other words, deregulation, under GATS, once a nation does schedule a service, that service sector must be open to foreign competition and foreign investment.

Marjorie Griffin Cohen

Generally I find that people are not aware that there are negotiations that are ongoing within the WTO on trade in services. Internationally what is happening are negotiations around giving corporations rights anywhere in the world, particularly rights in services. Because usually services or in many parts of the world services have been the things that have been provided collectively in some way, whether these are education services or health care services or social services.

But what has become clear is that in some countries there are beginning to be private providers of these services. There always have been in the United States, but there are increasingly in other countries and they see that governments are spending enormous amounts of money on these services and they want that money to be spent on their private service, rather than on the public service.

So in the North America Free Trade Agreement we have a very interesting clause there on how government monopolies have to behave. And I think you have to look at this as something that may happen in the World Trade Organisation because basically NAFTA has been a sort of blueprint or framework document for trying to include things in the World Trade Organisation. But in this what they compel government monopolies is to behave as though they are commercial operations, and they're very explicit at saying when they behave as though they're commercial they have to behave as any private company would in the same field.

But public education has very different objectives than does private education. And the objectives usually do not have to do and are not focussed on making money primarily, they're focussed on research, they're focussed on teaching, they're focussed on access to people.

Rena Sarumpaet

In a paper delivered in Australia, called 'Trading Away the Public System' Marjorie Griffin Cohen explains how GATS may be used for the adverse globalisation of education. Both the WTO and private education companies claim that practices such as government education monopolies, content regulation and limitations on immigrant teachers, which arguably have popular support, are barriers to free trade in education. They would like those barriers eliminated. Hence there's currently pressure on WTO member countries like Australia to fully schedule education for liberalisation, and thus open that sector to foreign competition.

Protest Rally

This is your final warning, please move to the north peacefully and voluntarily.

Dr. Vandana Shiva

By and large the creativity and energy was from the young. They're saying we don't want this world, the peasants are saying we don't want this world, the workers are saying we don't this world.

Rena Sarumpaet

Well known Indian environmentalist Dr. Vandana Shiva who was among the protesters at the World Trade Organisation's meeting makes the point that it's the young people in particular who are most critical of economic globalisation.

Dr. Vandana Shiva

If you really took a vote we'd have a vote against globalisation. The real problem is that globalisation is being administered in a highly undemocratic way through very dictatorial and highly untransparent decision making. The fact that all governments are changing policy has little to do with the fact that most people of those countries are not saying yes to these policies. The governments are literally being hijacked by one person in a finance ministry, another person in a commerce ministry and I think we can trace each of them back in their personal historical past to Washington where they got their training and they got their brainwashing about how to rule the world.

Rena Sarumpaet

Clearly economic globalisation is being questioned by some people. The question is do nations really need to 'globalise' to be competitive and if they do, might the costs of globalisation outweigh the benefits?

Julian Schwietzer is the Director for Operations and Strategy for the East Asia Pacific Region of the World Bank. He believes that free trade and globalisation are overwhelmingly beneficial but need to be better understood.

Julian Schwietzer

Somewhere along the line there's been a failure of communication if a lot of people feel that free trade, or I think globalisation is a word I'm not sure I know what it means, but free trade is bad for people. There isn't much evidence to suggest that free trade is bad, and I think most of the evidence is the other way but clearly somewhere along the line there's been a communications failure because free trade or globalisation is now credited with a variety of sins which I don't think there's any much evidence really exists.

Claude Smadja

The motto of the World Economic Forum is and has been for many years it is not the fashion of the day, it is for many many years, our motto has been entrepreneurship in the global public interest. For us what counts is that economic activity doesn't benefit only to some CEO's or top-level management people, economic activity has to benefit to the community as a whole.

Rena Sarumpaet

The Managing Director of the World Economic Forum, Claude Smadja.

However, Graham Dunkley points out that the benefits as measured for example by the OECD report commissioned for the Uruguay round - show remarkably small gains from free trade.

Dr. Graham Dunkley

Computer models show the benefits of free trade to be surprisingly small, well under one per cent of GDP for many countries, and losses for some countries, especially third world countries whose import prices would rise as a result of trade liberalisation. The main theories of free trade comparative advantage and so-called gains from trade theories are narrowly economic and they ignore the possible social costs completely.

In practice there can be many non-economic costs of globalisation. For instance decline of regions, loss of special skills, disruption of families, destruction of communities, loss of sovereignty, environmental damage with the so-called comparative advantage of the country's ecologically sensitive sectors.

Emmy Hafield

You know when we're rich, when we have a higher income it's no use if we have to hide in a bunker yeah, and to purify our air in order to breathe.

Rena Sarumpaet

Emmy Hafield is from the Indonesian Forum for the environment.

Emmy Hafield

It's no use for us to buy water when the clean water that communities used to drink from the river are being polluted by mining pollutions. It's no use for us to be rich if there is no place to go for relaxations like in the forest. Even right now in Jakarta for instance 70 per cent of our wells, water wells have been contaminated. And we are poor now but what is the point of being rich through economic and industrialisation if the things that we can enjoy from nature cannot be enjoyed anymore.

Rena Sarumpaet

Increasingly, the main critics of globalisation tend to be Non Government Organisations. Maitet Pascual is President of the Freedom from Debt Coalition. She points out that globalisation mainly works for people who have sufficient income to participate in the market. In her country, the Philippines, this excludes a large proportion of the population.

Maitet Pascual

First of all if when you say market you have to have money, so the ones who have money in my country are just a few. Therefore it's what they would say a thin market. So when they say market it means the outside market, the people in the other countries who have the money to buy our products.

I think if we want to talk market let's look at the poor, let's look at how they will be the market, now not in the instrumental way that I think the World Bank tends to do it now.

George Mathew

Tell me is the WTO or IMF concerned about the poor in India? Or are they concerned with the business houses, the middle class and the elite? Because they're looking for the market for the products from the industrialised countries.

Rena Sarumpaet

George Mathew, the Director of the Indian Institute of Social Sciences. Economist Marjorie Griffin Cohen is also Professor of Political Science and Womens Studies at Simon Fraser University in Vancouver. She argues that international trade agreements may lead to homogenisation of social and economic systems, and that this is a major cost of globalisation.

Marjorie Griffin Cohen

Canada has very very different kinds of problems. It is an immense country with very very few people in it. It has an absolutely fierce climate and it is true most people think of it as being cold most of the time, and it is. And we have enormous problems in keeping people warm, having them fed and having them communicate with each other over a very huge distance.

But as a result of the difficulties that Canadians have had in constructing a society they have done things differently from the Americans. So we have had more collective solutions to economic problems. So for example in order to grow things we've had to have what we call marketing boards, so we protect farmers and some years are lean years, other years are bountiful years but these are kind of averaged out in terms of the prices that the farmers get over a long period of time.

This is not a free market in agriculture but nevertheless we've had a very very strong agricultural market in Canada and it's fed people and we've been able to export huge amounts of grain. This would not have happened naturally, it had to happen because you had some kind of design to have it happen.

So we've done things very differently in order to deal with the economic problems, and the kinds of cultural objectives of people in the country. Now all of these things are threatened and are beginning to be rolled back because we are homogenising our system with the United States because of a system that's being driven by trade.

Rena Sarumpaet

Graham Dunkley believes that one of the greatest costs of globalisation is the pressure it can place on countries to develop in directions they might not desire or to adopt technologies they might not want. He therefore questions the need for nations to be obsessed with global competitiveness.

Dr. Graham Dunkley

One of the great myths of the present world is that countries that don't globalise and compete won't survive in the rat race of the modern world. But I don't think this is strictly true. A country that doesn't compete and globalise won't totally collapse. A country like that will find a different specialisation and probably a greater self-reliance. This may involve lower incomes, but if this is adequately planned for like for better, fairer community outcomes, alternative appropriate technologies or environmental improvement, then I think it's quite likely that the non-trade obsessed country can still be well-off in the long term.

Rena Sarumpaet

So are there alternatives to globalisation through free trade and investment? Can we achieve fairer outcomes without risking a return to the old systems of protection.

Bob Holton is Professor of Sociology at Flinders University and author of 'Globalisation and the Nation State.'

Bob Holton

I don't think anybody wants to go back to the inter-war period of economic nationalism, people putting up barriers against each other which led to collapse of world trade, an increase in poverty. So what's the alternative? We have to somehow regulate this system of international cooperation, we need rules, we need dispute resolution processes - this is what the World Trade Organisation is trying to do - and nations enter that because they think the benefits outweigh the disadvantages, and the benefits are a capacity to gain more by participating, whether it be in terms of peace and security with the United Nations, whether it be in terms of increased prosperity with some of the economic bodies.

The big question mark over all of that of course is social justice, because certainly we've had economic dynamism since the end of the war if you take a long-term perspective, but it isn't shared out, and that is the big question now.

Rena Sarumpaet

Professor Richard Falk from Princeton University in his recent book 'Predatory Globalisation' makes a distinction between those citizen forces he describes as 'globalisation from below' and those forces pushing economic globalisation as 'globalisation from above'.

Professor Richard Falk

This is a way of trying to get a distinction between those market oriented tendencies dominated by the transnational corporation and international banks that are integrating the global economy and operate usually in collaboration with leading states. And I'm calling that combination of state power and market power globalisation from above. And then globalisation from below are those social forces, movements, voluntary NGOs that are seeking to promote global civil society, they're trying to create something of a community beyond the territorial state committed to human rights, committed to economic fairness and environmental sustainability, and I'm trying to describe that group of tendencies as globalisation from below.

Rena Sarumpaet

Richard Falk argues the need for new or reformed global institutions which would allow greater participation by non-government and citizens organisations.

Professor Richard Falk

These international financial institutions operate behind closed doors. They are secretive, they don't give developing countries sufficient participation in the formation of global economic policy, and they also are shielding very inhumane practices like child labour and the destruction of local and regional environments. And we now have a world where both the civil society actors and the market actors are too important to exclude from a global institutional framework.

So somehow or other either outside the UN or through the radical reform of the UN both the private sector and civil society have to somehow be represented. There have been suggestions like the creation of an economic security council, that Jacques Delors has advocated, or the creation of a global peoples assembly that would allow representatives of from globalisation from below to participate directly and meaningfully in the United Nations.

I think the best institutional model we probably have at the present time is the European Union.

Rena Sarumpaet

As an alternative to free trade some people advocate the concept of 'fair trade'. That is, a set of trade rules backed by possible trade sanctions, to prevent countries from exploiting labour or the environment in order to unfairly win global competitive advantages.

Graham Dunkley again.

Dr. Graham Dunkley

Actually free trade economists deny that there's a need for so-called fair trade, they believe that exploitation is only short-term and is eventually corrected by the market. I don't believe the evidence shows this, there is long-term exploitation, and governments therefore have the right to protect themselves against products that are made through exploitation of labour and the environment.

However I don't agree with many of the trade unions and others who think that this concept of fair trade will make free trade work. I think the problem is in the concept of free trade itself and its various faults and various non-economic costs. And I actually favour a form of managed trade but without the willy-nilly protectionism of in the past.

Nations should retain the rights to reasonable strategic protection and to protect their own product standards and pursue alternative technologies and their own social goals and so forth. But these rights are in jeopardy with these new international trade agreements.

I also I'm not so happy with the idea of the proliferation of new global institutions that some people propose. I prefer to see one all-embracing trade and economic institution within the United Nations and this new organisation should be equipped with broad social equity goals, should have NGO representation and should be able to enable nations to pursue a wide range of economic and non-economic goals.

Rena Sarumpaet

At the macro level, those who advocate free trade believe that it maximises efficiency, growth and living standards, while the critics claim the associated market driven structural changes have many costs. One of the great political issues of today is 'markets versus people', or how to balance the dynamism and material gains from globalisation against the aspirations of most citizens for participation in formulating community-shaped goals. Next week 'Global Culture'. Are regional, national and local cultures strong enough to resist the forces that appear to be moving us towards a global culture?

Don't forget to check out our website too at abc.net.au/global

GLOBALLY SPEAKING - The Politics of Globalisation is a joint project of Radio Australia and Victoria University in Melbourne. The program was produced by Sue Slamen and Barry Clarke - Technical production - Darren McKenzie. Academic advisor Graham Dunkley.

I'm Rena Sarumpaet, Thanks for listening.

