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The Pros and Cons of Globalization

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THE PROS AND CONS OF GLOBALIZATION

by Robert Batterson and Murray Weidenbaum

January 2001

About the Authors



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Murray Weidenbaum is the chairman of the Center for the Study of American Business and Mallinckrodt Distinguished University Professor at Washington University. He is known for his research on economic policy, taxes, government spending, and regulation. He served as President Reagan's first Chairman of the Council of Economic Advisers (1981–82) and was a key spokesman for the administration on economic and financial issues. During the years 1982–89, he was a member of the President's Economic Policy Advisory Board. Earlier, Weidenbaum was the first Assistant Secretary of the Treasury for Economic Policy in the Nixon administration. He also served as fiscal economist in the U.S. Bureau of the Budget and as the Corporate Economist at the Boeing Company. He received a B.B.A. from City College of New York, an M.A. from Columbia University, and a Ph.D. from Princeton University. He is

the author of eight books, the latest being the sixth edition of *Business and Government in the Global Marketplace*. His previous book, *The Bamboo Network*, was a finalist in the 1996 competition for global business book of the year. His *Small Wars, Big Defense* was judged by the Association of American Publishers to be the outstanding economics book of 1992. He has written several hundred articles in publications ranging from the *American Economic Review* to the *Wall Street Journal*. In June 1999, Weidenbaum was elected chairman of the U.S. Congressional Trade Deficit Review Commission.

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Preface

We are witnessing a profound process that is reshaping much of the world. “Globalization” is changing the way we live our lives every day, from making an airline reservation to getting the latest stock quote or sports score. In the world at large, technology and open markets are creating a global economic system that often seems to exceed the power of government itself.

Trillions of dollars move effortlessly around the world every day, across national borders in the blink of an eye. Cross-border investment and technological progress are fueling this “new economy” that is lifting hundreds of millions of people from abject poverty into the middle class. But there are both winners and losers in the global economy, generating heated debates.

On one side are the “Globalists,” who believe that open markets and private business firms operating across the globe provide for faster economic growth; greater variety of products and services at lower prices to consumers; stronger environmental protections; better working conditions and higher wages; improvements in human rights; and more democratic governments.

On the other side stand the “Anti-Globalists,” who have taken to the streets from Seattle and Washington to Prague and Melbourne, protesting the expansion and greed of corporate global enterprises around the world. They believe that globalization is responsible for the destruction of local environments and emerging economies, abuses of human rights, and undermining of the culture and sovereignty of nation-states. Anti-Globalists decry the power of international bodies, notably the World Trade Organization, the World Bank, and the International Monetary Fund. In their view these organizations have subjected the developing nations to draconian austerity measures and burdensome debt that have crippled their economies and contributed to world financial crises. They also decry a widening “North/South” income gap that separates the economic powerhouses of the Northern Hemisphere from the largely economically impoverished Southern Hemisphere states.

This briefing book presents both sides of the globalization debate and leaves it to the readers to draw their own conclusions. Although the political, economic, and technological factors are complex, this distillation of the key issues surrounding the conflict over globalization is designed to help Americans better understand the major claims of both sides.

Robert Batterson
Murray Weidenbaum
December 2000

1. DOES GLOBALIZATION FOSTER ECONOMIC GROWTH?

Anti-Globalists: Globalization fosters economic growth for global corporations at the expense of the world's peoples. Growth is accompanied by greater economic instability and financial crises.

- Multinational corporations enjoy record profits:

- U.S. companies' direct investment abroad grew by more than 50 percent, from \$613 billion in 1994 to over \$980 billion in 1998. This coincided with five consecutive years of double-digit increases in corporate profits, pushing the before-tax corporate profit rate to 8.5 percent, the highest level since the mid-1960s. The after-tax profit-to-sales rate rose to 6.4 percent, the highest in the post-World War II period.¹

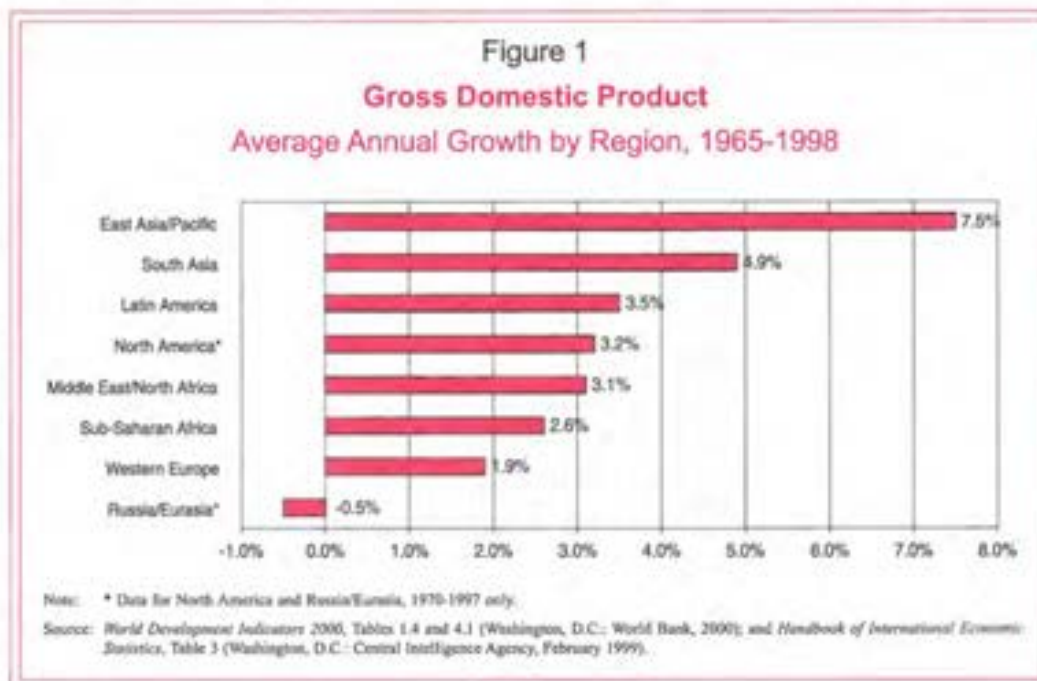
- Meanwhile, the world's peoples experience one global financial crisis after another, fueled by unchecked foreign investment and debt:

- Latin America's debt crisis in the early 1980s plunged the region into years of hyper-inflation and economic depression. Annual economic growth in the region averaged just 0.8 percent from 1981 to 1990.²

- The Mexican peso crisis in 1995, the result of a sudden exodus of substantial foreign investment and Mexico's low currency reserves, crashed the Mexican economy. Economic growth in Mexico went from 4.2 percent in 1994 to *negative* 6.2 percent in 1995. U.S. economic growth stumbled, too, dropping from 3.5 percent in 1994 to just 2 percent in 1995.³

- Asia's 1997-98 financial crisis—the result of a lack of adequate institutional controls over capital—sent world markets tumbling and deepened already desperate economic conditions in other regions, as far away as Russia and Brazil. The East Asia/Pacific region sank into a deep economic recession with gross domestic product (GDP) dropping 1.5 percent in 1997-98. Russia's economy dropped by 6.6 percent during the same period, while inflation ran at an annual rate of 119 percent. Brazil, which had experienced robust economic growth for the five prior years, flat-lined in 1997-98, with inflation topping 433 percent.⁴

- From 1980 to 1998, the developing world saw its external debt as a share of GDP jump from an average of about 6 percent to over 18 percent of economic output. Debt in Latin America leaped from 15 percent to over 32 percent of the region's economy during this period. Russia and Eurasia experienced an astonishing increase in debt during these years, from 3 percent to over 28 percent of GDP.⁵



Globalists: On average, countries integrating rapidly with the global economy enjoy higher economic growth rates than countries with closed economies. The result is higher levels of national output and rising per capita incomes. Progress does not always proceed smoothly, but the trend is clearly upward and far more favorable than in the absence of open markets around the world.

- Open markets drive higher national output of goods and services and economic growth:

- From 1970 to 1998 the global economy grew 140 percent (in real U.S. dollars) to almost \$40 trillion in annual output of goods and services. The export-intensive countries of the East Asia/Pacific region experienced the most rapid growth during this period—a whopping 352 percent—while the economies of the closed market—the Russian/Eastern European region—*shrank* by 14 percent.⁶

- From 1965 to 1998, annual export growth averaged 10.5 percent in East Asia, with annual average economic growth of 7.5 percent. South Korea posted extraordinary export growth of almost 16 percent a year, with economic growth averaging over 8 percent. China saw its exports grow by an average of 13.5 percent a year, contributing to annual growth in its economy of 8.6 percent. During the same period, the United States averaged 5.7 percent annual export growth and just 2.6 percent economic growth a year.⁷

- Between 1960 and the early 1990s, the economies of countries that exported small proportions of their output grew less than 3 percent a year. In contrast, countries exporting large proportions of their output grew 5 to 7 percent a year on average.⁸

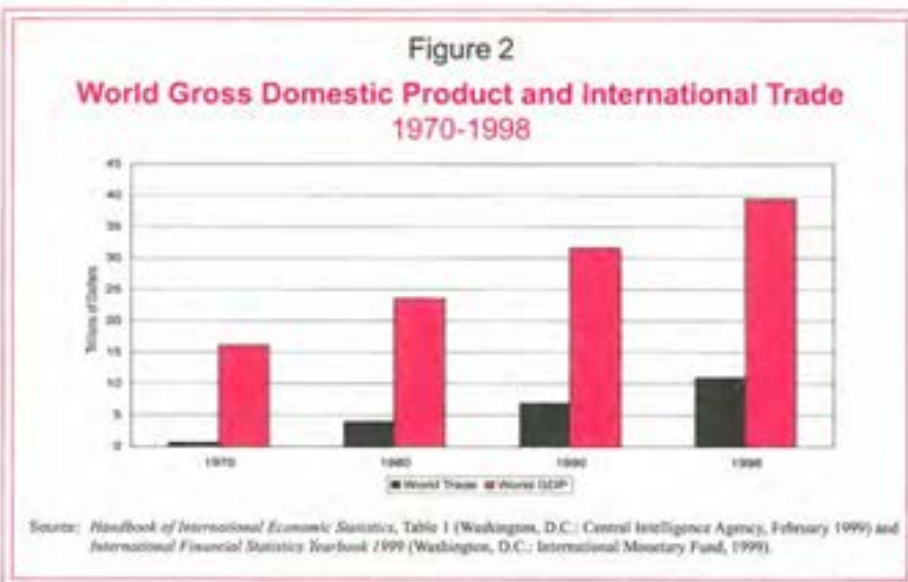
- Following a sharp economic decline during the peso crisis in 1995, growth rates in Mexico have averaged 5 percent a year, largely due to increased exports as a result of the North American Free Trade Agreement (NAFTA). Growth rates in Asia have also returned to their historic highs following the 1997-98 financial crisis, averaging 6.5 percent for the region in 1999, with South Korea posting a stunning 10.7 percent increase.⁹

- And rising per capita income growth:

- The East Asia/Pacific region led the world with an average GDP per capita growth rate of 5 percent from 1991 through 1997. During the same period, as Russia and the Eastern European countries struggled to adapt to capitalism, their GDP per capita declined over 30 percent a year, but with just a 0.5 percent decline during the financial crisis of 1997-98. In 1999, Russia's economy grew an estimated 3.2 percent, a sign that the former Soviet Union is beginning to make the gradual transformation to a free-market system.¹⁰

- In 1998, Western Europe had the highest GDP per capita income at \$22,350; South Asia had the lowest at \$430. North America came in second at \$17,400, including the United States at \$29,400 (ranked 10th), Canada at \$19,170 (ranked 26th), and Mexico at \$3,840 (ranked 75th). Luxembourg had the highest per capita GDP in the world at \$45,100.¹¹

- Economic freedom equates with a higher living standard: per capita income of the most economically free nations averaged over \$18,000 in 1997, but just \$1,700 in the least free.¹²



2. IS GLOBALIZATION GOOD FOR THE CONSUMER?

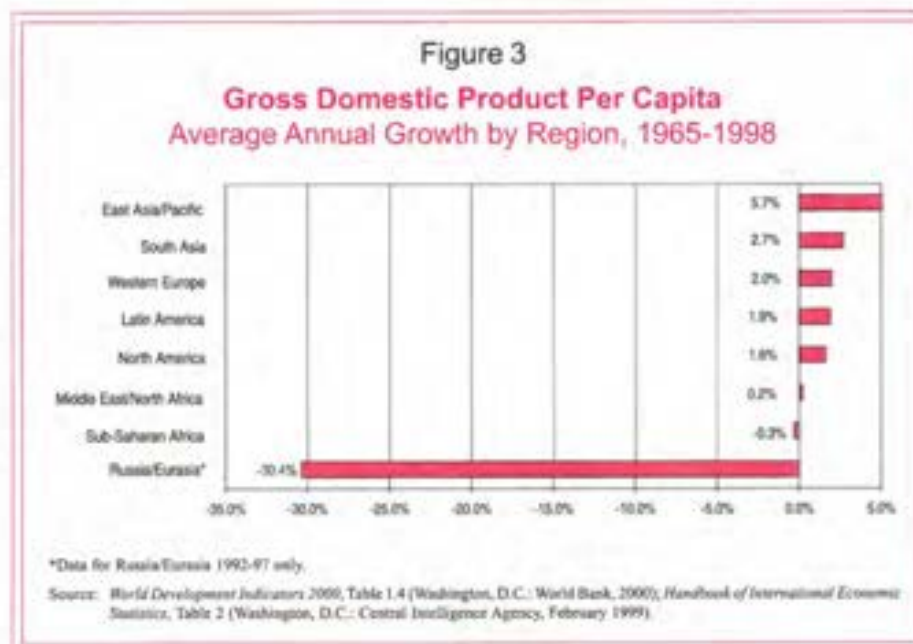
Anti-Globalists: Globalization benefits the wealthy and further impoverishes the poor, resulting in a widening wealth gap worldwide between the rich and the poor—especially harmful to the low-income consumer.

- The rich are getting richer:

- Income earners in the top one-fifth in the United States make almost twentyfold what income earners in the bottom fifth make. This ratio doubled over the last two decades. The top 1 percent of income earners hold about 40 percent of the country's wealth, more than double the percentage in 1975.¹
- American families with incomes over \$100,000—the richest group of Americans—saw their average net worth soar by 22.4 percent from 1995 to 1998, to \$1.7 million per family.²
- The United Nations reports that the wealth of the 200 richest people in the world is greater than the combined income of 2 billion of the world's people.³

- And the poor are getting poorer:

- In the maquiladora trade zones along the U.S.-Mexican border, food, gas, rent, electricity, transportation, water, and refrigeration costs totaled \$54 a week in 1998. The average net weekly pay for maquila workers in Mexico is \$55.77, leaving \$1.77 a week to spend on education, clothing, health care, and other necessities.⁴
- The Children's Defense Fund reports that 13.5 million children in the United States lived in poverty in 1998. Of those, 5.8 million lived in extreme poverty, defined as a family of three with less than \$6,500 in yearly income.⁵
- American families with incomes of less than \$10,000 annually saw their median net worth drop by 25 percent to \$3,600 between 1995 and 1998. The net worth of those with incomes between \$10,000 and \$24,999 dropped by 20 percent to \$24,800.⁶ Between 1970 and 1995, the number of low-income renters in the United States increased by almost 70 percent, to 10.5 million, while the number of low-cost rental units fell, from 6.5 million to 6.1 million—a shortfall of 4.4 million units in the "affordable" range.⁷
- Countries with more than half of their populations living below the national poverty line in the 1990s included Azerbaijan, Chad, Gambia, Haiti, Honduras, Madagascar, Mauritania, Nicaragua, Niger, Peru, Sierra Leone, Tanzania, Vietnam, and Zambia—all of these countries experienced substantial declines in annual export volume from 1980 to 1997.⁸



Globalists: Open markets worldwide allow for countries to trade goods and services freely, at a lower cost and with greater efficiency. The result is clear: in countries that welcome globalization, consumers enjoy lower prices, a greater variety of goods and services, and rising living standards. Those that close their doors do not.

- The rich are getting richer, but so are the poor:

- According to the President's Council of Economic Advisers, the incomes of poorer families in the U.S. rose at a faster pace than those of the wealthiest. From 1993 to 1998, real incomes for the lowest 20 percent of families rose an average of 2.7 percent a year, while the top 20 percent of families averaged gains of 2.4 percent annually.⁹ Meantime, per capita income of the world's poorest people has risen the fastest in countries pursuing open market policies.

- Consumers in countries with open markets and trade-driven economic growth enjoy lower prices, improved consumption, and rising standards of living:

- Relative to the United States, consumer prices are lower in regions of the world where trade is a substantially higher component of economic output. Consumer prices in the export-driven East Asia/Pacific region in 1998 (where trade was 75 percent of GDP) were 21 percent below prices in the United States (where trade measured 26 percent of output).¹⁰

- The number of people subsisting on less than \$1 a day fell from 452 million to 278 million between 1990 and 1998 in export-intensive East Asia. Hundreds of millions moved into the middle-class.¹¹ Private consumption per capita grew at an annual average rate of over 5 percent in the East Asia/Pacific region, from 1980 to 1998, compared to just over 1 percent a year in North America and Western Europe.¹²

- Personal spending in the U.S. rose 7 percent in 1998-99, up from 6 percent a year earlier, and the largest annual jump in spending since 1989.¹³ The current U.S. poverty rate—12.7 percent—is the lowest since 1979 and far lower than in 1965, when 17.3 percent of Americans were classified as poor.¹⁴

- Americans enjoy more goods with far less effort. For example, the average American worker had to work 174 hours to earn enough money to buy a 25-inch color television in 1971. By 1997, a TV cost just 23 hours on the job, and substantial quality improvement goes along with that.¹⁵ In 1920, the real price of a gallon of gasoline was 32.6 minutes of work. Today, a typical American earning the average wage of \$14.44 an hour can pay for a gallon of gasoline in just 6.2 minutes on the job.¹⁶ Per capita spending on recreation has tripled between 1970 and 1999, jumping from \$500 to over \$1,500.¹⁷

- But actions taken by governments to prohibit the free flow of goods and services hurt consumers:

- Tariff barriers cost the world economy \$750 billion annually. U.S. protectionism also harms American consumers, costing more than \$100 billion a year in higher prices.¹⁸



3. IS GLOBALIZATION GOOD FOR THE WORKER?

Anti-Globalists: Globalization places profits above people—depressing wages, displacing workers, and undermining workers' rights.

- Corporate expansion worldwide enriches businesses, but at the expense of workers' jobs and wages:
 - Activists blame the rash of global mergers and acquisitions for the fact that some one billion workers—one-third of the world's labor force—remain unemployed or underemployed.¹ Nearly 34,000 mergers and acquisitions were announced in 1999, valued at \$3.2 trillion—nearly the size of the French and German economies combined. But in 1999, only 40 percent of total mergers and acquisitions included a U.S. company, versus 86 percent in 1985.²
 - U.S. corporate profit rates continue to reach new heights. Before-tax profit rates averaged over 12 percent from 1996 to 1999. After-tax profit rates averaged 8 percent for the same period.³
 - From 1994 through 1998, 565,000 U.S. workers lost their jobs due to trade. Federal trade adjustment assistance was collected by just 0.025 percent of workers each of those five years, or one worker out of every 3,940.⁴
 - Median U.S. wages declined between 1973 and 1996. In 1998, 29 percent of all workers in the United States were in jobs paying poverty-level wages. Between 1989 and 1996, real hourly wages declined 3 percent for the bottom 80 percent of the male U.S. work force and fell 7.2 percent for the median male worker. Women's wages were stagnant for the bottom half of the female work force, with only high-wage female workers experiencing significant gains from 1989 to 1996.⁵
 - An average worker in a textile factory in Haiti earns \$2.22 per day.⁶ Three billion people—half the world's population—earn less than \$2 a day.⁷
- And undermines workers' rights:
 - In over 200 factories worldwide that manufacture goods for the U.S. market that were monitored by Verite—a labor rights watchdog group—less than 10 percent of workers know their rights on issues of minimum wage, overtime pay, benefits, paid leave, and the right to organize a union.⁸
 - The U.S. Department of Labor reports that as many as 55 percent of garment factories and 60 percent of poultry factories in the United States violate wage and overtime pay laws.⁹ Out of 205 Labor Department investigations of U.S. garment factories in 1999, 109 “sweatshop” violations were discovered.¹⁰
 - In China, independent unions are prohibited. Workers are paid about \$1.50 a day to make sport shoes that sell for over \$100 a pair in the United States.¹¹



Globalists: Open markets worldwide result in faster economic growth and lead to higher wages, more employment, and improved working conditions. American companies overseas typically pay higher wages than their local competitors and offer better working conditions. It is ironic that most of the complaints about the treatment of workers in developing countries do not come from people in those nations, but from the special interests in the industrialized nations who are fearful of the new competition.

• Economies with open markets are growing and wages and employment are rising:

— Under the North American Free Trade Agreement (NAFTA), Mexico climbed to eighth place among the world's exporters—from 26th in 1993—helping to generate 5 percent economic growth rates in recent years and add more than a million industrial jobs to the work force.¹² The United States added an additional 20 million jobs during the same period and increased economic output over a trillion dollars a year.¹³

— NAFTA economies are growing at twice the rate of those in the European Union; an average 3.6 percent annually the past seven years versus just 1.8 percent. NAFTA countries outstripped Europe in job growth, too: 38 percent in Mexico since 1992 and 13 percent in the United States and Canada. During the same period, Europe saw just 3 percent growth in job creation.¹⁴ The value of manufactured goods imported to the U.S. more than doubled from 1991 to 1998, yet during that same period, U.S. manufacturing output rose by 40 percent and domestic employment in manufacturing *increased* by 366,000.¹⁵

— Employment in the United States is now at a record high, with over 135 million Americans at work. The unemployment rate is the lowest in over 30 years, having dropped to 3.9 percent in October 2000.

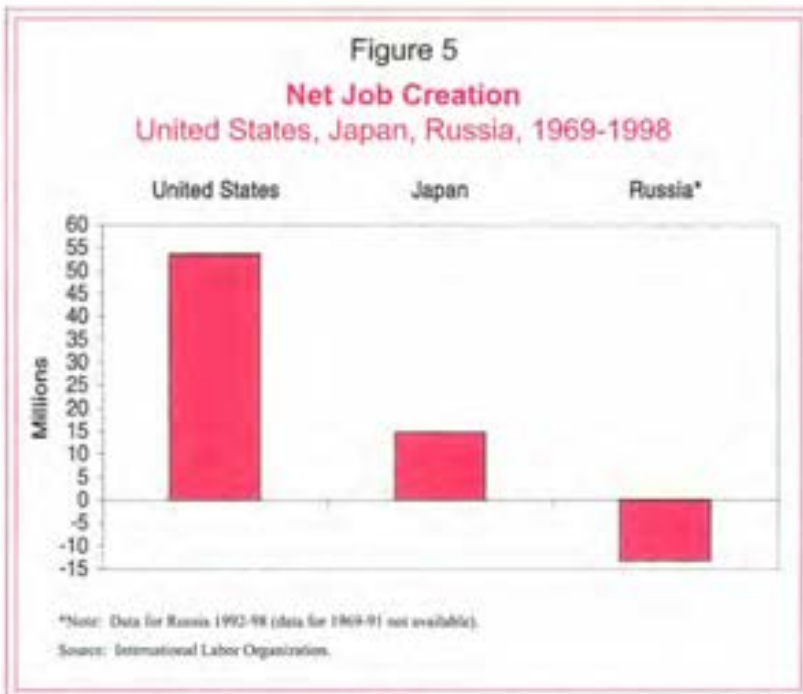
— American workers at all income levels are enjoying wage gains. Since 1996, median weekly earnings of full-time workers have grown by 5.3 percent. Real wages of workers in the lowest 25 percent of income-earners grew 7 percent. Workers in the lowest 10 percent of wage earners experienced an 8.5 percent increase.¹⁶

— Real GDP per capita averaged \$23,730 in the world's 12 *most open* economies in 1997, but just \$2,783 in the world's 12 *least open* economies that year.¹⁷

• Foreign workers employed by U.S. multinationals fare better:

— Workers at Nike's footwear plants in Vietnam earn average monthly take-home pay of \$55, compared to Vietnam's per capita income of \$26 a month. Employers in Vietnam can operate their factories seven days a week, yet Nike orders its factories to close on Sundays. The minimum age in Vietnam for factory workers is 15, but in Nike's footwear factories workers must be 18.¹⁸

— Nike employs 45,000 people in Vietnam, but has exported little of its production to the United States due to 35 percent tariffs imposed by the U.S. Under the trade agreement recently signed by the U.S. and Vietnam, those tariffs will drop to 10 percent. The trade deal is expected to boost Vietnam's exports by \$800 million annually, creating hundreds of thousands of new jobs.¹⁹



4. IS GLOBALIZATION GOOD FOR THE ENVIRONMENT?

Anti-Globalists: Global capitalism results in the exploitation and destruction of ecosystems and the environment in the name of corporate greed. The search for profit ignores the adverse impact on the environment. International trade generates more pollution and especially emissions of carbon dioxide (CO₂), which exacerbates global warming.

- Air and water quality are substantially worse in developing nations, especially reliant on exports for a large share of their economic output, where lax regulatory controls allow foreign corporations to locate their factories and exploit the environment:

- Cities in the fastest-growing countries in the world have the worst emissions of sulfur dioxide (SO₂), nitrogen dioxide (NO₂), and particulate matter (PM). World Health Organization (WHO) annual mean guidelines for air quality standards are 90 micrograms per cubic meter for particulate matter, and 50 for sulfur dioxide and nitrogen dioxide. China, heavily dependent on coal, is one of the worst offenders. Beijing registers 90 for SO₂, 122 for NO₂, and a whopping 377 for PM (1995).¹

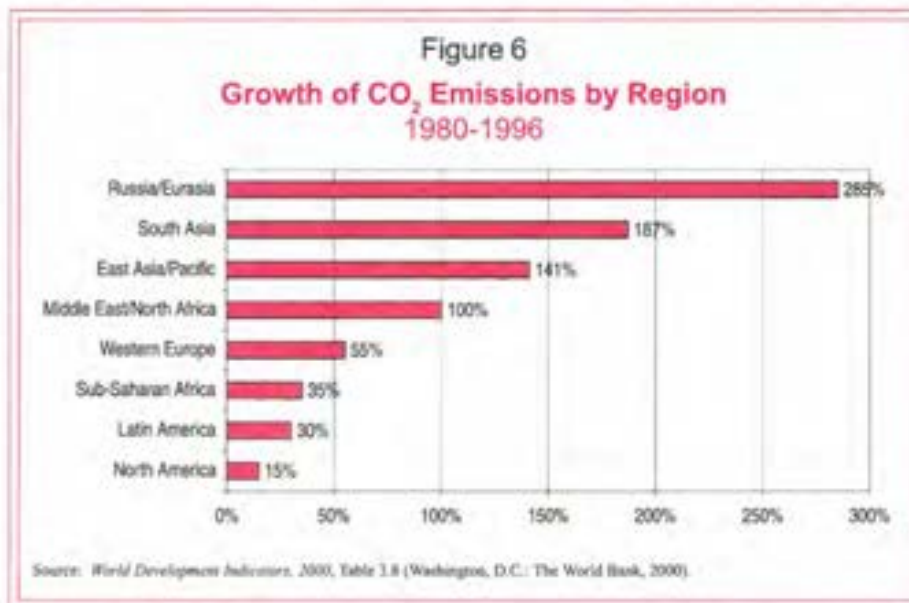
- Greenhouse gas concentrations and world temperatures are rising:

- Since the industrial revolution, human fossil fuel use has increased atmospheric carbon dioxide concentrations about 30 percent, from 280 to 360 parts per million. The Intergovernmental Panel on Climate Change (IPCC), a U.N.-sponsored committee drawing on 2,500 of the world's leading scientists, found that global mean surface measurements have risen 0.5 to 1.1°F since the late 19th century. Climate computer models predict that the Earth will continue to warm. The IPCC estimated that, by 2100, the Earth will warm by 1.8 to 6.3°F relative to 1990, with a mid-range estimate of 3.6°F.²

- And the world's largest economies and international traders are also the biggest greenhouse gas emitters:

- The United States leads the pack—it emitted a total of 5,301 million metric tons of CO₂ in 1998 and is the world's largest economy (\$7.9 trillion) and largest world trader, measured by the value of its exports and imports (\$2 trillion). Japan, which emitted 1,167 million metric tons of CO₂ (fourth highest), is the world's second largest economy (\$4 trillion) and third in international trade (\$800 billion). Germany is the world's third largest economy (\$2 trillion in 1998), the second largest trading nation (\$1.2 trillion), and sixth in world CO₂ emissions at 861 million metric tons. China and the Russian Federation come in second and third in CO₂ emissions and rank seventh and 16th in the world's economies (\$924 billion vs. \$322 billion) and tenth and 15th in world trade (\$373 billion vs. \$161 billion).³

- The world's fastest growing economic region—the East Asia/Pacific—witnessed a 141 percent increase in CO₂ emissions from 1980 to 1996. The Russian/Eurasian region experienced the greatest growth in CO₂ emissions during the same period—a whopping 285 percent increase—while the region's economic output declined by a staggering 36 percent as the former Soviet bloc nations struggled to adapt from closed-market, centrally planned economic systems to open-market, capitalist economies.⁴



Globalists: Global capitalism results in rapid economic growth, thereby generating the resources necessary to clean up the environment, develop more efficient, CO₂-reducing technologies, protect ecosystems from inefficient and wasteful practices, and continue scientific research to improve our knowledge of the environment and how to reduce pollution further.

- A growing, vibrant economy results in a cleaner environment:

— Air quality in the United States has improved dramatically since 1970—the year the Environmental Protection Agency was created. Emissions of every major air pollutant have decreased, with the exception of nitrogen oxides, which experienced an 11 percent increase from 1970 to 1997. But these environmental improvements didn't come cheap. EPA estimates that the total bill for environmental protection in the United States from 1971 to 2000 would amount to \$3.6 trillion (in 1997 dollars).⁵

— A concept widely held by most economists is that pollution increases at the early stages of economic development but decreases after a certain per capita income level has been reached—the so-called “turning point.” A 1999 World Trade Organization report on trade and the environment estimates the turning point for the emissions reduction of just one chemical agent—chlorofluorocarbons (CFC)—at a per capita income of \$12,000 to \$18,000, about the 1998 per capita income of Spain (\$14,100), Israel (\$16,180), and Ireland (\$18,710).⁶

— As per capita income increased with export-driven economic growth in the East Asia/Pacific region, the environment benefited. A notable example is the ten-year “clean river” program undertaken by the government in Singapore in 1977. The \$200 million program has brought life back to the Singapore River and the Kallang Basin. Since 1988, Hong Kong has also initiated river cleaning efforts, and river and stream water quality has shown marked improvement: 74 percent of Hong Kong's rivers were rated “fair quality” or better compared to only 35 percent in the early 1980s. Air quality measures are also being implemented as economic resources expand. Since 1993, all new cars assembled in Malaysia contain catalytic converters to minimize emissions. India has set emission standards for vehicles, too, as well as requiring manufacturers to meet strict requirements for all new vehicles.⁷

- While there are wide disparities in observed global climate change effects, the growth rate of greenhouse gas emissions is the highest in the developing regions of the world and lowest in the most developed nations:

— From 1980 to 1996, carbon dioxide emissions in East Asia jumped over 140 percent, from 1,960 million metric tons to 4,717 million metric tons. South Asia's greenhouse gas emissions increased 187 percent during the same period, from 392 million metric tons to over 1,125. And Russia and Eastern Europe's CO₂ emissions leaped from 887 million metric tons to over 3,400—an astonishing 285 percent increase. Meantime, CO₂ emissions in North America increased just 15 percent for the same period.⁸

Table 1
Top Ten World CO₂ Emitters, Economies, and International Traders

Top Ten CO ₂ Emitters			Top Ten Economies		Top Ten International Traders	
(in total millions of metric tons and per capita metric tons, 1998)			(1998 GDP in billions of U.S. dollars)		(sum of exports and imports, in billions of U.S. dollars, 1998)	
	Total	Per Capita				
1. United States	5,301	20.0	1. United States	\$7,903	1. United States	\$2,033
2. China	3,363	2.8	2. Japan	4,089	2. Germany	1,211
3. Russia	1,579	10.7	3. Germany	2,180	3. Japan	800
4. Japan	1,167	9.3	4. France	1,465	4. United Kingdom	757
5. India	997	1.1	5. United Kingdom	1,264	5. France	729
6. Germany	861	10.5	6. Italy	1,157	6. Italy	580
7. United Kingdom	557	9.5	7. China	924	7. Canada	488
8. Canada	409	13.8	8. Brazil	767	8. Netherlands	426
9. South Korea	408	9.0	9. Canada	581	9. Hong Kong	416
10. Italy	403	7.0	10. Spain	555	10. China	373

Source: *World Development Indicators 2000*, Tables 1.1, 3.8, and 4.17 (Washington, D.C.: World Bank, 2000).

5. IS GLOBALIZATION GOOD FOR DEVELOPING NATIONS?

Anti-Globalists: Global capitalism, world trade bodies, and world financial institution lending practices conspire to keep developing nations in debt, destroy their local economies, and further impoverish their peoples.

- The lending and trade practices of the International Monetary Fund (IMF), World Bank, and World Trade Organization (WTO) exact a terrible price on the peoples of the developing world:

- Thousands of farms and homes in east and central India are being swallowed up by coal mines financed by the World Bank. The entire village of Balanda was demolished last year by bulldozers. The local villagers were sent to the “resettlement colony” of Handidhua, which lacked drinkable water, electricity, and small businesses promised as part of the \$530 million World Bank loan guarantees. Over 10,000 villagers are expected to be displaced. Roughly 70 percent are not expected to find any kind of employment to replace their livelihood from farming. Meanwhile, Coal India, Ltd. has reaped huge profits from World Bank financing while reducing its giant payroll of 562,000 employees—one of the World Bank conditions attached to the loan package was to make the mining company efficient. The same story has played out in Peru, where a World Bank-financed gold mine adds little to the local economy but is driving poor farmers from their land.¹

- The Asian financial meltdown of 1997-98 was precipitated by tough IMF lending requirements, including floating exchange rates, which let currencies collapse, and spending cuts and tax hikes, which pummeled domestic demand and made economic downturns in Asia even worse.²

- The WTO facilitates open trade to developing nations, yet according to the United Nations Commission on Trade and Development (UNCTAD), the share of world exports and imports has fallen sharply in the Least Developed Countries (LDCs) since the Uruguay Round of trade talks in the GATT (General Agreement on Tariffs and Trade; the precursor to the WTO). The Commission reports that the world’s 47 least developed countries will lose an estimated \$163 billion to \$265 billion in export earnings while paying \$145 million to \$292 million in additional imports of food. The report finds that this trend in the LDCs is not due to a lack of openness to world trade, but an inability to expand productive capacity. It recommends a more managed approach to trade for the poorest countries.³

- Total external debt, public and private, has increased dramatically among the developing regions of the world:

- From 1980 to 1998, the Russia/Eurasia region experienced an incredible 872 percent increase in debt as a percentage of GDP. Sub-Saharan Africa witnessed a 173 percent increase in debt as a share of total output during the same period, followed by developing nations in the East Asia/Pacific region with a 168 percent jump, Latin America with a 118 percent increase, South Asia with an 85 percent rise in indebtedness, and the Middle East/North Africa region, which increased its debt/GDP ratio by 63 percent. In 1998, Latin America still maintained the highest percentage of external debt to GDP at 32.7 percent.⁴ The world’s poorest nations spend up to 60 percent of their budgets to service debt on old loans, thus diverting scarce resources away from desperately needed health and social investments.⁵



Globalists: Open markets and cross-border investment are the key to the developing nations' emergence into the world of industrialized economies, resulting in a higher standard of living, better working conditions, and a cleaner environment for their peoples. The developing countries rarely endorse the positions of the Anti-Globalists, which they view as disguised protectionism for the developed nations.

- Outward-oriented, open market policies help lift developing nations out of poverty:
 - Cross-border investment has been critical to industrialization and accelerated economic growth. Developing countries that accepted foreign investment moved successfully from non-oil commodity exports to diversified manufacturing and services exports, generating the highest sustained economic growth during the last quarter of the twentieth century.⁶ From 1989 to 1996, foreign direct investment jumped from just \$11 million a year to over \$5 billion in Poland; from \$3 billion to over \$10 billion in Mexico; and from \$2 billion to almost \$10 billion a year in Singapore—helping to fuel the robust economic growth these countries have experienced.⁷
 - Developing countries with open economies grew by an average of 4.5 percent per year in the 1970s and 1980s, while those with closed economies grew just 0.7 percent a year. The fastest developing region of the world—East Asia—witnessed growth in real per capita income at an annual average rate of 4 to 6 percent since the 1960s. In China, per capita GDP has nearly quadrupled since 1980, lifting an estimated 160 million people from absolute poverty. Since 1972, the poverty rate in Indonesia has been more than cut in half.⁸ Per capita GDP (in 1997 U.S. dollars) rose from \$163 in 1980 to \$235 in 1997 in the least developed countries—a 44 percent increase.⁹
 - Over the past few years, developing nations have been reducing trade barriers. India has reduced its average industrial tariffs from 71 percent to 32 percent; Brazil from 41 to 27; Venezuela from 50 to 31. More than three-quarters of the WTO's 138 member nations are developing nations, and many more are eager to join.¹⁰
 - The developing nations of the world are showing increasing economic strength, projected by the IMF to grow 5.4 percent in 2000 and 5.3 percent in 2001—up substantially from 3.8 percent growth in 1999 and 3.2 percent in 1998. Africa will grow 4.4 percent in 2000, up from 2.3 percent in 1999. Asian growth is expected to top 6 percent this year, up from 3.8 percent in 1998.¹¹
- But the developed nations of the world harm developing nations and themselves by imposing trade barriers:
 - The U.S. textile industry continues to enjoy protective tariffs of 25 to 33.6 percent (especially harmful to developing nations, which depend heavily on apparel exports); 31 to 38 percent tariffs on ceramics and glass; and a plethora of non-tariff barriers such as import quotas, prohibitions, regulatory standards, and additional levies and charges.¹²
 - Economic sanctions imposed by the United States on foreign nations cost the U.S. economy an estimated \$19 billion each year in lost exports of goods alone, not including the costs of reduced services exports.¹³

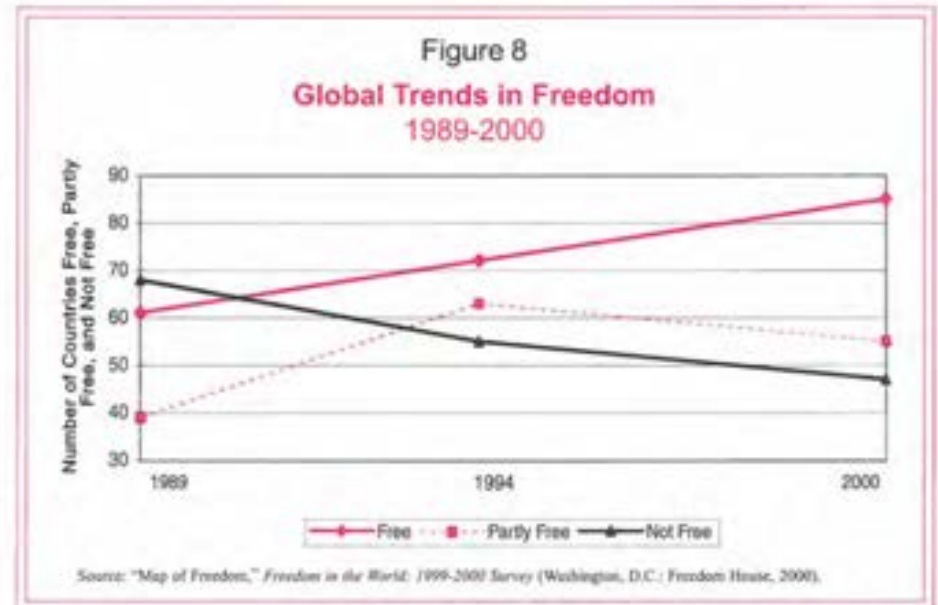
6. DOES GLOBALIZATION PROMOTE HUMAN RIGHTS?

Anti-Globalists: In the blind pursuit of profit, global corporations ignore abuses of human rights, including political and religious oppression, false imprisonment, torture, suppression of free speech, and abuses of workers, especially women and children. China is a striking example of this concern—and conditions there demonstrate the limitations of the “free market” approach.

- In the quest for profit, multinational corporations expand their operations into nations committing human rights abuses:

- The United Nations estimates that tens of millions of children are trafficked around the world as bonded labor or sex slaves; hundreds of thousands of children are forcibly recruited as soldiers in armed conflict.¹
- 27 million people are working under various forms of slavery in the world today, and the number is growing. According to the U.N., some 20 million are South Asians in debt bondage. Whole families, including children, are trapped in indentured servitude to pay debts incurred for medical expenses, crop failures, and food. Their debts are inflated by outrageous food prices and usurious interest rates.²
- But even in the United States, the CIA estimates that 45,000 women and children are smuggled into the country each year and are forced to work as prostitutes or maids, on farms and in sweatshops.³
- An estimated 100 to 200 million children are working around the world—95 percent of them in developing countries. In China, companies often confiscate young workers’ identification cards to prevent them from leaving and seeking employment elsewhere.⁴

- Despite a dismal human rights record, the United States Congress has voted to grant China permanent normal trade relations status:
 - The U.S. State Department reports that a “marked deterioration” in religious freedom has occurred in China during the last year, enabled by a new law granting state and local officials broad authority to suppress 14 minority religions, including the Falun Gong movement.⁵
 - Tens of thousands of the banned Falun Gong have reportedly been detained and harassed by government officials and more than 5,000 are being held in labor camps without trial. Hundreds have reportedly been beaten and some killed.⁶
 - 130 evangelical Christians were arrested during an illegal worship service recently in central China. Formal criminal charges were brought against 85 of the Christian worshippers.⁷
 - In April 2000, a U.S. resolution introduced at the U.N. Commission on Human Rights criticizing China’s human rights record failed 22 to 18. The White House hoped the U.N. condemnation of China’s record on human rights would be viewed as a significant counterbalance to its support for granting China permanent normal trade relations status and its entry into the WTO.⁸



Globalists: Free and open markets encourage the creation of institutions and cultures that support the rule of law and free expression necessary to the protection of human rights. Globalization spreads the views of economic and political freedom to the far corners of the world. Taiwan and South Korea are excellent examples of the positive effects of globalization. As these countries developed economically, their political freedom expanded rapidly. The contrast between the open economy—and freedom—in South Korea and the closed economy—and lack of freedom—in North Korea is striking.

- The higher the level of economic freedom in a country, the greater the level of political freedom, and vice versa:
 - Politically open societies that guarantee private property rights and the market allocation of resources grow at three times the rate and are two and one-half times as efficient as societies that do not guarantee these freedoms.⁹
 - Integration into the world economy results in information concerning domestic human rights abuses being dispersed more quickly to the outside world and therefore brings pressure on the offending government.¹⁰
 - Since nations on the periphery of the world economic system are not subject to retribution, they can engage in state terrorism against their citizens, and thus are the most egregious violators of human rights. Examples include Cambodia under Pol Pot, Albania during the Cold War, and North Korea.¹¹
- Freedom and economic growth have developed hand in hand in Taiwan and South Korea:
 - In the most recent Economic Freedom of the World Index (where 1 is lowest and 10 highest), Taiwan received a total score of 7.1 for 1997; scoring a perfect 10 in private property rights and viability of contracts. South Korea claimed an economic freedom score of 7.3; also rating a perfect 10 in private ownership and legal contracts.¹²
 - Economic growth in South Korea averaged over 8 percent a year from 1970 to 1998. Real gross domestic product annual growth in Taiwan averaged 7.3 percent during the same period.¹³
 - The people of both South Korea and Taiwan today enjoy democratically elected governments and higher standards of living. Meanwhile, in North Korea, Kim Jong Il clings to power by pandering to the army and parliament. He reinforces his dictatorship through a command economy that controls all aspects of production. Even with massive foreign aid, the people in North Korea suffer malnutrition rates that are among the world's highest. Hundreds of thousands are estimated to have died as a direct result of starvation or famine-related diseases.¹⁴ Estimated per capita income in North Korea is \$760 a year or less, whereas South Korea has a per capita income of over \$13,000.¹⁵

7. DOES GLOBALIZATION FOSTER THE GROWTH OF DEMOCRATIC GOVERNMENTS?

Anti-Globalists: Globalization undermines the sovereignty of free, democratic nation-states due to the power of world trade and finance institutions that do the bidding of global corporations.

- The World Trade Organization usurps the authority of sovereign nations to enforce their own laws, regulations, and standards:
 - Public Citizen's Ralph Nader writes: "Under this new [WTO] system, many decisions affecting people's daily lives are being shifted away from our local and national governments and instead are being made by a group of unelected trade bureaucrats sitting behind closed doors in Geneva, Switzerland. These bureaucrats, for example, are now empowered to dictate whether people in California can prevent the destruction of their last virgin forests or determine if carcinogenic pesticides can be banned from their food, or whether the European countries have the right to ban the use of dangerous biotech materials in their food. Moreover, once the WTO's secret tribunals issue their edicts, no independent appeals are possible. Worldwide conformity is required."¹
 - Public Citizen further warns that the WTO dispute resolution system is missing basic protections of due process; dispute panels operate in secret, documents are restricted to the countries in the dispute, citizen participation is absent, and no outside appeal is available.

The WTO's lower panel and appellate body meet in closed sessions and the proceedings are confidential. This prevents proponents of health, environmental, or other policies that are being challenged from obtaining sufficient information about the proceedings to provide input. Unlike its precursor, the GATT, WTO panel rulings are automatically binding and do not require unanimous consent to be adopted. Nor do WTO trade sanctions need consensus approval.²
 - U.S. Senators Daniel Patrick Moynihan of New York and Ron Wyden of Oregon have proposed setting up a global equivalent of C-SPAN, the public affairs cable television network, that would televise WTO and IMF meetings worldwide in order to create more transparency in the global institutions.³
- Nation-states are now subject to the whims of a global financial system beyond their control:
 - The creation and use of credit once took place mostly within the borders of nation-states, but now it takes place across borders in an instant, in global markets electronically linked into a single system. Over a trillion dollars a day moves freely around the world in this system, beyond the regulatory grasp of individual national governments, creating rapid technological and economic growth, but also adversely impacting developing democracies that do not yet possess adequate judicial and regulatory institutions to protect their citizenry from the negative consequences of such rapid growth.

A recent report prepared by the Meltzer Commission, appointed by Congress to recommend reforms to the International Monetary Fund, concluded: "The G-7 governments, particularly the United States, use the IMF as a vehicle to achieve their political ends. This practice subverts democratic processes of creditor countries."⁴



Globalists: Economic freedom and democratic government go hand in hand. One cannot exist for long without the other. Free and open markets encourage the development of institutions that are based on the rule of law and representative government. Global institutions that exist to encourage open markets and economic growth only serve to strengthen the sovereignty of a free nation-state.

- The World Trade Organization is not a world government body, but simply an organization created by an agreement among member nations to maintain open markets for the free flow of goods and services, essential to democratic societies:

- The WTO has no enforcement powers of its own. It cannot levy fines, impose sanctions, change tariff rates, or modify domestic laws in any way to force a member nation to comply with a ruling. The WTO merely arbitrates disputes among its members on the basis of rules that each member state has accepted. Every member nation, including the United States, may veto any agreement of which it does not approve.⁵

- The WTO charter allows member nations to enact trade restrictions for reasons of national security, public health and safety, and the protection of natural resources. It allows members to ban imports made with forced or prison labor. The trade body's dispute settlement process facilitates trade negotiations between member states and renders nonbinding, unenforceable opinions about the laws and regulations of its members and whether they conform with WTO rules. No rules may be adopted without the agreement of every one of its members. Unlike the United Nations, it deploys no troops with "WTO" on their helmets.⁶

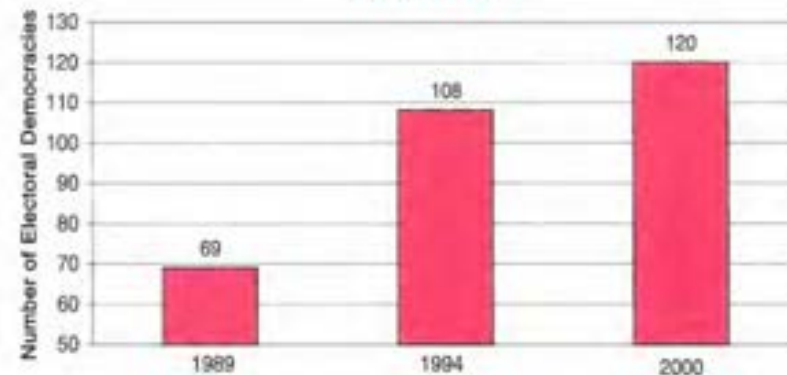
- Globalization has acted to expand the growth of democracies around the world:

- Since 1989, the number of countries with electoral democracies has more than doubled. Today, there are over 2.3 billion people living in free societies—about 40 percent of the world's population. Another 1.5 billion live in "partly free" nations—roughly 25 percent. But, over 2 billion people—a third of the world's people—still live in countries considered "not free."⁷

- Globally-charged technological growth is speeding the process of democratic change. China's 1.2 billion people—roughly 60 percent of the world's population living in "not free" societies—now have the right to own property. As a result, 200 million of its people have been lifted from poverty, helping to create the technology base necessary to participate in the information revolution that is transforming the global economy and helping to establish democratic governments. In the past year alone, the number of Internet addresses in China has more than quadrupled to nine million and is expected to surpass 20 million in 2001. The Chinese government's efforts to restrict the free expression of ideas on the Internet illustrate how economic growth fuels both the Chinese peoples' appetite for goods and services and for freedom as well.⁸

- Foreign investment introduces closed societies to a greater variety of goods and services, but also to new ways of thinking. From 1990 to 1998, foreign investment in China grew from just over \$3.4 billion to almost \$44 billion—a remarkable 1,155 percent increase.⁹

Figure 9
Number of Electoral Democracies in the World
1989-2000



Source: "Map of Freedom," *Freedom in the World: 1999-2000 Survey* (Washington, D.C.: Freedom House, 2000).

8. DOES GLOBALIZATION IMPROVE THE QUALITY OF LIFE?

Anti-Globalists: Globalization is unweaving the social fabric of agrarian-based societies, destroying local livelihoods, and endangering public health. Globalization is creating potentially dangerous genetically modified (GM) “frankenfoods” to replace healthier, organically grown foods that provide the basis for local, agriculturally based economies. Global technology is creating a “monoculture” worldwide that destroys unique communities and isolates individuals.

- Genetically modified crops are a conspiracy by global agricultural corporations to enslave developing countries and endanger public health:
 - GM foods can cause allergic reactions in people and can be fatal to benign insects that feed on GM crops. In the United States, GM foods are completely unregulated. Consumers have no way of knowing which products contain genetically modified organisms. GM foods should be labeled to protect consumers.¹
 - The EPA revoked the marketing license of the firm responsible for the genetically engineered corn linked to the nationwide recalls of two brands of taco shells. The corn, approved for use only in animal feed, was found in a sampling of taco shells sold in stores, prompting the recall of more than 2.5 million boxes of the product.²
 - U.S. farmers planted 80 million acres of gene-altered corn and 75 million acres of gene-altered soybeans in 2000—over 50 percent of all corn and soybeans planted.³
- Until genetically-modified crops have been proven to be safe to consume, they should be banned. More testing is needed. In the meantime:
 - Ban corporate farming. The ultimate policy goal should be to get family farmers back on the land. Bring anti-trust actions to reverse corporate consolidation in the food industry. There are too few huge suppliers of seeds and too few buyers/manufacturers of food products. Corporate giants are squeezing small farmers out of business.⁴ In the late eighteenth century, 98 percent of the American adult population farmed for a living. Today, just 1 percent of Americans’ livelihood is farming.⁵
 - Revive rural communities. Small-town life ought to be appealing enough to lure Americans back to the land.⁶
 - Let nature be the final measure of all decisions: If it promotes agricultural variety, health, ecological stability, and genetic diversity, it’s good. If it suppresses those, it’s bad.⁷
 - Eliminate *monocultures*: return to diverse *mixed crops* produced for *local consumption*. Minimize *export* crops. Increase tariffs on imports. Work toward community—and regional—food self-reliance. Nurture an agrarian mentality.⁸



Globalists: Open and free markets worldwide contribute to better living standards, a higher life expectancy, higher literacy rates, and a healthier life. People around the world are better fed, clothed, educated, work less, and have more leisure time than ever before. Meanwhile, the information-based world economy will bring faster, greater economic growth worldwide, improving the quality of people's lives by giving millions a chance in the "new economy."

- Life expectancy in the developing regions of the world that have enjoyed the fastest economic growth due to open markets and high foreign investment is on a par with the developed world, while the infant mortality rate (per 1,000 live births) has plummeted:
 - In the East Asia/Pacific region, life expectancy at birth is 69 years; Latin Americans can expect to live 70 years; babies born in the Middle East and North Africa today will live to the age of 68, on average.⁹
 - Infant mortality has dropped over 53 percent in the Middle East and North Africa since 1980—from 95 to 45 per 1,000 live births; the East Asia/Pacific region has witnessed a 36 percent drop; Russia and Central Asia, a 46 percent decrease; Latin America, a nearly 50 percent reduction. Even South Asia and Sub-Saharan Africa have seen declines in the infant mortality rate of 37 and 20 percent, respectively.¹⁰
 - People living in economically free nations enjoy life expectancies on average almost two decades longer than for those without freedom (76 vs. 57 years). South Koreans today enjoy much longer lives than North Koreans (73 vs. 63 years). People living in Taiwan live longer than people in China (76 vs. 70 years).¹¹
 - Improvements in life expectancy alone in the U.S. added about \$2.8 trillion (in 1992 dollars) to national wealth between 1970 and 1990.¹²

Table 2
Worldwide Quality of Life Measures
By Region, 1998

Region	Life Expectancy (Years, at birth)	Infant Mortality (per 1,000 live births)	Health Expenditure (per capita, in dollars)	Personal Computers (per 1,000 people)	Youth Literacy (% ages 15-24 that can read)	
					Male	Female
Western Europe	78	5	\$1,974	230	99%	98%
North America	76	14	\$2,045	279	95%	94%
Latin America	70	31	\$284	45	93%	94%
East Asia/Pacific	69	35	\$47	25	98%	95%
Russia/Eurasia	69	22	\$138	23	99%	98%
Middle East/N. Africa	68	45	\$117	8	87%	75%
South Asia	62	75	\$17	1	76%	58%
Sub-Saharan Africa	50	92	\$33	5	81%	72%

Source: World Development Indicators 2000, Tables 1.2, 2.14, 2.18, and 5.11 (Washington, D.C.: The World Bank, 2000); World Fact Book Online, "Country Reports" (Washington, D.C.: Central Intelligence Agency, 2000).

Globalists: (continued) The notion that any nation's people are most secure when they can produce their own food—an agricultural autarchy (totally eliminating dependence on food imports)—has not been demonstrated to benefit a nation's economy or its people. Further, if the United States prohibited the export of food, millions of people around the world would go hungry—while many U.S. farmers would go broke.¹³

- Fewer American families have to worry about going to bed hungry, and genetically modified foods hold the promise of feeding millions of malnourished children:
 - According to a recent report from the Department of Agriculture, the number of households in which people worried about getting enough to eat fell by 12 percent from 1995 to 1999. The number of households that actually experienced hunger dropped by 24 percent during the same period.¹⁴
 - Genetically-modified crops could ensure that—despite the expected increases in human population (projected to reach 9 billion by 2050)—the world's progress in improving health, reducing mortality rates, and increasing life expectancies during the twentieth century should be sustained into the twenty-first. Unless food production outstrips population growth significantly over the next half century, billions in the developing world may suffer annually from undernourishment, hundreds of millions of children may be stunted, and millions may die from malnutrition.¹⁵
 - There is no evidence of any public health threat from genetically modified foods. Moreover, the application of genetic engineering to agriculture reduces reliance on the use of pesticides and insecticides while simultaneously increasing the world's food supply.
- Living standards, health, leisure time, and recreation all benefited from the spread of industrialization and economic growth:
 - In the late 1880s, 2 percent of household income was spent on recreation; by 1935 the percentage increased to 4 percent; and by 1991 it jumped to 6 percent. From 1890 to 1940, the average work week fell by 20 hours. Since 1940, sick days, paid vacations, holidays, and personal leave have increased dramatically.¹⁶
 - Industrialization, by multiplying productive output, has been the most significant factor in raising living standards and shortening work weeks. It helped to revolutionize medical science and increase sanitation, thereby wiping out or containing communicable diseases—once the primary cause of infant mortality. The incidence of literacy, once in the single digits in many countries at the beginning of the nineteenth century, now exceeds 50 percent in the developing world and over 95 percent in the developed nations.¹⁷
 - Among those American families the Census Bureau considers poor, 41 percent own their own homes, 70 percent own a car (27 percent own two or more) and 97 percent have one or more color televisions. Three-quarters own a videocassette recorder and two-thirds enjoy air conditioning. Forty-seven percent of the poor remain that way less than four months; only 13 percent stay poor for more than two years. The U.S. poverty rate actually drops from 12.7 percent to just 5.3 percent when only the long-term poor are counted.¹⁸
- Global e-commerce is skyrocketing, helping to raise the standard of living for millions:
 - Worldwide Internet commerce by U.S. companies accounted for 1.2 million jobs and generated over \$301 billion in revenues in 1998, surpassing the energy and telecommunications sectors. The U.S. Internet economy grew at a compounded annual rate of 174 percent between 1995 and 1998, accounting for about 8 percent of the nation's total economic output but more than one-third of economic growth.¹⁹
- The “digital divide” is rapidly closing:
 - While 34 percent of white U.S. households use the Internet, 64 percent of Asian-American households and 36 percent of Hispanic-American households are online. Twenty-three percent of African-American households are on the Internet and are increasing their spending on computers at 14 times the rate of white households.²⁰



9. SUMMARY: WHAT ARE THE PROS AND CONS OF GLOBALIZATION?

GLOBALISTS:

Globalization accelerates economic growth, increasing standards of living, but there are winners and losers.

Globalization benefits the consumer by increasing income and offering a greater variety of lower-priced products and services.

Globalization increases employment and wages and helps improve working conditions and protect workers' rights.

Globalization helps clean up and protect the environment by providing the national wealth necessary to undertake environmental improvements.

Globalization helps developing nations by accelerating economic growth and lifting millions out of poverty.

Globalization helps protect human rights. Economic freedom and political freedom are closely linked.

Globalization fosters the growth of democratic governments, which have almost doubled worldwide in just the last decade.

The culmination of globalization and technology has resulted in a quality of life unimaginable one hundred years ago. Life expectancy, literacy, human health, leisure, and living standards have improved dramatically worldwide.

ANTI-GLOBALISTS:

Globalization subjects the peoples of the world to financial crises and poverty in the name of corporate greed.

Globalization has resulted in record corporate profit rates while the worldwide income gap continues to widen.

Globalization results in U.S. jobs being shipped overseas to low-wage factories with poor working conditions and abuses of workers' rights.

Globalization exploits local environments in the quest for corporate profit and contributes to worldwide global warming.

Globalization subjects developing nations to severe trade and financial lending practices, keeping nations trapped in debt and millions trapped in poverty.

Globalization supports a world trade in human bondage and slavery estimated in the millions.

Globalization threatens the sovereignty of the nation-state by undermining national laws and regulations with the power of world trade and finance bodies.

Globalization threatens public health, local economies, and the social fabric of agriculturally based societies.

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