

## THE MANY MEANINGS OF GLOBALIZATION

Globalization. The word is everywhere. Maybe we can say that globalization began when some of our ancestors began their trek out of Africa. But today?

- "Made in China" says the label on a pair of sneakers.
- In Egypt, customers at a McDonald's restaurant buy a "McFalafel."
- An American airline company hires workers in India to handle its frequent flyer program ("outsourcing").
- Al Qaeda, a global network, sends jets into the Twin Towers.
- Nepalese villagers watch Jay Leno on TV.
- Illegal immigrants from Mexico cross the U.S. border every day looking for jobs and opportunity.
- World War II, a global event as its name suggests, spurs the creation of the United Nations, which seeks to build a global community.
- The AIDS epidemic strikes millions of people around the world.
- Humans burn coal, gasoline and other fossil fuels that help to produce global warming, causing potentially catastrophic effects around the globe.
- A host of international organizations are created to deal with a host of global problems—the environment, health, children's welfare, trade, war criminals, conflict resolution...

Globalization is a phenomenon that covers many activities, but these readings focus on globalism in the economic sense and its impact on ordinary working people —people who make possible the production, distribution and sale of products and services around the world.

Joseph Stiglitz, Nobel Prize winner in economics, writes in his book *Globalization and Its Discontents* that globalization is "the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders."

If globalization began with the gradual spread of human beings around the planet thousands of years ago, technology has dramatically accelerated the process. In the past century we've moved from telegraph, railroads, telephones and airplanes, to radio, TV and jet planes. And then to satellites, space vehicles, undersea fiber-optic cables and bandwidth, PCs, cell phones and the internet. Such technology has reduced the isolation of developing countries and given people in them access to knowledge and links to people in the developed world.

By opening up to international trade, countries as different as Chile and China have grown and made life longer and better for millions of their people. In some areas, foreign aid has brought benefits like irrigation projects that have more than doubled farmers' incomes. Public protests have forced richer countries to forgive some of the debts of the poorer nations. International organizations have brought schools and literacy and vaccines, clinics, birth control devices, and better health to millions.

But even advocates of globalization concede that it also produces pain for many people. Just over 10 years ago the North American Free Trade Agreement (NAFTA) brought together three very different economies: the United States (prosperous but with great income disparity) Canada (also relatively prosperous but with a more equal distribution of income), and Mexico (predominately

poor). The promise was benefits for all: millions of new jobs, hikes in living standards and cuts in illegal immigration.

NAFTA has certainly succeeded in creating a more integrated hemispheric economy. The "all-American" Ford pickup truck, for instance, is now assembled in Mexico with engines from Ontario and transmissions from Ohio and Michigan.

But the benefits of NAFTA have been mixed. Sharp cuts in tariffs across open borders have yielded big profits for investors and mega-businesses like Wal-Mart as well as for American auto companies. But the people of the three nations have suffered enormous economic dislocation, as jobs flow freely across borders.

A recent review of NAFTA's first 10 years by the [Carnegie Endowment for International Peace](#) found that in Mexico "NAFTA-led productivity growth in the past decade has not translated into increased wages." NAFTA "has not stemmed the flow of Mexican emigration to the United States." And "Mexico's evolution toward a modern, export-oriented agricultural sector has failed to deliver the anticipated environmental benefits of reduced deforestation and tillage." On the other hand, environmentalists' worries that NAFTA would result in a degradation of environmental regulation in the three countries "has proved unfounded," according to the Carnegie Endowment.

U.S. and Canadian labor organizations (and many Mexican unions as well) are strongly opposed to NAFTA, which they believe has caused the loss of millions of jobs and kept wages stagnant. It has been documented that U.S. employers now regularly threaten to shut down and "move to Mexico" if workers organize into unions.

Some of the problems of globalization stem from actions by the international organizations that set and enforce the rules of global trade and provide funds for poor countries. The World Bank, for instance, was originally designed to fight poverty and to improve health, education and other basic services around the world. The International Monetary Fund or IMF was created to help governments get through financial crises and to avoid worldwide depressions like that of the 1930s. The World Trade Organization or WTO was designed to create rules for free trade among nations. But the U.S., other rich countries, and global corporations control these organizations and write their rules. And very often, critics say, the rich nations use these institutions to further their own interests—which are not necessarily those of poor countries.

The IMF strongly supports free trade. It requires countries seeking its help to open agricultural markets by eliminating tariffs. The theory is that free trade with markets open to all is good for everyone and reduces poverty. But reality is more complicated. For example, in 1995 when Haiti, under pressure from the IMF and the U.S., cut its tariffs on rice, Haiti's rice farmers, already very poor, suffered a devastating loss of 25 percent of their income.

In Manzanillo, Mexico, Lorenzo Rebollo farms in the very place where archaeologists say corn was first grown as a food crop. Rebollo, according to the *New York Times* "is one of about 3 million Mexicans who farm corn and support roughly 15 million family members. His grown sons have left for the United States to make a living, and Mr. Rebollo says he may be the last man to farm this patch of earth....Roughly a quarter of the corn in Mexico is now imported from the United States. Men like Mr. Rebollo cannot compete against the mechanized, subsidized giants of American agriculture."

U.S. farms can make a profit by selling their corn in Mexico for less than it costs to grow because of billions in subsidies from Congress, "much of it going to huge agribusiness

operations. That policy fuels huge surpluses and pushes corn prices down," according to the *Times*. As a result, the prices Mexican farmers like Lorenzo Rebollo receive for their corn are so low that they lose money on every acre they plant.

Many Mexicans, including Lorenzo Rebollo's sons are forced to abandon their farms and seek work elsewhere, in already overcrowded cities like Mexico City or across the border as illegal immigrants in the U.S. Furthermore, notes Alejandro Nadal, a professor at the Colegio de Mexico, when Mexican farmers leave their fields, ancient varieties of corn like blue corn used for tortillas may be lost and "even more significant genetic erosion will occur." (*New York Times*, 2/26/02)

In September 2003, representatives of the 146 nations who are part of the World Trade Organization met in Cancun, Mexico. The delegates from developing (poorer) nations thought they successfully made their case: The world's poorest farmers, they argued, cannot compete with farmers from wealthy countries, who each year receive \$300 billion in government subsidies to grow their crops. With the help of such government support, farmers in rich countries are able to sell their crops for extremely low prices—and poor farmers can't compete. They can't make a living, and are forced off their land. And not just in Mexico. In such poor African countries as Burkina Faso, Mali, and Benin, cotton farming has been a bright spot. But subsidized American and European farmers dump (sell at very low prices) so much cotton on the world market that prices are driven down and African producers suffer losses.

At Cancun, the African nations asked for 1) a reduction in subsidies to American and European cotton farmers; and 2) \$300 million to be divided among African farmers to compensate for losses they have suffered because of unfair competition. The Americans and Europeans did not like this proposal, and proposed instead that the WTO conduct a study of the issue and that African farmers plant other crops. Delegates from Africa, the Caribbean, and Asia walked out and the talks abruptly collapsed. "It got to be too much for us," said Bakary Fojana, a delegate from Guinea. "The cotton offer was unjust and ignored what was demanded by African nations....our daily problems were ignored." (*New York Times*, 9/15/03)

In the U.S., 25,000 cotton farmers receive \$3 billion in subsidies. The net worth of the average American cotton farmer is \$1 million. (Thomas Friedman, *New York Times*, 9/25/03)

Besides farm subsidies, high agricultural tariffs block imports to the U.S., European countries, and Japan. These countries also subsidize their food exports, many of which are sold below cost, undermining the ability of the world's poorest farmers to sell their products. "We are all free traders and we're all hypocrites," said Peter Scher, specialist on trade negotiations in the Clinton administration. "I blame the Europeans as well as the Americans. If we're going to develop these poor countries, we've got to give these nations a chance to develop their own agricultures." (*New York Times*, 6/15/02)

Today more than 1 billion people live on less than \$1 a day; almost 3 billion people live on \$2 a day. (World Bank Group as reported by NOW with Bill Moyers)

"One of the few points economists can agree on is that growth is the most important thing a nation can do for its poor," writes Tina Rosenberg in the *New York Times Magazine* (8/18/02). "They can't agree on basics like whether poverty in the world is up or down in the last 15 years—the number of people who live on less than \$1 a day is slightly down, but the number who live on less than \$2 is slightly up. Inequality has soared during the last 15 years, but economists cannot agree on whether other forces, like the uneven spread of technology, are responsible.

They can't agree on how to reduce inequality—growth tends not to change it. They can't agree on whether the poor who have not been helped are victims of globalization or have simply not yet enjoyed access to its benefits—in other words, whether the solution is more globalization or less. But economists agree on one thing: to help the poor, you'd better grow."

### **Questions for Discussion**

1. Why do Americans buy sneakers made in China? Why aren't these sneakers manufactured in the U.S.?
2. When your parents were your age, their sneakers almost certainly did not come from outside the U.S. Why?
3. Consider Stiglitz's definition of globalization closely. What examples can you offer of "the closer integration of the countries and peoples of the world"? Why have the costs of transportation and communication come down so dramatically? How has this cost reduction stimulated economic globalization? What "artificial barriers" do you think Stiglitz is referring to?
4. What are some of the pluses and minuses of economic globalization?
5. The U.S. government "subsidizes" American farmers, with most of the "subsidy" going to "mega-farms." What is a subsidy? Why does the government subsidize farmers? What is a mega-farm? Who gets most of the subsidy payments?
6. What does the U.S. policy of subsidizing farmers have to do with the collapse of a NAFTA conference in Cancun?
7. How do you explain Scher's comment: "We are all free traders and we're all hypocrites"?
8. Why is growth so important to poorer nations?