

COMMANDING HEIGHTS

Up for Debate: Globalization and Poverty

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The complex economic and cultural connections among nations that underpin globalization also make possible stark international comparisons. The inequalities that globalization reveals challenge the world economic order to deliver for the poor.

Yet what globalization means for a "poor country" may differ from what it means for the poor within that country.

When it comes to capturing the benefits and mitigating the risks of globalization, are the interests of the poor and those of their governments aligned? What is the track record, and what are the prospects? And what do Western-based activists, academics, and policymakers add to the debate?

Moises Naim

Editor, *Foreign Policy Magazine*; Minister of Industry and Trade of Venezuela, 1989-1990

Foreign Policy editor Moises Naim emphasized that investment in health and education were a crucial component of reducing inequality and helping a developing country become part of the global economy.

Globalization Highlights Disparity

INTERVIEWER: Is globalization a process or a political movement?

MOISES NAIM: It depends on who you ask. Some people will tell you that [it] is destiny, and that the integration of the world and the world becoming one is more or less the destiny of mankind. Others will tell you it's a fad—we always have had these bouts and spurts of integration between countries. And others will tell you that is a project of powerful interests, and even American interests, to make the world look like they want it to look. Therefore it's a set of ideas designed to push the world into a specific set of policies.

INTERVIEWER: Who's right?

MOISES NAIM: There is a lot of destiny in globalization because it is driven by technology. Technology is a very, very important driver that is going to be very, very hard to stop. But globalization can be steered and some of the costs of globalization can be controlled and limited, and some of the opportunities can be spread more evenly than they are now. One of the consequences, the negative on the belly of globalization, is in equality, is accelerating disparities. But globalization is also creating opportunities that allow people that before were isolated and limited and destined to live within the confines of their own circumstances into a larger world.

INTERVIEWER: In your view, what can be done, if anything, about global inequality? And if nothing is done, what are the stakes?

MOISES NAIM: When one talks about inequality, one has to differentiate between inequality among countries and inequality inside countries. The only way to fight and have some success in the inequality between countries is to have more transparent rules of trade and investment

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in which access is allowed, in which developing countries are allowed to export in fair conditions to other countries and vice versa. Unless we develop a very, very efficient, fair, strong, enforceable system of rules, regulations, and institutions to guide world trade and investment, we will be very frustrated in terms of inequality in between countries.

But then inequality within countries has three dimensions. First, inequality is morally unacceptable. Second, inequality is politically destabilizing. Third—and this is something that we have come to realize in the last few years—inequality is very, very debilitating in terms of the capacity of a country to become part of the global economy.

Health and Education Are Key

MOISES NAIM: If a country is highly unequal it is very likely that a majority of the population will not be well educated and healthy enough to be able to be the workers that allow a country to compete in the more knowledge-intensive industries that are part of the global economy. So the stakes of not making progress in fighting inequality inside countries are very, very high, morally, politically, and economically.

And the solutions to that, there's no silver bullet against inequality. What we know is unless you provide better health and education, those are two receipts that we know. And unfortunately we know very little about how to make institutions that deliver health and education to these countries more efficient. If you go to any developing country in the world and you look at what is the most corrupt, the most inefficient, the most badly managed institution in the country, you will see that it has to do with schools and universities and hospitals. And unless the world quickly learns how to manage efficiently hospitals, universities, and schools, the battle against inequality is going to be very, very weak.

It requires a lot of political change, but at this point I regard making progress in terms of better education and better health in these countries more of a challenge for ideas than for politics. The politics are lousy around health and educational systems. All around the world the politics are horrible, and reforming, changing health systems and educational systems is very hard to do. But also, one should not lose sight of the fact that the ideas about how to reform and in which direction they should go are at this point very poor. We have some tentative general trends that one can imagine would yield better hospitals and schools, but it is very

important to know that the people in charge of producing better ideas about education and health have not provided us, have not equipped the world with a very good tool kit on how to really make schools and hospitals successful.

Making Emerging Economies Attractive Places to Invest

INTERVIEWER: We interviewed the head of the CalPERS pension fund, and he's very concerned about questions of inequality, but he also said, "Look, for me, as an investor, most of the developing world is essentially uninvestable." He can't in good faith put the money of these pension funds in most of the developing world, even if he'd like to. And yet he also says that if you don't find a way to invest in these countries, in the long run you could potentially have a backlash [against] the whole global economic system, and that could create a lot of problems. What's your sense of the extent to which you need to bring developing countries into the global economic tent?

MOISES NAIM: It's indispensable that developing countries, the so-called emerging markets, become a more reliable investment site for investors around the world. It is very important that the volatility, that the changes in the fortunes of these countries become less pronounced and these countries become more stable and investors have a better perception that their money will not be too much at risk once it is invested there. That is one of the big challenges. It will not be achieved by developing countries as a whole, as a category. That is going to be very difficult because they are very different. It is a highly heterogeneous group. But the developing countries that manage to convey to the world that they are stable places where investors can be assured that they will have good returns, reasonable returns for their investments are the ones that are going to make a big inroads in their fight against social conditions that are unacceptable.

INTERVIEWER: But does that mean that developing countries have to essentially play by a different set of rules to attract that kind of investment?

MOISES NAIM: No, developing countries need to be very competitive in their capacity to attract foreign capital. They need that foreign capital to fund all sorts of activities inside a country. In order to do that they have to have property rights. People need to have the feeling that their property is protected. They have to have the feeling that companies are transparent,

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that government corruption is not pervasive, that the rule of law is respected, and that the aggregate economy is managed in a way that ensures some stability, that you don't have fits and starts and devaluations and policy measures that make you lose half of your money overnight. Countries that achieve that sort of stability, that sort of institutional framework that ensures transparency and ensures property rights are going to do much, much better than countries that will be mired in political gridlock, instability, and the volatility of their economies.

P. Chidambaram

Finance Minister of India, 1996-1998

For P. Chidambaram, former commerce minister of India, it is reversals of the movement toward free trade that pose the highest risk of hurting the world's poor.

Globalization and the Rich and the Poor of India

INTERVIEWER: What does globalization mean for India?

P. CHIDAMBARAM: It means different things to different people. To the professional, entrepreneurial class it means integrating India's economy with the world, and at least for that class sharing world standards of living: travel, education, health care, cars, all the accessories of life, can be world class for that limited number. For the bulk of the people, the middle class, it means greater choice in products and services. You don't have to live with shoddy products and shoddy services. It has raised their aspirations. They think they have a chance. They think their children have a chance in a freer world where efficiency, enterprise, skills will be rewarded.

To the vast majority of Indians who are poor, and clearly to the 30 percent who are below the poverty line, globalization means nothing. Nothing so far. In fact, they want to be integrated with the Indian economy. They're outside the production processes here because they have no skills, they've no capital, they've no jobs, they've no property. They really have to be integrated with the Indian economy first. They have to be brought into the Indian production stream. To them globalization means nothing.

But if through globalization we're able to attract capital, technology and give to them, say, potable drinking water, good road which connects their village to the town, health care, education, I think then they will see that the opening up of India's economy has brought them benefits. At the moment, they are simply bewildered.

INTERVIEWER: You believe that globalization will put India's poor on the path to prosperity?

P. CHIDAMBARAM: I think so. Real wages of farm labor have increased in the last 10 years. Absolute poverty has declined by 10 percentage points, both in rural areas and in urban areas.

Therefore, more jobs are being created. We are creating something like 6 to 8 million jobs, not necessarily in the organized sector, but 6 to 8 million jobs are being created. I think if our growth rate goes up to 8 percent we will see a very marked and very dramatic impact upon the lives of the very poor of this country.

Chidambaram's Perspective on Protest

INTERVIEWER: What do you say to the anti-WTO demonstrators and the anti-capitalist campaign? They claim they're concerned about the poor of the world. Are they actually helping the poor of the world or harming them?

P. CHIDAMBARAM: I don't wish to doubt the intentions of the anti-WTO demonstrators, but I think their claim to represent the poor is not a particularly valid claim. Why assume that elected governments do not have the interests of the poor at heart... ? They have a point when they say that the WTO regime is not bringing enough dividends, enough benefits to the developing countries. That's a valid point. While we recognize that point, in my mind there is no question, there is no doubt that a rule-based world trading system or regime is one that will benefit the developing countries. In fact, if we do not have a rule-based trading system, we will be poorer, we will suffer more than the developed countries. We need rules. The developing countries need rules more than the developed countries. And this is something which I don't see why the protesters don't understand. If the rules are not fair, let's rewrite the rules. But that is not to say abolish the WTO or abolish the rule-based regime.

INTERVIEWER: If the more radical demonstrators, the anti-capitalists, had their way, who would be hurt most in the world?

P. CHIDAMBARAM: I'm not sure the anti-WTO demonstrators are anti-capitalists. I think they are all children of capitalist societies and have gained from what the capitalist societies showered upon them. I don't think they're anti-capitalist. They are simply well meaning and sometimes misdirected. They want autonomy for nations, they want autonomy for communities and societies, they want a multicultural world. All that is good, but I think they are targeting the wrong organization, the WTO.

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Be that as it may, let me assume that there is some logic to their anti-WTO [position]. Who will be hurt is the question? There is a developing country that will be hurt, because what will happen is flow of capital, flow of technology will certainly slow down, if not stop. The developed countries will also become more protectionist and if they become more protectionist, who will be hurt? Again, the developing countries will be hurt. We want markets to be opened up quicker in order to catch up with the developed world. I have no doubt in my mind that the developing countries will be hurt more than the developed countries.

Naomi Klein

Author and activist

Award-winning author and prominent figure in the anti-globalization movement, Naomi Klein was concerned that globalization was driven by corporate interests, which undermined institutions of democracy.

Preserve the Right to Organize

NAOMI KLEIN: Everybody wants trade. Everybody wants investment. Everybody wants jobs. This is a false dichotomy that somehow we are trying to take away jobs, that we're against trade. Canada is a country that was founded, as was the U.S., on trade. This process is 500 years old, if not older. It used to be called colonialism.

The issue is are governments going to be able to keep the tools that they have, and are citizens going to be able to keep the tools that they have to engage with investment and trade to turn it into genuine development? And what's being said here at Quebec City is that what these trade agreements are about is not trade, but in fact the net effect is to take the tools that democratically elected governments have and citizens have to engage with capital, to engage with trade, to affect it so that it becomes genuine development, the best example of that being the right to form unions. What my research in free-trade zones in the Philippines and Indonesia [did was] confirm the idea that of course these jobs are needed, but the choice should not be "Do we have these bad jobs or do we not have the bad jobs?" The issue is "Are we going to have the tools that we need to make these bad jobs into good jobs?" We know how we did it here in Canada and how you did it in the U.S. It was done through mass organizing, it was done through mass unionizing, and it was done through government regulation and intervention and monitoring in factories, which eventually lead to the elimination of all kinds of security risks.

Anyway, my research into free trade in the Philippines and Indonesia made it very clear that the key demand of the workers on the ground is simply the right to organize, the right to freedom of association, and the right to negotiate with their employers without being punished. And what's happening all over Southeast Asia is that as soon as the organizers start, as soon as organizers come in and unions come into the factories, these companies have the ability to cut and run, which is why we're seeing a race to the bottom.

A Different Model for Globalization

NAOMI KLEIN: What we have now is a particular model of globalization that's based on a belief system, and that belief system is how laissez-faire free-market economics, which holds that the pursuit of profit, the pursuit of growth, whether by corporations or by nation states, is essentially the only overarching goal, and essentially the only goal that matters in that any of our other concerns, whether it's for higher environmental standards, more job security, better labor conditions, human rights, all of that will be solved in the trickle-down from this pursuit of growth and profits. So the rules that are written are rules that favor that accumulation of wealth, whether it's protections for pharmaceutical companies being extended from 17 years to 20 years for a trade organization, and when rules are written that in some way threaten short-term corporate profits. For instance, rules that put caps on fossil fuel emissions. Those rules are seen as a threat to those interests and are under threat themselves.

INTERVIEWER: So how do you make the system more equitable? Do you have to regulate corporations? Do you have to change the way that they behave voluntarily?

NAOMI KLEIN: Yes, I think you do regulate corporations. You find international mechanisms that are able to counter the rhetoric of helplessness, of impotence that convinces us that there's nothing we can do beyond simply pursue more growth, more profits, and hope for the best.

It is true that it's very hard for individual nations [to] adapt to transnational capital. All globalization is world leaders getting together and agreeing on a set of rules and standards to regulate how they interact with one another. The truth is that those agreements have largely been written in secret, have been influenced tremendously by business lobby groups, are seen as totally unaccountable to and unrelated to anything that citizens voted for, which is why you are seeing ever greater resistance outside these meetings, whether it's the World Trade Organization, IMF, FTAA, EU. They could be getting together and writing other rules.

Broaden the Conversation: Preserve Democracy

NAOMI KLEIN: When we're talking about globalization, we're talking about a crisis of democracy. The crisis that we face in many ways has to do with this conspiracy of experts around globalization and this feeling, this message that we've all received that this is really

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complicated, and you might have been able to get involved in debates in your state, or debates in your country or province, but this global stuff is really [complicated], you need a degree in international law, in economics, even, so why don't you just go shopping and play your part in the global economy. So an enormous amount of popular education has gone on because when you have a situation where the vast majority of populations feel that they just don't have the tools to participate in the discussion, and you have institutions that are thrilled about it, that are just happy that they can have their quiet little meetings, play golf, and nobody interrupts them. When the World Trade Organization was created in Uruguay, there was nobody outside. This was a massive leap forward, and no one even knew.

Manmohan Singh

Finance Minister of India, 1991-1996

Manmohan Singh, India's former finance minister and architect of liberalization, saw in globalization an opportunity for developing country governments in the form of a challenge.

The Challenge Is to Educate

INTERVIEWER: Do you think that globalization will help to solve India's perennial problems of poverty?

MANMOHAN SINGH: Globalization creates opportunities. ... Freer trade, if it is genuinely free, and India's labor-intensive products can find markets abroad that will help to get new jobs in our country. That will help to relieve poverty.

In the same way, if we have access to first-class technology, then we don't have to reinvent the wheel. We can cut short the process of modernizing our economy. In the same way, opening up of the capital markets [and] freer flow of capital can increase our rate of investment [and] the rate of growth at a rate faster than the rate of domestic savings.

But as I said before, our competition is a two-way street. If we do not educate our people, then there is great danger that in the type of world economy that is now on the horizon, the knowledge-centered world economy, it is only the skilled workers who are going to be the biggest beneficiary of the growth processes. If India's working force is not adequately educated, then globalization will lead to the destruction of many of our traditional industries.

It is our responsibility to ensure that globalization becomes a positive game, and of course we need the rest of the world as help to see that the international economic environment remains supportive of the needs of the poorer countries.

Who Will Rewrite the Rules?

INTERVIEWER: Some people would say that the rules aren't fair, that the powerful countries, the rich countries set the rules, and it'll always be to the disadvantage of the emerging countries like yours.

MANMOHAN SINGH: That's certainly true. The international economic game is a power game, and those who are strong are always able to lay down the laws of the game. As I see it, India is not strong enough to rewrite the rules of the world game in its own image. But there are opportunities, and [other] countries of East Asia have taken advantage of those opportunities of the trading system, which has many minus points, also.

India has to do the same thing, taking advantage of these opportunities to realize its destiny, and in the process hope that in due course of time we will be strong enough to also influence the writing of the rewriting of the rules of the game.

Don't Impose Trade Sanctions as Penalties for Extra-trade Practices

INTERVIEWER: What's your reaction to the anti-capitalist, anti-WTO campaign, and its legitimacy?

MANMOHAN SINGH: Let me say that there are people in the West who would like to further go on the road to rewrite the rules of the game. The needs of U.S. labor, for example, all this talk of introducing labor standards into WTO negotiations, environmental standards. These are non-trade issues. The American attempt at Seattle to introduce these extraneous issues really created serious doubts in the minds of many developing countries that new protectionism was back in the West in the guise of labor standards, social standards, and environment. I sincerely believe that the West should resist using the WTO as an instrument to promote these causes.

This is not to say that labor standards are not important, our environmental standards are not important, but we have international institutions. The ILO [International Labor Organization] is there; the [United Nations]. Those things should be dealt with in those [organizations]. But to do these things as sanctions in trading relations will perpetuate the inequities of the present trading system, where the stronger countries always dictate the rules of the game.

INTERVIEWER: One of the cases that often comes up if you talk to anti-WTO people is child labor. You know Britain abolished child labor in about 1814, the United States in about 1930, '35. How would you argue that from your point of view?

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MANMOHAN SINGH: We are not saying that we have a right to employ child labor. Our national legislation does recognize that this is a curse. All of our children should be in schools. But by using the practice of child labor as an excuse to impose restrictions on India's labor-intensive products, is it going to help those children? It's just going to perpetuate the misery. It is going to reduce our country's ability to find resources to deal with the causes of those children not being in school.

Benjamin Mkapa

President of Tanzania

For president of Tanzania Benjamin Mkapa, the most troubling trend in globalization was the increasingly uneven playing field and developing countries' inability to fully participate in setting the rules of the game.

Increasing Disparities Erode Moral Authority

INTERVIEWER: Mr. President, when you hear people talk about the 1990s as the triumph of globalism, the triumph of capitalism, what's your reaction?

BENJAMIN MKAPA: My reaction is to acknowledge that this is a smaller world than it was a generation ago because of the revolution in technology communications, because of the economic integration of nations, because of the evolution of a more interactive political system globally. But it is still a very inequitable association of nations, and there's a very wide gap, wide differences in standards—not styles of life but standards of life. And while we may have rising expectations in the poorer countries, their realization are getting further and further behind.

INTERVIEWER: Why is that happening?

BENJAMIN MKAPA: Why is that? Because, if you like, the growth and the interaction has been unregulated—advantageous to some and disadvantageous to others; disadvantageous, obviously, to the developing countries.... I think the philosophy of the more developed ones is that what we have we will not share, and what the poorer countries have we will share with them.

INTERVIEWER: And what's wrong with that?

BENJAMIN MKAPA: It certainly doesn't make for one world, and it certainly removes any moral authority by any of the developed countries to lecture us about governments, about humanity, about basic human rights and so on.

Trickle-Down Is an Illusion

INTERVIEWER: What about the argument that global capitalism will ultimately trickle down and benefit everybody, lift the standards worldwide?

BENJAMIN MKAPA: It will not, because the way it is evolving is really making way for the developed countries to have an easier access to the resources of the developing countries, having access to them for the utilization and exploitation to the benefit of the developed countries who have the technology, who have the head start in knowledge, in technology, in experience, and industrialization. So while we may be integrated in the sense that more of our resources are now being exploited by the developed world, the returns for us are diminishing. We don't have very much of a say about the terms under which those resources will be exploited. I will tell you, for instance, the stage that is being argued in the WTO is for the opening up of our markets to industrialization by the big multinationals so that they can come, industrialize here, but without any confinement, for instance, on the use of our resources. They could start factories here without any limit, without any condition that they use resources that are available in this country. Well, that is really just to use our labor and to find a market for themselves. So that is the kind of trend that is evidencing itself as the globalization unfolds.

People in Developed Countries Must Wake Up to Exploitation

INTERVIEWER: So how do you alter a trend like that?

BENJAMIN MKAPA: How do we alter it? First, if I may use the favorite phrase these days, civil society in the developed countries has got to educate themselves about this rampant, if you like, exploitation of the poorer economies of this world and the poorer nations of this world, and put pressure, bring their influence to be up on their governments so that they can change their policies. In all that we may see an evolution of a more equitable international trading order, investment order, industrialization order, so that we may really have a global economy.

INTERVIEWER: But the argument is that even when a multinational comes in to any country—Tanzania or any other developing country—builds a factory, employs people, even if they are exploiting the cheap labor, it still is giving those workers better living than they might have had before and ultimately lifting them up. What's your reaction to that argument?

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BENJAMIN MKAPA: It may give a better living standard to those workers, yes, but is this the best that they can have? What are the margins of profit in international exploitation that are sustainable and, if you like, equitable? Surely that is also a necessary question to ask, especially if we are thinking of a common humanity.

Nemat Shafik

Vice President, The World Bank

Vice president of the World Bank Nemat Shafik pointed out that resolving the problem of inequality was fundamentally in the developed world's own self-interest.

The Well-being of Others Is the New Self-interest

INTERVIEWER: Let me ask you, as a general question about developing world and poor people, why should we care, other than for [some] vague humanitarian concerns?

NEMAT SHAFIK: In the past, other than [for] charity and altruism, you didn't really have to care. But today it's very different, because those poor people are as accessible to us [as we are] to them, in a way that never occurred before—issues of migration, issues of communication. We have to care now because of globalization, because they're right next door. And before they didn't know how we lived, and we didn't know how they lived, and now we know. And there are so many cross-border issues—not just trade or knowing how our goods are produced by them and vice versa, but also issues of communicable diseases, which are cross-border; migration, which is cross-border. And so if we don't solve the AIDS problem in Africa, we will always have an AIDS problem in the rich countries. ... Similarly with the environment: The rainforest matters as much to us as it does to the people in Brazil. And so because globalization has made so many problems truly cross-border, the well-being of others in other parts of the world isn't just about altruism anymore. It's just as much about self-interest.

Who Belongs in This Conversation?

INTERVIEWER: Talk about this question of legitimacy....

NEMAT SHAFIK: You know, in the past, when many governments in developing countries were essentially authoritarian, I think civil societies and NGOs had enormous legitimacy because, frankly, the governments were not legitimate. So certainly when they spoke about abuses, about poor environmental records, about programs that were resulting in worsening poverty, corruption, they had enormous credibility. I think in the 1970s there were something like 30 to 40 democracies in the world; today there are well over 100, and most countries are democratic in some form. You can question how democratic, how good their elections are, but

you know, elections even in this country are sometimes a bit problematic. But having said that, most developing countries are now governed by legitimate, democratically elected leaders. They quite rightly say, "We represent the people, and why should we listen to some particular NGO that has a particular agenda? And why should we give them more weight in the public discourse than the mass of citizens who chose us?" And that backlash really has occurred only in the last year. It really came out very clearly in Prague, when many developing country leaders got up and said, "Look, we're the democratically elected leaders, and who elected the civil society?" One of the things that we struggle with in the World Bank is trying to understand who we should speak to, who represents civil society, because you don't know who they really represent in terms of numbers.

INTERVIEWER: What does that mean, civil society?

NEMAT SHAFIK: Well, it's so amorphous. It has tended to mean NGOs, but it also refers to intellectuals, academics.... [NGOs], non-governmental organizations, is really not a category. It's saying you're everything except the government. And that's why we struggle so much in defining who to talk to. So we need to have a dialogue with civil society about poverty, and who do you invite to the meeting ... and how many people from developing countries versus industrial countries? And there's an enormous split in the interests of most non-governmental organizations. From the industrial countries' perspective, most non-governmental organizations tend to be focused very much on global issues, the global environment, global AIDS issues, [whereas] the developing-country groups tend to be much more focused on local poverty problems, and they're much more focused on service delivery and improving the conditions and lives of people in their communities, and so you have a very broad spectrum of agendas, and, in some ways, it makes me think really this is why we have democracies and institutions, that this current process is just too messy. And filtering out who should be heard and how much weight they should be given in the political process, it's very problematic. And actually democratic institutions, when they work, are a pretty good filter for weighing these competing interests and claims.

Who Makes the Case Most Effectively?

INTERVIEWER: One of the CEOs who talked about his corporate responsibility with me runs a big pension fund—a lot of money overseas—and he says: "Look, you know, the hard fact is

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that we have to see development in the developing world; they have to be a part of the global economy. However, essentially, they are uninvestable for me. We will never put money into these countries, period. I can't do it because of my shareholders." How do you deal with that?

NEMAT SHAFIK: One of the things we've been doing is taking some of these investors to talk with officials in developing countries, and we have one group that we organized. And between them, I can't remember, I think they manage \$10 trillion or something between this group of investors. And it's very powerful when you take a group like that to a minister of finance or a prime minister and have them say that "We can't invest in this country until we're sure that the exchange rate is convertible, truly, and that the budget is sound, and that the political system and the macroeconomy is stable, and that if we make an investment we're able to actually withdraw the profits from those investments." And I think ultimately that's the only way it will improve is that we have to make these countries more hospitable to investment for them ever to be able to attract it.

Whose Responsibility Is It to Deliver "Social Good"?

INTERVIEWER: Let's say the investment actually does go in now. How do we know that we're going to get the politics right this time? In other words, how can global capitalism deliver what had been the promise of socialism?

NEMAT SHAFIK: I think ultimately it's going to have to mean smarter government, much harder government. It's much easier to run an inefficient enterprise than it is to figure out how to encourage thousands of enterprises run by others to actually deliver social good. It's a much harder job. I don't think that the corporate social responsibility phenomenon will solve the problem. It will help, and it will set benchmarks and standards, but in the end, even when you talk to the big corporations, they say: "We can't substitute for governments. In the end there has to be a welfare system; there has to be labor laws. I can't do it." And I hear them grumbling all the time: "You guys can't offload government responsibilities onto us." So in the end that is the role of governments, and what I see governments in most countries that I'm working in now struggling with is defining how to do that.

I think what's changed, though, is that governments have realized that the way to achieve the benefits of globalization is not necessarily by intervening in the production system anymore.

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It's not about running the factory yourself or trying to regulate how that happens, but it's in creating a separate set of structures which really are the foundations of the welfare state; figuring out how to have a decent social security and unemployment system, and more importantly, in some ways, investing in the future, through education and health, so that future generations will be able to take advantage of the opportunities that globalization brings. So it's really shifting the locus of government intervention away from the economy part and moving it towards many of the more social aspects of life.

Having said that, there still is a huge role for government regulation in things like labor standards, in terms of making sure that the market part of the economy really works like a market, encouraging free entry, encouraging competition, making sure that "Yes, we're going to let the private sector have a bigger role, but they're going to have to do their job in a very efficient way and not be able to take advantage of privileges and monopolies to make the same mistakes the governments made in the past."

Narayana Murthy

Founder and CEO, Infosys Technology

India's software entrepreneur Narayana Murthy, a beneficiary of expanded trade, cautioned that rich countries retained the capability to arrest the benefits of globalization in favor of domestic concerns.

States That Do Not Accept the Rules Do Not Benefit from Globalization

INTERVIEWER: Is globalization good or bad for mankind?

NARAYANA MURTHY: I think globalization is good for mankind. Globalization insofar as fair trade practices, agreed to and adhered to by every country, globalization is good. Those people who have nothing to offer to the marketplace do not like globalization. Globalization is good for those who have something to offer to the marketplace. Globalization is good for some people who want to buy something from the marketplace. Towards that I would say that as long as a country does not very clearly identify its competitive [advantage] and does not liberate these competitive [advantages] to bring some products to the global market with the best quality at the best price, then globalization is not good for those countries. But if a country has something to offer in the global market, it is good.

INTERVIEWER: It's not good for people who have nothing to offer in the market?

NARAYANA MURTHY: By and large, globalization is not good for countries which have not learned to attract global capital, which have not learned to integrate themselves with the global community, which have not agreed to play by the global rules, or the rules of the global market, and countries that don't have much to offer in the contemporary world. I don't want to mention any nations, just that those nations that are not accepting these principles will find it difficult to compete in the global marketplace.

But Who Writes the Rules?

INTERVIEWER: One point that worries the anti-globalization demonstrators is that the rules are fixed to favor big corporations at the expense of the poor, particularly the poor [countries] like India. Would you agree with that?

NARAYANA MURTHY: I think there is some truth to the concern of the anti-globalization forces, that the rules of the WTO are rigged in favor of the [large] countries, because these are the countries that really decide on the rules. Let me give you a simple example. India is going to remove all quantitative restrictions by April 1, 2001. But that's not the case in certain areas in certain countries. I don't want to get into the specific country names, but some countries will retain quotas in areas like textiles until 2005. I think that's something that needs to be looked at. That's something that needs to be decided and corrected, but that isn't to mean that we should throw the baby out with the bath water. Globalization is good, global trade is good, free trade is good, competition is good. But at the same time, all of us must play by the ... same rules. There must be the same playing field. All of us have to have a common referee; all of us have to follow the same set of rules....

INTERVIEWER: What's your biggest fear about globalization? Do you imagine it going wrong?

NARAYANA MURTHY: The biggest fear I have is when some of the powerful countries see their economies go soft, or [a] section in their economies, if they [should then] take to protection. Then the countries which have suffered for long time, they may then say, Look, you're now changing the rules of the game. We have no confidence in this global trade because when it suits you, you have one set of rules, and now it doesn't suit you, [and] you have changed the rules of the game, so we don't want to come to the global trade table at all. I think that's my worry. The thought, the imperative on the G7 countries, the imperative on the advanced countries, even at the time of the worst recession, they must adhere to global trade principles. They must adhere to free-trade principles. Then they will enhance their credibility. They will enhance the confidence of the poorer countries in the power of free trade.

INTERVIEWER: And do you think they will?

NARAYANA MURTHY: I have considerable hope that it will happen, because in the end it's got to be good for all of us. As I said, for short periods each country may suffer a little bit because of recession, but if they persist with the philosophy of free trade, I am sure that we will all be better off in the end.

Thea Lee

Assistant Director for International Economics, AFL-CIO

For economist Thea Lee of the U.S. AFL-CIO trade union confederation, developing countries should not have to forsake social progress if they are to benefit from globalization.

The Rules Need to Include Labor Rights

THEA LEE: [...] We need enforceable rules in the global trading system that apply to all companies and all countries. It doesn't make sense to have different rules in different countries, and different companies living up to different standards. We think there should be a minimum set of labor rights that are protected by all companies trading in the global system, and that way you take out that kind of competition between companies and the competition between governments to see who can violate more labor standards, who can drag wages down to a lower level, who can trash the environment faster. That kind of competition is not good for the global economy. It's not efficient, and it's certainly creating the kind of global economy that people are rejecting all over the world.

People in developing countries and people in developed countries are saying, "Let's not have global competition that results in widespread violation of workers' rights and widespread degradation of the environment." And we think we can do better. We think we could write a set of rules for the global economy that would ensure that corporations had to live up to a minimum standard.

INTERVIEWER: The general argument would be that the sweatshop economy is just a stage [that] a developing country has to go through. After all, the U.S. went through that stage not so long ago. It's only in the 1930s that they abolished child labor here. What's your answer to that?

THEA LEE: Well, in fact the United States still hasn't completely solved the problem of child labor. The United States has problems with freedom of association and the right to bargain collectively. And our view is not so much that any country is above criticism, certainly not the United States, but that the struggle for workers' rights is one that goes on every day in every country, and that our job as members of the international labor movement is to make sure that those rights are protected wherever they are. You know, here in the United States we had

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a bloody struggle to protect workers' rights to organize into unions. We had a bloody struggle over the eight-hour day, the minimum wage, over child labor. And I don't mean bloody necessarily in a literal sense, but certainly a divisive, contentious political battle over how best to do it. And we're part of that battle all over the world. I don't think any country, any developing country really wants to stand up and say, "We demand the right to repress workers' right to form a union, and we demand the right to use child labor." I think what countries are saying is "We don't want to be disadvantaged because we're poor." And I think that's right. No country should be disadvantaged, should be punished, just for being poor. But the core workers' rights of freedom of association, right to bargain collectively, and prohibitions in child labor, forced labor, and discrimination in employment—these are the core workers' rights.

The International Labor Organization, which is the UN agency, about 175 different nations... has agreed that these core workers' rights are every worker's birthright, that they aren't rights that are only for rich countries or only for rich workers. They're for every single worker, and so what we're saying to developing countries is that they've already agreed to protect these rights. We simply want to give more economic leverage to developing countries that try to stand up for workers' rights so that developing countries don't find themselves in an impossible competition with their next-door neighbor over violating rights and keeping wages low in order to attract investment.

We'd like to see that the competition between developing countries be based on providing the most educated workers and the best infrastructure and cleanest environment as opposed to the most exploitable, vulnerable workers.

Domingo Cavallo

Economy Minister of Argentina, 1991-1996, 2001

Former Argentine economy minister Domingo Cavallo saw globalization challenging governments to increase productivity by investing in people.

The Inviolable Rule: Efficiency

INTERVIEWER: So an interconnected global economy has some... risks?

DOMINGO CAVALLO: Yes, but I think that is reality. One has to be aware of these risks, and one has to try to adopt decisions that will reduce the risk and will enlarge the opportunities offered by the global economy. I think that just blaming all these interconnections for the problems and thinking that one can live isolated from the global economy as a very closed economy and then solve the problems is, I think, a big mistake. I think that we have to be aware of the risks associated with globalization, but we have to live with globalization and try to find the opportunities within a global economy.

You know, the only thing that globalization imposes on everybody is efficiency. You have to be efficient, and you have to increase productivity or you have to improve the quality of work you do and to achieve better results because you are competing with others that try to do the same, and if you are not as efficient as he or she, then you lose.

But in a sense, competition existed always, and it was thanks to competition that there has been continuous improvements in the way things are done by the people. Globalization in a sense is just enlarging the size of the markets where you find the tough competition. Of course there are winners and there are losers, and the governments should see what is the best way to offer everybody equal opportunities through education, health care, [etc.], and particularly for those people that are already old to compensate, if they are losers [to globalization], with some degree of social benefits and social safety net. But I think the key for the success of a country relies mainly in encouraging entrepreneurship and [in] encouraging increased productivity by everybody in that economy. And, of course, investing in education and human capital in general, health care and all that is necessary to have people be able to work and [increase] productivity.

Osvaldo Sunkel

Professor of Economics; Director, Centro de Analisis de Politicas Publicas, Chile

For social democratic economist Osvaldo Sunkel, the salient recent improvements to the lives of the poor result from decades of patient investment, not from the recent explosion of world trade.

Globalization Is Inimical to Social Justice

INTERVIEWER: Several people we've talked to in poorer countries say that the new global market is their way out of poverty. Do you see the new global market and world trade as helping the poorest countries and the poorest people in the poorest countries?

OSVALDO SUNKEL: No, I don't think so. I think quite the contrary. There is now sufficient and very, very consistent evidence that since the '80s, when the new policies have been implemented more or less all over the world, income distribution has worsened, both within countries and among countries. This has been documented very, very seriously. The distances between the range of incomes of various kinds of people within the country have also changed. The range of wages—from the specialists and the communications industry and Internet and Silicon Valley and the low-paid people without any kind of social protection—have widened tremendously. And this has been a worldwide phenomenon as well.

Poverty has increased substantially, sometimes as a proportion, but certainly as the number of people in poverty has increased very formidably. And the fact that in global forums like the Davos forum and when the [G7] meet and so on there is a very great concern about increasing social injustice being the consequence of globalization.

INTERVIEWER: One answer to that would be that things like infant mortality, which is a good measure, have generally gone down. While the gap has got wider, the poor are less worse off than they were, if that's the right answer. What do you think of that?

OSVALDO SUNKEL: There's no doubt that some indicators of quality of life have improved, like, for instance, infant mortality. But this is the consequence of a very long period of investing and developing new kinds of technologies and new kinds of medicines and health

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systems. But this is not the consequence of the last 10 years or so. This is the consequence of 50 years of improvement in health systems and technology and health.

Hernando de Soto

Economist; Founder and Director, Institute for Liberty and Democracy, Peru

For Peruvian economist Hernando de Soto, the increased pressure to participate in the world economy exposed the divergence of interests and opportunities between elites and the poor within developing countries.

The Global Market Need Not Remain an Exclusive Club

INTERVIEWER: Globalization [seems to be] the trend [now]. Won't it make [life] worse for poor people?

HERNANDO DE SOTO: No, I think globalization is where we've been heading for ages—I mean, we Latin Americans. I mean, look at me with the beard and no hair on my head. I mean, I'm a product of globalization. Latin American Indians, Peruvian Indians aren't bald, and they can't grow hair on their face. I mean, I am a product of globalization. I am the result of Spanish migrants having come to Latin America and probably mixed with some Indians, but not enough so as I can't grow my beard. So globalization has been going on. And what we're finding out now is what the early economists, the classical economists told us, from Adam Smith to Marx, which is that the more we learn to divide work among ourselves, the more productive we get. And so the idea was not only to go for larger markets in larger cities, but go for larger national markets and now larger international markets. And it's obvious that these are going to bring prosperity.

What we've just got to make sure [of] is that globalization also includes the underclasses. They have a lot to gain from it as well. But if I go with you through the obstacles that somebody that's poor has to go [through] to get an export license or an import license or be able to put together the kind of paper that'll allow you to globalize, you'll find out that it's a pretty exclusive club, those who can globalize. It's a club made of those people and places like where I come from, Lima, that know how to deal with the law firms, that know how to lobby for legislation that helps some but doesn't help somebody else. Where we are essentially... is a system of capitalism for only a few, because there's a legal apartheid that blocks the majority from coming in. So I think everybody wants to globalize. And if somebody tells me no, the poor of Peru don't want to be globalized, the logical question that comes is, well, then, why have a million of them traveled to the United States over the last 12 years, without

talking of those who have migrated to Mexico or migrated to Spain or other parts in Europe? The reason is because they want to globalize.

We are now, for example, in Cajamarca, and you have seen, of course, many people who still keep their old traditional Indian costumes and their ponchos and their big hats. But here we are really in rural bliss in Peru. But I'm sure that when you've been to Lima, not only Lima but most of the towns of Peru, you don't see that anymore. People have got sneakers, and they have trainers, and they've got Nikes and other things. They're already globalizing. So there is no cultural resistance to getting in on the same wavelength. The problem is that they can't globalize in economic terms, that they're not allowed to get into the international market except for touristic type projects and for artisanry kind of stuff.

The Rules Don't Apply Now to All People

INTERVIEWER: [What about the rules of free trade?]

HERNANDO DE SOTO: The rules of global free trade are all right. The problem is that they're only applicable to the West as a whole and to elites in my country, because most of the poor people in my country can't export or import. The problem has very little to do, I think, with globalization. It may be that globalization has increased sensitivity to the issues of capitalism and freedom, but in fact it's not responsible. The problem is internal legislations and legal systems in developing and former communist nations, which allow only the elites to globalize. The rest of the people in my country see globalization through TV, but it doesn't touch them. And of course there's always those people around to explain that globalization is the source of their problems. And it's not that. Globalization is not at the source of their problems. What is at the source of their problems is legal discrimination within their own countries.

James Wolfensohn

President, The World Bank

World Bank president James Wolfensohn pointed to the world's demographic projections to demonstrate the long-term stakes of adapting to globalization, in rich and poor countries alike.

With Whom Are We to Do Business?

INTERVIEWER: [In Seattle], a lot of people were saying that [...] the World Bank and other big institutions are part of the problem. Did that catch you by surprise?

JAMES WOLFENSOHN: I was taken by surprise. But I've since learned not to be surprised. I've recently been in Quebec, where 400 people were arrested and 140 people were taken to the hospital [during protests of] a meeting of 35 leaders of Latin American countries and a few of us who are from the international scene. The sole purpose was to deal with the issue of poverty, trying to have trade [happen] on an equitable basis. If you had asked any of the leaders what they were doing, they would have said to you, "I'm elected by my people in order to give them a better life, and who the hell are these people in the street?" In a curious way, I feel also that my 10,000 colleagues here at the Bank and I are spending our lives dealing with the question of poverty, and someone comes along and tries to beat you up because they don't think you're doing enough.

We have a very clear idea here. Anybody in civil society, whether it be a trade union or non-governmental organization or, more broadly, from a faith-based organization, we're extremely anxious to talk to them. We have literally dozens of meetings with members of civil society, and we will continue to have them because it's useful to both understand what they're saying and to work with them in many countries. We have extensive networks of not just talking, but of doing projects with civil society all around the world. But what you can't do is discuss [the issues] with someone who has a black balaclava on their head, who has a Molotov cocktail or a stick or an iron bar [that] they want to hit you with. It is really rather sad that the projection of this violence is now impacting not just [our ability] to have a dialogue, although we're continuing it, but [it's also provoking] a very strong reaction on the part of elected leaders to say, "Listen, why talk to these people? We're the elected leaders." I fear for the movements in many of the countries, because it's giving an opportunity for the leaders to say: "There's been an election, and I was elected. If I wasn't satisfactory to the people, I wouldn't be elected."

Who are these people out there who are telling me I'm doing a bad job?" And that's what you heard in Canada. ... It is the more extreme groups which I think are making it difficult for all of us. It's not constructive, and, in a way, it's not always wholly representative.

The Issue Is How Do You Adjust to This Age-old Phenomenon?

INTERVIEWER: Give us a sense of what the confusion over globalization is.

JAMES WOLFENSOHN: For me, [globalization] means trade, investment, migration, health, environment, crime, and drugs. It means all those things, plus communications. And there is no way that someone with a banner can hold that back. That's like standing in front of the water when the tide is coming in—you're not going to stop it with a banner. It's going to come in, it's going to go out, going to come in. And so it is with globalization.

The real question is, how is it going to impact the various participants in this global scene? What you have in most of these demonstrations, interestingly, are two types of people. There are those who live in developed countries who fear that globalization will reduce the standard there and put them out of their jobs—the sort of thing that was raised in Quebec. And from the developing countries themselves, you have an equal fear on the part of manufacturers and producers that if they're exposed to global competition, they're going to be out of their jobs. In the [final] analysis, typically the people in developed countries have a better chance of staying with that than some of the people in the developing countries.

The task that we have is to say [that] this phenomenon is occurring. There is no doubt that countries do better if they enter the world than [if they] try and put a wall around them. That's been demonstrated by study after study of economists and sociologists. So the question is, "How do you bring about a more equitable engagement into a phenomenon which is going to happen, and ensure that we can all get the benefit?" And for those who do not have the benefit, give them a transition phase in which they can either be retrained or helped to get some other form of livelihood so that they can benefit from something which is not going to be reversed.

For me, the argument about globalization is a non-argument. The argument is about how you adjust to this phenomenon, which is with us and which has been going centuries and millennia.

The Rules Must Anticipate Demographic Change

INTERVIEWER: Have the rules of the game kept pace with the rapid change?

JAMES WOLFENSOHN: I don't think the rules have kept up on capital markets, I don't think the rules have kept up in terms of transparency in the international scene, and I don't think the rules have kept up on trade. It is really the developing countries that are at the biggest disadvantage, because you'll see from the United States and Australia and Canada large teams of highly skilled people going to negotiate the trade agreements, and 30 of the countries that we deal with don't even have a representative in Geneva. So when you talk about the inequity of these discussions, which many have, it should be a lot of those countries demonstrating [rather than] northern NGOs or northern activists. There is a significant need for change, but to the extent that there is change, there is also a need for capacity-building amongst the developing countries.

I'll give you one statistic on this which is really crucial [and] that you should understand, because the changes aren't for today alone. Today there are problems, but in the next 25 years the planet is going to add two billion people. We're going to move from six billion today to eight billion 25 years from now. We now have 4.8 billion of the six billion in developing countries. In the next 25 years, all but 50 or 60 million of those people in the two billion will be added to the developing countries. So in 25 years, you'll have 6.7 billion to 6.8 billion people out of eight billion people in the developing world. Now, whatever the balance of power is today in terms of economics, in terms of political influence, in terms of history, you're going to have to say that the world [of] our children is going to be very different. You'll have a completely different balance. You'll have an older society in the developed world, you'll have a Europe that is smaller, you'll have a United States which is maybe 50 million [people] bigger, largely because of immigration, a changed demographic, a changed background mix, probably much more Latin. Europe [will be] affected by... inflows of people to take jobs that need to be filled and for which there isn't the age group to fill them, and you'll find pressure in terms of

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migration from Africa, from Latin America, from the Middle East, [and] from South Asia, which you won't be able to stop.

So when you talk about a need for rules and a need for change to the environment, it is very necessary today but critically urgent in terms of preparing for the next 25 years. This is not something we can leave for 25 years. It is a crisis today to ensure that we have new rules, new policies, [and] new understandings in order for us to get in place the conditions that are going to allow for peace 25 years from now. If you pretend that two billion more people are not coming onto the planet and you don't prepare now for food, water, trade, investment, [and] equity, you have no chance of peace in 25 years. For me, that's when you ask the question, "Why am I here? Why am I, at my advanced years, beating myself up in this?" It's for that reason [I am here], to try and make a difference in terms of that equation. I think there's a need for new rules [and] new regulations, but most particularly for a new philosophy, a new culture on the part of those of us [who] live, [who] are privileged to live in the developed world.