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Globalization and the United Nations - *Part I*

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Globalization is the process of integration of the world's countries and their people, bringing them closer and increasing their inter-dependence through economic, technological, cultural and political links. From the economic point of view, which is the most important, globalization is the growing economic inter-dependence of all countries and the integration of national markets into one global market through the increasing volume and variety of cross-border transactions in goods and services, international capital and money movements and technology transfers. World exports of goods and services have almost tripled and foreign direct investment has increased seven times in real terms between the 1970s and 1997. Foreign exchange flows have soared to more than $1.5 trillion daily, up from $15 billion in 1973 when the regime of fixed exchange rates collapsed. Globalization is the internationalization of production, trade and investment as economic activity spills over national borders for market access, cost advantage and higher profit. Politically, it is the spread of democracy, human rights, basic freedoms, gender equality, transparency in governance and the NGOs. Socially and culturally, it is the adoption of English as the world language and the spread of Western culture in the form *inter alia* of pop music, Hollywood films, fast food, blue jeans, cocoa cola and affluent life styles. Generally, the globalization forces radiate from the industrial or advanced countries aiming at assimilating the developing countries into the global system shaped by these forces. It is mostly, a one-way traffic as Western capital, technology, culture, life styles and ideas penetrate the developing countries. It is consequently, a process of homogenization (or Westernization) of economic, cultural, political and ideological systems and policies of the world's countries.

Technological Advances

Globalization is not a new phenomenon. The first wave of globalization began in the sixteenth century and gathered momentum under colonial conquests in the nineteenth century with expanding trade between the colonies and the metropolitan powers and increasing flows of capital and migrants to the colonies. It grew in strength with the breakdown of the Bretton Woods system of fixed exchange rates in 1971 and the collapse of the Soviet style socialist economic systems in the early nineties. Globalization, in its second wave today is different from the first. While the old system concentrated on trade in goods and services and investment in raw materials, the current one covers in addition, foreign exchange dealings, capital markets and investment in manufactures. While the most notable technological forces behind the first wave were the telegraph and the telephone, the steam and internal combustion engines, the electrical generator, the calculating machine, the steamships and railroads, the Suez Canal and refrigeration facilities, the major forces underlying the current wave are the jet plane, fax machine, cellular phones, the Internet, and the microprocessors embodied in all types of equipment. The new information and communication technologies with their low cost, high speed and wider coverage have catalyzed the integration of financial markets, the spread of transactional corporations all over the world and the exchange of ideas and information among people. The cost of a three-minute telephone call from New York to London for instance, fell from $245 (in 1990 prices) in 1930 to $3 in 1990 and to 35 US cts. in 1999. TV sets per 1000 people doubled between 1980 and 1995 from 121 to 235 in the world. Internet had more than 140 million users in mid-1998; the number is expected to increase to over 700 million by 2001. The convergence of information technology, the Internet and e-commerce has become as transformative as the industrial revolution and changing the way many people work and live. Advances in transport and international communications technologies have resulted in the shrinking of space and time and the disappearance of national borders. Technological advances in global transport and communications have been accompanied by technological advances in production: new machines to produce more, better and cheaper products and to displace labour by automation and improved or genetically modified crops to provide higher yields.

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Transnational Corporations

Globalization, however, is not driven by technology alone. It is also promoted by the advanced countries, transnational corporations and international monetary and trade institutions. The principal agent of globalization are the transnational corporations - the giant companies such as General Motors, Shell, Citi Bank, Coca Cola, Unilevers, Bata and Hilton - which bestride the world like colossi; they have an inherent tendency to expand their operations on account of advances in technology and economies of large scale production and to reduce costs to meet competition from rival TNCs. The national market is too small to absorb all what they produce and what they save. Thus, they are constantly acquiring or merging with rival companies and opening new sales outlets abroad to capture markets, relocating their industries to derive cost advantages and market access and investing their savings in money markets for higher profits. There are about 63,000 large transnational corporations in the world with over 690,000 foreign affiliates and they account for two-thirds of world trade, half of which is intra-firm trade. Their large-internalized markets mean that a large part of their international transactions can by pass national controls and scrutiny; for example they can use transfer pricing on intra-firm trade to minimize their tax exposure. McDonald Hamburger for instance, has over 22,000 restaurants in 105 countries. TNCs dominate the world markets and influence world market prices. The percentage of share of the market of the top 10 transnational corporations in each sector in 1998 was: Telecommunications 86 per cent, Pesticides 85 per cent, Computers 70 per cent, Veterinary Medicine 60 per cent, Pharmaceuticals 35 per cent, Commercial Seed 32 per cent. Thus, the world markets do not operate in idyllic competitive conditions as described in text books, for buyers and sellers do not have equal bargaining power. Further, the top 300 industrial transnational corporations account for 70 per cent of total foreign direct investment and control about 25 per cent of the world's stock of productive assets. Foreign direct investment is undertaken for internationalizing and transnationalizing production by breaking the production process into many geographically separate stages in a variety of locations, the labour-intensive stage being located generally in low-wage developing countries. It is mainly such investment in Labour-intensive manufacturing industry such as clothing, footwear, toys and electronics which has integrated the developing countries into the global economy.

Laissez Faire Approach

Globalization has been facilitated by an ideological shift to neo-liberal/monetarist economics with emphasis on laissez faire and open markets. Neo-liberal economics, espoused by the USA, the IMF, World Bank, the WTO - aims at improving economic efficiency by allowing the market forces to operate without hindrance through liberalization, deregulation, privatization, cutting subsidies and welfare, adopting flexible labour policies and withdrawal of the state from economic activity. Developing countries who seek assistance from the IMF are enjoined to pursue such liberalization policies without exception to create the "enabling environment" for foreign trade and investment while the membership of the WTO entails the establishment of a 'level playing field' by according national or equal treatment to foreign traders and investors. This erodes national economic sovereignty as power passes from governments to TNCs and international financial and trade institutions which circumscribe national economic powers and policies. The WTO in addition, is attempting to punish developing countries for violating high labour and environmental standards set by the developed countries in order to protect their industries.

Unequal Benefits

Globalization offers great opportunities for human advancement, enriching people's lives and shared values and forces of globalization have generated unprecedented wealth for those who have been able to take advantage of the increasing flow of goods, services, capital, knowledge and tourism across national boundaries. Those who have taken advantage and derived benefits of globalization, however, are mainly the developed countries and a few developing countries. The majority of developing countries have been marginalized by globalization as global opportunities are unevenly distributed. Having control over most of the modern technology, capital, industry and trade, the developed countries have been able to forge ahead of developing countries. Consequently, the income gap between the richest one-fifth of the world's people (in developed countries) and the poorest one-fifth (in developing countries) measured in average national income per head, widened from 30 to 1 in 1960 to 74 to 1 in 1997. The richest one-fifth account for 86 per cent of world's GDP, 82 per cent of world's exports of goods and services, 75 per cent of world's direct investment and 74 per cent of the world's telephone lines while the poorest fifth have only 1 per cent of these benefits. Just 10 developed countries account for 84 per cent of global research and development expenditures and controlled 95 per cent of the US patents in the past two decades. The income gap between the newly industrialized developing countries and other developing countries too widened. Thus, the per capita GNP of Singapore increased by 5.8 per cent annually in the period 1975- 1995 and that of South Korea by 7.0 per cent while that of Sub-Saharan Africa declined by 0.9 per cent annually. People in 85 developing countries are worse off today than they were a decade ago and the poorest 20 per cent of the world's people who had 2 to 3 per cent of world income in 1960 had only 1.3 per cent of it in 1997.

Unequal Trade and Investment

The flow of unequal benefits from globalization is best illustrated in the pattern of foreign trade and investment in developing countries. It is true that the developing countries achieved the fastest expansion of trade in the 1990s with an average annual increase of over 10 per cent, but this rapid increase in trade was concentrated in a few countries. For example, in 1996 about 80 per cent of the developing country exports was by just 15 countries. It was also true that foreign direct investment increased to developing countries in recent years, but the bulk of it went to a few countries; in the nineties, about 80 per cent of the FDI in developing countries went to 20 countries, mainly China. In 1996 alone, 95 per cent of the FDI in developing countries went to just 26 countries leaving the balance 5 per cent to be shared by 140 other developing countries. Most of the FDI to developing countries has come to Asia mainly to the NICs.

Winners and Losers

The developing countries who have benefited most from globalization are those exporting mainly manufactures, especially the four newly industrialized economies (NICs) - South Korea, Taiwan, Hong Kong an Singapore - and Malaysia, Thailand and China. Their manufactures exports are mainly high tech or electronics and they form a very high proportion of their exports -80 per cent of non-oil exports of Singapore, 69 per cent of Malaysia, 50 per cent of Thailand, 35 per cent of Korea and 34 per cent of China. These countries, have attracted the greater part of foreign direct investment to developing countries; thus, in the four years 1993-1996 the four NICs - South Korea, Taiwan, Hong Kong, Singapore - together with China, Malaysia and Thailand accounted for $220 billion or 83 per cent of the total foreign direct investment of $263 billion received by Asia. *The affiliates of TNCs* have a significant share of manufactures produced for the domestic market as well as for export. Their average annual export growth rate in the period 1965-1996 exceeded 10 per cent while that of the world was 5.8 per cent and their average annual economic growth rate in the same period was 7 to 9 per cent - the highest in the world. The four NICs alone account for a third of developing country exports and over half of Asia's exports.

While the exporters of manufactures are the winners, the exporters of primary commodities are the losers in the globalization process. Between 1980 and 1997 real prices of primary commodities fell by 39 per cent, petroleum by 65 per cent, metals, minerals and beverages 38 per cent and agricultural raw materials by 28 per cent and consequently terms of trade of primary commodity exporters deteriorated by 0.6 per cent a year in the eighties and 1.0 per cent a year in the nineties. The decline in commodity prices is still proceeding apace. In the last three years, world market prices have declined by 59 per cent for palm oil, 51 per cent for coffee, 48 per cent for cocoa, 30 to 40 per cent for rice, wheat, soyabeans, coconut oil, wool and lumber and 10 to 30 per cent for corn, rubber, cotton, sugar, lead and gold. The biggest victim of declining commodity prices is Africa; its export growth rate in 1965-1996 was 2.1 per cent a year in contrast to 8.8 per cent in East Asia and its economic growth rate.

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