

## Globalisation Explained

by John Page, ISEC Programmes Director

*“Globalisation is really a code name for corporatisation. It’s an attempt by the largest corporations in the world, and the largest banks in the world, to re-engineer the world in such a way that they won’t have to pay decent wages to their employees, and they won’t have to pay taxes to fix potholes and to maintain parks, and to pay pensions to the old and handicapped.”*

— Paul Hellyer, former Deputy Prime Minister of Canada

The global marketplace is becoming increasingly vulnerable and volatile. Financial turmoil on the other side of the world has led to job losses much closer to home. Hardly a day passes in Europe and North America without another take-over of a community business by a distant transnational corporation (TNC) — leading to increased job insecurity and reduced job satisfaction. As the failings of the global economy become more evident, all our political leaders can offer is more of the same — in other words, more ‘free trade’. They still believe that the liberalisation of trade and finance will create employment and raise the standard of living in rich and poor nations alike. They still believe that international competition is the way forward. They still believe in globalisation.

Policymakers like Bill Clinton claim that “Globalisation is not a policy choice, it is a fact”; according to Tony Blair, it is “irreversible and

irresistible”. This article presents ISEC’s very different view. As we see it, globalisation is a recipe for economic, environmental and cultural disaster. Local and national economies everywhere are being exploited by the activities of heavily subsidised investors and transnational corporations. Far from bringing prosperity, globalisation is in fact triggering an international ‘race to the bottom’ — threatening to impoverish people and degrade environments in every corner of the world.

The good news is that, whatever our political leaders may say, we can do something about it. The global economy is the result of deliberate policy; it isn’t inevitable, it is reversible.

### **Money and Transnationals**

The major product on the global market today is not something you can clothe or feed yourself with — it is money. Every day of the year, roughly \$1.3 trillion dollars are gambled on the international currency markets. According to the World Bank, 95% of this involves pure speculation, leading one prominent New York financier to say that the current financial system is “a greater danger to stability than atomic weapons.”

The entire global financial system is based on banking, borrowing and debt. It gives a massive and unfair advantage to transnational corporations over small and medium-sized enterprises.

Companies have to keep merging to remain profitable, with the

result that most TNCs are effectively monopolies; some are larger and more powerful than nation-states.

- Of the 100 largest economies in the world today, 51 are corporations, 49 are nation-states.
- The combined annual sales of General Motors and Ford are higher than the gross domestic product (GDP) of all sub-Saharan Africa.
- Almost all primary commodities, such as coffee or cotton, are controlled by six or less companies.

TNCs are free to locate their operations wherever they find the best 'investment climate' — meaning the lowest wages and the weakest employment and environmental controls. The result is that, as profits boom for a small elite, governments compete to reduce wages and labour standards for everyone else.

While smaller companies operating within the national arena continue to pay taxes, transnationals can shift their assets at a moment's notice to avoid taxation. As a consequence, revenue is lost and the power of government is eroded. Around the world, governments routinely offer huge incentives to prevent big business from relocating elsewhere.

## **Jobs**

In the global economy, jobs are becoming increasingly temporary and insecure. Across the industrialised world, real wages for those who have jobs are falling, while working hours are increasing.

Today, the largest employer in the US is not General Motors or IBM, but the temporary employment agency Manpower. The number of people out of work in France has risen from less than half a million to over 5 million in the last 20 years — a period that saw an 80% increase in GDP. The concept of a job for life is a thing of the past.

Workers in the South are becoming increasingly dependent upon large foreign corporations for employment, eventually losing all other options as the local and national economies collapse. They can then be forced to accept poorer wages and working conditions.

## **Food**

Nowhere is the impact of globalisation more evident than in the supply of food. The average meal now travels thousands of miles before it reaches the family plate. In French supermarkets, the garlic comes from Chile, while in the UK, apples from New Zealand sell for less than those grown half a mile away.

This is not a free market at work, but the result of huge subsidies aimed at promoting global trade. Big business now has almost complete control of agricultural production and distribution. Meanwhile, small and medium-sized farms are squeezed out — even though they provide more jobs, have a higher total output, and take better care of the land. Worst of all, we can no longer trust the food we eat. In the last few years, the UK has seen outbreaks of BSE, salmonella, E. coli and foot-and-mouth. Despite scientific concern and widespread consumer objections, transnationals are now introducing

genetically modified foods, which threaten irreversible 'genetic pollution' and are already leading to increased use of chemicals.

## **The Environment**

Globalisation is simply incompatible with environmental sustainability. More trade means more transport — and that means more pollution. Just as scientists are realising that climate change is a genuine and serious threat, requiring a drastic reduction in greenhouse gases, globalisation is demanding the use of ever-larger quantities of fossil fuels. In 1997, political leaders signed an accord at Kyoto to reduce global emissions of greenhouse gases, while at the same time promoting trade and transport policies that will *increase* emissions.

Within the European Union alone, governments plan to build another 30,000 miles of new roads. Politicians worldwide are providing the infrastructure necessary to cope with a doubling of air travel. Meanwhile, in China, the number of cars is expected to rise tenfold over the next 20 years.

The British Hadley Centre for Climate Change predicts:

- Billions of acres of South American rainforest will have turned into desert by the year 2050.
- The number of people affected by coastal flooding will rise from 5 million to 200 million by 2080.
- By 2050, another 30 million people will go hungry and an extra

170 million will suffer from extreme water shortages.

In the South, development generally focuses on producing food, raw materials and manufactured goods for export. Land, mineral and timber rights are sold to foreign corporations at a fraction of their true worth, leading to widespread deforestation and pollution.

Foreign aid and investment also promote an infrastructure based on oil, gas and coal — despite the fact that the majority of the South could provide all its energy from renewable sources for a fraction of the ecological, cultural and economic cost of fossil fuels.

## **The South**

One of the most common arguments in support of increased trade is that it will bring investment, and therefore wealth, to the South. But all the indicators suggest the exact opposite. Since 1950, there has been an 11-fold increase in world trade, yet the gap between rich and poor countries continues to grow. The 225 richest individuals in the world now have assets greater than the annual income of 2.5 billion people, or more than 40% of the world's population.

Every year, millions of people are pulled off the land by the promise of a job in the modern sector, only to find themselves in vast urban slums, unable to meet even their most basic needs. They lose their sense of culture, identity and self-worth; a breeding ground is created for crime, violence and social unrest.

## **Democracy**

Increasingly, national policy is being determined by global economic institutions. We still have the right to vote, but the people we are voting for are often powerless to act on our behalf. Power rests more and more with bodies such as the WTO, OECD, IMF and the EU, all of which in turn are heavily influenced by corporations.

Companies can use free trade treaties to over-rule governments. For example, the American Ethyl Corporation used NAFTA to force the Canadian government to reverse its ban on the petrol additive MMT, which Canada had tried to ban on health grounds. “The nation state is not dead”, says the head of the huge Kobe Steel Corporation in Japan, “but it’s being quickly retired.”

## **Community**

The cultural impact of globalisation is equally devastating. As the world economy becomes ever more centralised, rural areas are being marginalised and diverse cultures are being lost. Able to enter countries at will and destroy local competition by spending millions on advertising, TNCs are creating a global consumer monoculture.

In the North, transport networks are geared more and more to linking major cities, rarely serving small towns and villages. Out-of-town supermarkets starve town centres by undercutting local shops, putting many of them out of business. Soon, other key services, like post offices, also disappear. A local shopping area that once bustled

with activity can all too easily become a ghost town.

As the local economy collapses, so too does any real sense of community. The mutual dependence upon which villages and towns used to be based, and to some extent still are based in the less industrialised parts of the world, gives way to increasingly anonymous individualism. Families continue to splinter, leaving more and more people living alone. Children, who increasingly view the world through the distorted lens of television and advertising, base their ideals on media stars instead of flesh-and-blood role models. Even in Outer Mongolia, Madonna is as well known as she is in London.

“Economic globalisation is neither in the human interest nor inevitable... There is an alternative — to localise economies, disperse economic power and bring democracy closer to the people.”

— David Korten, *When Corporations Rule the World*

All over the world, there is a growing awareness of the destruction being caused by globalisation. A powerful movement is developing, involving members of the public, sympathetic politicians, religious bodies, labour unions and environmental pressure groups. People have begun to realise that globalisation can be effectively challenged – and they are taking action, both in the form of resistance and renewal.

**Resistance...**

Our political representatives are being put under increasing pressure to renegotiate existing trade treaties and draft new agreements. In the United States, 'Fast Track' for trade negotiations was initially rejected as a result of public unease. The MAI has twice been halted because of pressure exerted on governments by grassroots groups. Resistance was clearly expressed by the massive protest against the WTO summit in Seattle in 1999, when trade unionists joined with environmentalists and other activists to cause the suspension of the talks. More recent demonstrations in Quebec City, Prague and Genoa have shown that resistance to globalisation is still growing.

- Prominent financiers and politicians are beginning to question the free market. Global financier George Soros now admits that “the global capitalist system is coming apart at the seams”, while French Prime Minister Lionel Jospin argues that “it is structurally weak”.
- In India, half a million farmers demonstrated against unfair trade agreements. The Via Campesina movement now links farmers across the world as they struggle to protect their rights.
- In the UK, farmers are beginning to challenge the big corporate buyers, while supermarkets are being forced to respond to the needs of a more informed public. Motivated by concern over food safety, many consumers are now demanding local organic produce.

**...and renewal**

As the impact of globalisation becomes ever more apparent,

grassroots groups are developing ways to defend and rebuild their communities and re-localise the economy. These groups seek to foster a framework that encourages national and local enterprises: businesses that will “site here and sell here”, keeping both jobs and money in the community. Initiatives range from local food networks and local currency schemes to the regional production of renewable energy.

Among the seeds of renewal are the growing number of initiatives to promote local food networks. Community Supported Agriculture (CSA) schemes provide a direct link between farmers and consumers – thereby reducing packaging and transportation, increasing local employment and promoting biological diversity. More than 40,000 families in the UK now get a ‘veggie-box’ from a local farm. In the US, there are now 2,600 farmers’ markets, with a combined turnover of billions of dollars.

In some communities, people are decentralising the control of money. Local Exchange Trading Systems (LETS) allow goods and services to be exchanged without the need for government-issued money. There are already 400 LETS schemes in the UK alone. Similarly, local currencies enable a community to reduce its reliance upon the national (and international) economy. In the American town of Ithaca, New York, the local currency ‘Ithaca Hours’ is accepted by more than 250 local businesses – an example which has inspired the creation of dozens of other local currencies throughout the country.

**Supporting the global, locally**

Supporting our local shops and our local economy might appear to ignore the plight of people on the other side of the world. For a long time now we have been told that one of the best ways to help people in the Third World is to buy their products. However, the reality is that many people in the South have ended up producing for us instead of for themselves – thereby becoming dependent on a global market over which they have absolutely no control. If we in the industrialised world can become more self-reliant, we will allow people in the South to concentrate on producing more for themselves. Strengthening local economies on both sides of the world – especially in the provision of basic needs – does not mean eliminating trade, but rather finding a better balance between international trade and local production.

### **What you can do**

- Get informed and inform others. Don't be pressured into believing that this is something for the 'experts'; very soon you'll know more than most politicians.
- Write or phone your elected representatives. Express your concern about trade and finance treaties and the WTO.
- Shop locally. Keep money in your community by using local traders.
- Invest locally. Support new local initiatives and ventures.
- Help to set up a farmers' market or local currency.

*All quotes and statistics in this leaflet are referenced and available from ISEC. For a leaflet version of this article or for further information about the issues it raises, please contact ISEC.*

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