Globalisation and Trade

Who Wins and Who Loses?

The domination of globalisation

- Dominant process in our economic lives for the past 60 years
- Accelerating since the 1970s
- ‘the ever-increasing integration of national economies into a giant one-size-fits-all global economy through trade and investment rules and privatisation, aided by technological advances, and driven by corporate power’—Colin Hines
- Integration of the world’s economies have become integrated
- An increasing proportion of what we produce and consume is traded—and over ever-increasing distances

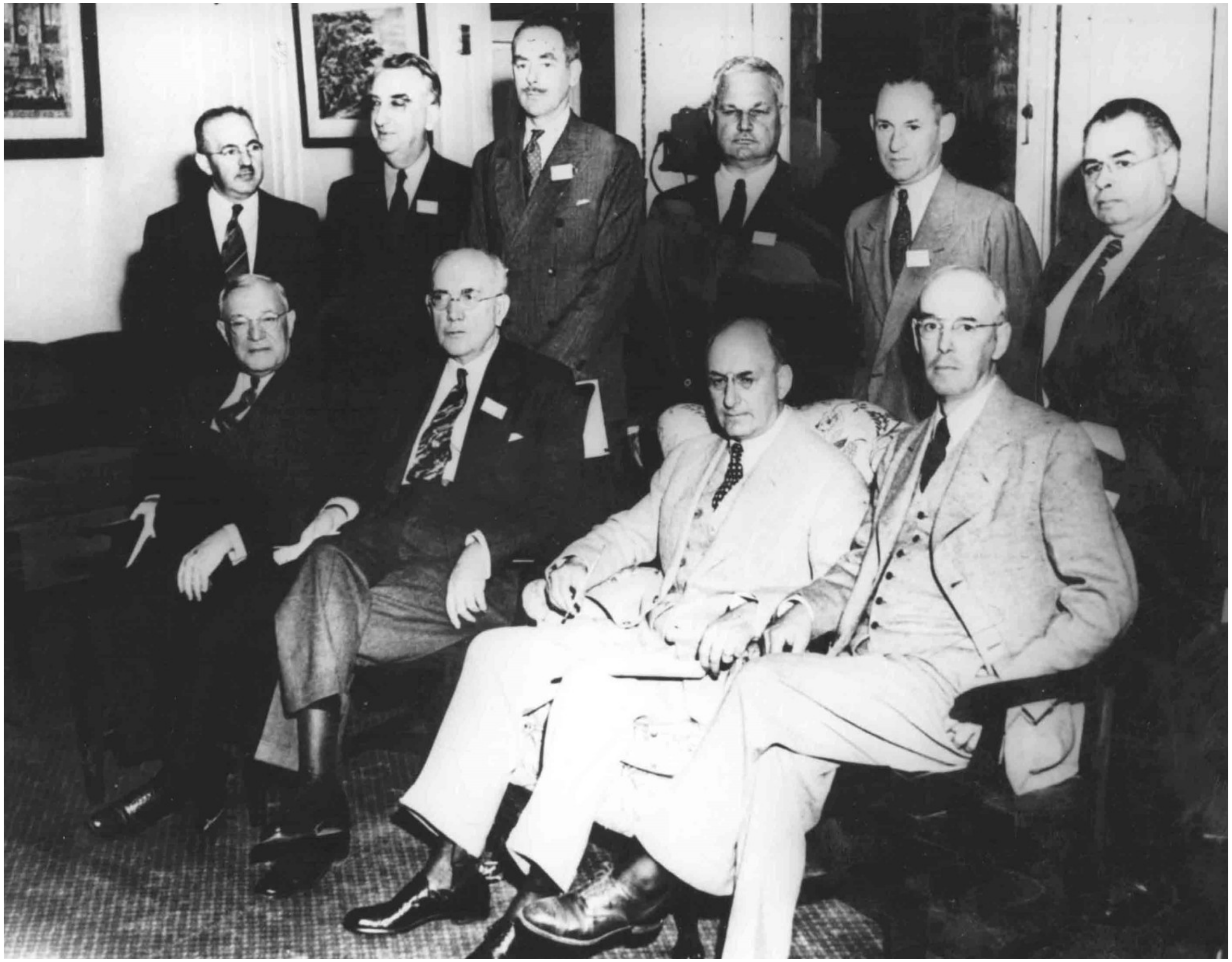
Ideological domination

- The major achievement of the system of ‘free trade’ that has been the global regime governing the exchange of goods between nations since 1945
- The promotion of free trade is written into the Articles of Agreement of the IMF and World Bank)
- World Bank President Barber Conable stated in a press conference in 2000 that ‘If I were to characterise the past decade, the most remarkable thing was the generation of a global consensus that market forces and economic efficiency were the best way to achieve the kind of growth which is the best antidote to poverty’.

Understanding global financial power

'TIGHTEN THOSE BELTS'

The world according to . . .



Money and globalisation

- The finance industry lies at the heart of globalisation. Of the total international transactions of a trillion or so dollars each day. 95 per cent are purely financial. Globalisation in not about trade; it is about money.
- the financial system now completely dominates the real economy of goods and services

'JUNKIE'

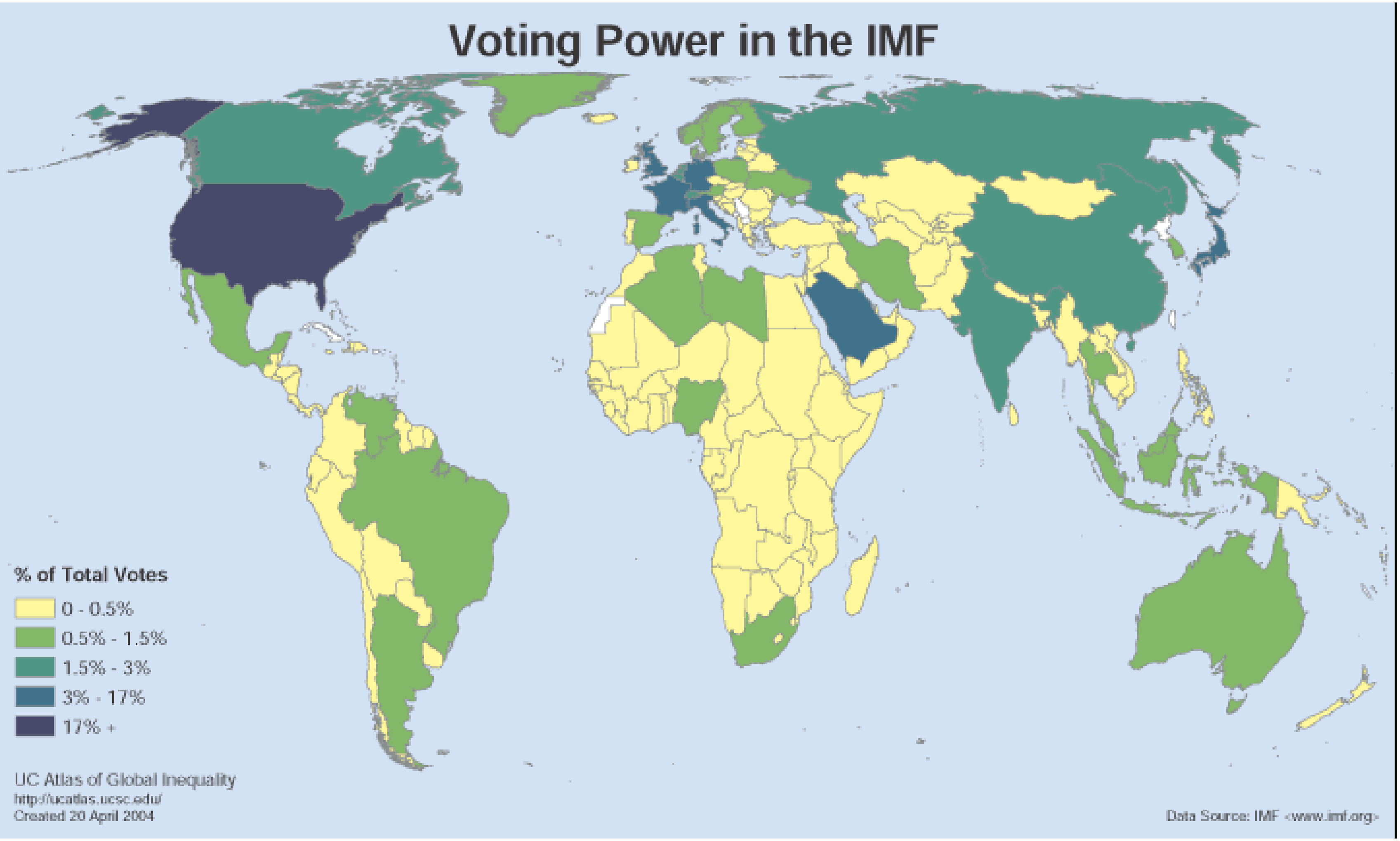
Mellor *et al*. *The Politics of Money* (2002)

Reserve currencies

- Reserves necessary to guarantee foreign trade and settle external balances
- Around 70% of world reserves held in dollars
- 20-30% held in euros
- Around 3% held in sterling; 2% in yen

Who runs the IMF?

Country	Quota (m. SDRs)	Votes (%)
China	8,090	3.65
Czech Republic	8,443	0.38
France	10,738	4.85
Germany	13,008	5.87
India	4,158	1.88
Italy	7,055	3.19
Japan	13,312	6.01
Russia	5,945	2.69
Saudia Arabia	6,985	3.16
United Kingdom	10,738	4.85
United States	37,149	16.74
Rest of world		33.79

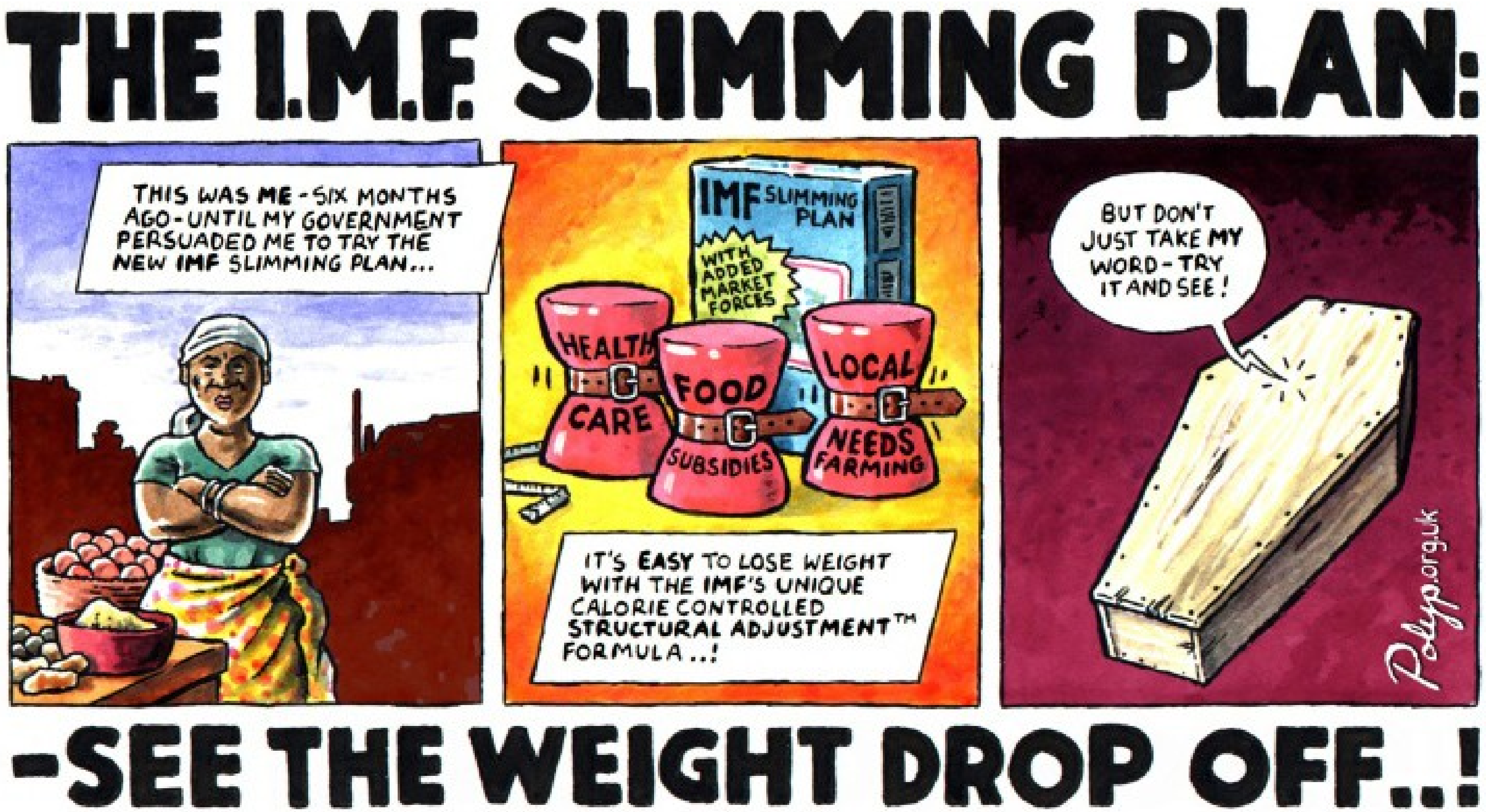

Voting Power in the IMF
% of Total Votes
0 - 0.5%
0.5% - 1.5%
1.5% - 3%
3% - 17%
17% +
UC Atlas of Global Inequality
http://ucatlas.ucsc.edu/
Created 20 April 2004
Data Source: IMF <www.imf.org>

What the IMF is for

- Trade requires an exchange of currency
- A corporation would rather be paid in a reserve currency
- So the importer country wants to have dollars or euros in its banks to pay for imported goods and services
- The IMF was set up to lend countries these reserves so that they could continue to trade
- It also collects information about member countries and publishes reports
- It also offers technical advice

The message from the IMF

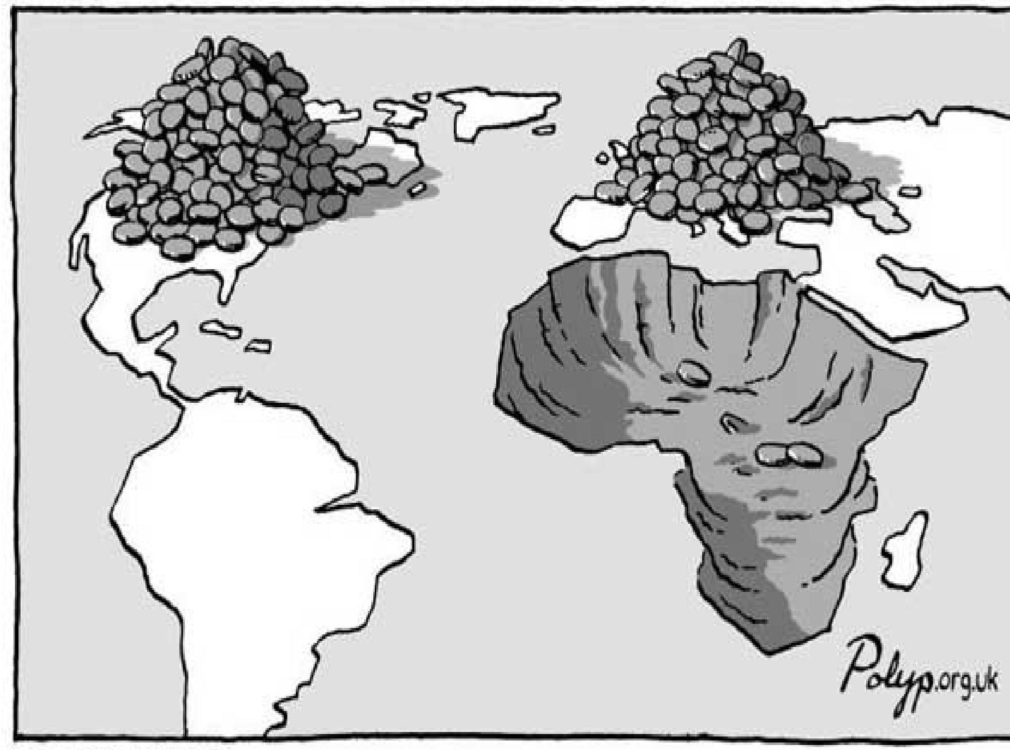
- Privatise—get the state out of the economy
- Liberalise—open the economy up to global markets in goods and capital
- Stabilise—balance the budget by cutting public spending and increasing taxation: Structural Adjustment Program


THE I.M.F. SLIMMING PLAN:
THIS WAS ME - SIX MONTHS AGO - UNTIL MY GOVERNMENT PERSUADED ME TO TRY THE NEW IMF SLIMMING PLAN...
IMF SLIMMING PLAN
WITH ADDED MARKET FORCES
HEALTH CARE
FOOD SUBSIDIES
LOCAL NEEDS FARMING
IT'S EASY TO LOSE WEIGHT WITH THE IMF'S UNIQUE CALORIE CONTROLLED STRUCTURAL ADJUSTMENT™ FORMULA..!
BUT DON'T JUST TAKE MY WORD - TRY IT AND SEE!
Polyp.org.uk
-SEE THE WEIGHT DROP OFF..!

'SIZE ZERO'

Neocolonialism

- Continued control over a disproportionate share of the world's resources
- 'Formalizing dominance', through the global financial institutions (Peet, 2008)



'GOLD DIGGERS'

- Continuation through 'great land grab' and commodification of 'eco-system services'

New ‘Financial Architecture’

- 1. World Bank: which would be responsible for managing a neutral environment-backed currency unit (ebcu) and regulating international trade
-
- 2. International Carbon Clearing House: which would be responsible for the issuing of carbon permits monitoring of CO_2 emissions.
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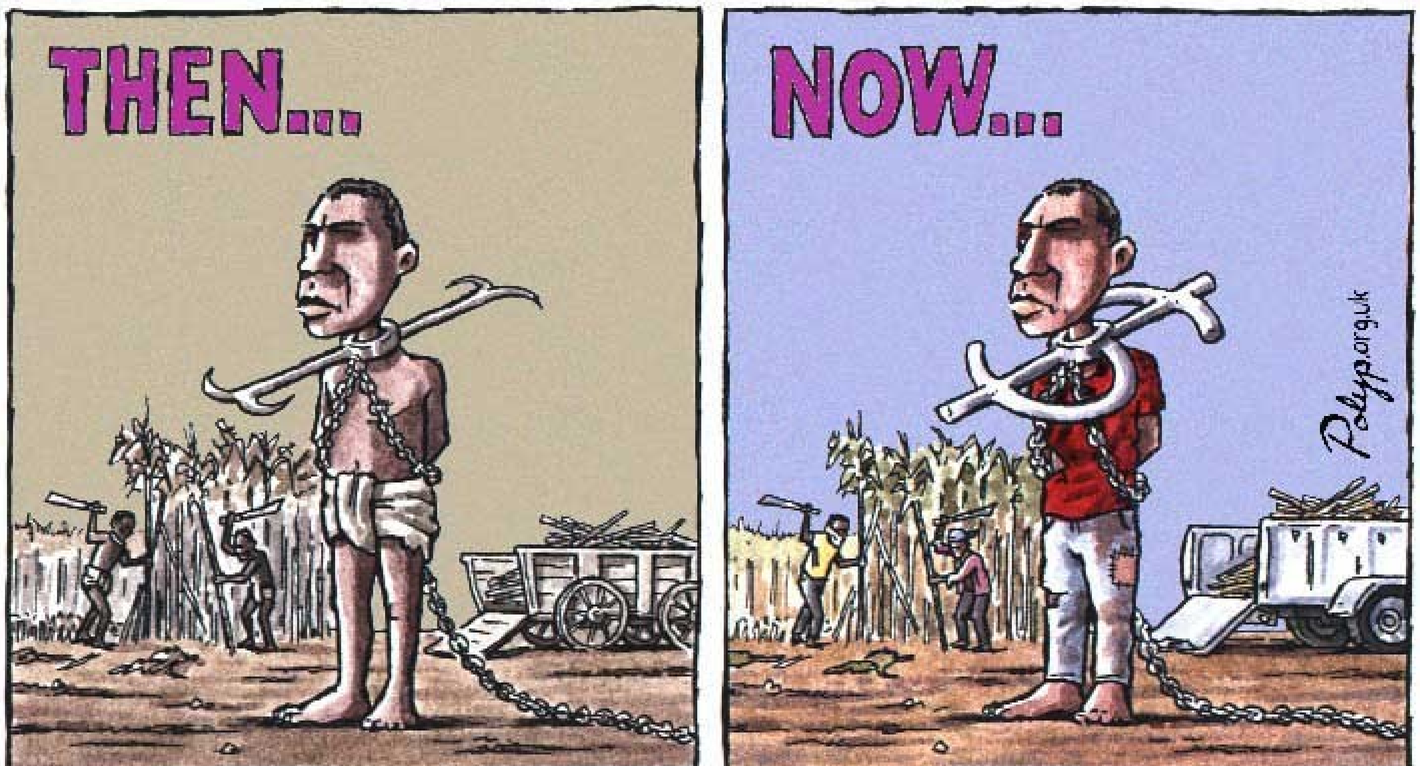
- 3. General Agreement on Sustainable Trade: which would monitor global trade to ensure balance between nations and that the trade could be justified within a low-carbon framework.

Can Trade Help to Make Poverty History?



'THEN AND NOW'

- It could give Least Developed Countries a new foothold in the booming markets of the rapidly growing economies. . . a 1% increase in African global market share would be worth many times more than what you currently receive in aid

- Peter Mandelsohn, EU Trade Commissioner
- Speaking about the Doha Round of WTO talks
- 29 February 2008

- Clinton, with strong backing from U.S. organised labour, has advocated a ‘time out’ in trade liberalisation and questioned whether the theory of comparative advantage that underpins free trade still applies in the 21st century

- Reuters, 10 March 2008

Absolute vs. Comparative Advantage

- Adam Smith argued that a country could gain from trade if it has the lowest cost of production of a good but what about when one country produces everything ‘more efficiently’?

Theory of Comparative Advantage

- Ricardo argued that if each country concentrates on producing the goods it produces most efficiently and trades for other goods, all will gain (1817)

Mapping your personal items

- Check the origin of the clothes you have with you today
- Discuss this with a partner
- We will conduct a survey later
- Mobile phones and shoes can be very interesting!
- A prize for the most exotic location!

The critique of the three Cs

- Competition between poor countries
- Control: the WTO is heavily politically dominated
- Climate change

Changes in the Terms of Trade of some Country Groups, 1980-2 to 2001-3

Group	*% change*
Developed economies	+7.9
Developing economies	-16.7
Developing economies: Africa	-24.1
Least developed countries	-35.2
Landlocked countries	-16.0
Sub-Saharan Africa	-20.7

Increases in inequality

- In Latin American countries, the wage gap between highly skilled and unskilled increased markedly between 1984 and 1995--UNCTAD
- Real purchasing power of the least skilled workers actually declined, in several cases by over 20%.
- ILO study of 30 countries in Africa, Asia and Latin America found that in two thirds of the countries the real wages of all workers fell between the late 1970s and the late 1980s, with the least skilled falling by the greatest percentage.
- For 38 countries between 1965 and 1992, greater openness to trade had reduced the incomes of the poorest 40% of the population but strongly increased those of the remaining groups. ‘The costs of adjusting to great openness are borne *exclusively* by the poor’—World Bank, 1999

Changes in Terms of Trade, 1980-2 to 2001-3

Group	*Annual average 1980-2*	*Annual average 2001-3*	*% change*
Developed economies	95.7	103.3	+7.9
Developing economies	117.3	97.7	-16.7
Developing economies	131.7	100.0	-24.1
Least developed countries	144.0	93.3	-35.2
Landlocked countries	114.7	96.3	-16.0
Sub-Saharan Africa	124.0	98.3	-20.7

Data from UNCTAD; calculations in Tom Lines, *Making Poverty: A History* (2008).

General Agreement on Sustainable Trade

Support the local	Governments allowed to favour domestic production
Favouring certain partners	States will be allowed to choose to give preferential trade terms to goods and services from other states which respect human rights, treat workers fairly, and protect the environment
Performance requirements	States may impose requirements on corporations opening production facilities in their territories based on: a minimum level of domestic input to the production process; a minimum level of local equity investment; a minimum level of local staff; minimum environmental standards
Standstill and rollback	No state party to GAST can pass laws or adopt regulations that diminish local control of industry and services
Dispute resolution	Citizen groups and community institutions should be able to sue companies for violations of this trade code, under a transparent and public process.

Trade subsidiarity

- Local, non-intensive goods such as seasonal fruit and vegetables and other raw materials which can be grown without much complex labour input.
- Global, non-intensive goods, which do not need much labour but require a different climate from our own.
- Local, complex goods that require skill and time to produce but not the import of raw materials.
- Global, complex goods that need technical expertise and considerable time to produce and for which raw materials or the size of market suggests a problem with local production.

Production possibility grid

Labour		Raw materials	
		Local	Global
	Non-intensive	Farmers' markets; self-build; domestic textiles	Fair trade; replace WTO with GAST
	Intensive	Support of local craft workers	Mending to replace obsolescence; end to intellectual property laws

Sufficiency economy

- A watchword of sustainable economics is self-reliance—not self-sufficiency, which I believe holds very few attractions. Self-reliance entails combining judicious and necessary trade with other countries with an unapologetic emphasis on each country maintaining security of supply in terms of energy, food and even manufacturing.

Competition

- Competition for commodities such as coffee, sugar and tea, as well as in manufactures such as textiles
- Tsunami destruction exacerbated by tourism-related deforestation
- Two-thirds of exports from developing countries come from just eight countries, none of which are LDCs
- All the increase in the value of vegetables exported from sub-Saharan Africa has accrued to Kenya, and to larger farmers, who are actually depriving their neighbours of water they need for subsistence farming
- The rise of China as a trading power has been a mixed blessing:
  - Benefits to countries exporting raw materials
  - Disastrous for those competing in e.g. textiles

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Solidarity in commodity markets

- For example, in May 2005 a new government in Ecuador (which exports more bananas than any other country) signed a degree to regulate the volume of bananas leaving the country. Two months later, Malaysia and Indonesia announced a bilateral plan to cooperate on the palm oil, rubber, cocoa, timber and other markets in order to ensure price stability and eliminate the undercutting of their position by others. . . . On the world tea market, discussions have been reported involving all four leading tea producers, China, India, Kenya and Sri Lanka.

Trade-related direct action in India

- Shut-down of a Coca-Cola plant in Plachimada, Kerala by local tribal women; the company had been exploiting the valuable local resource of water to the extent of 1.5 million litres a day
- Blockades of 87 Coca-Cola and Pepsi plants nationwide inspired by the Plachimada example
- Students at Jawaharlal Nehru University voted to replace their campus Nestle outlet with a café serving indigenous cuisine from the North East Tribal region of India.
- Seed Sovereignty: a nationwide movement encouraging non-cooperation with seed patent laws

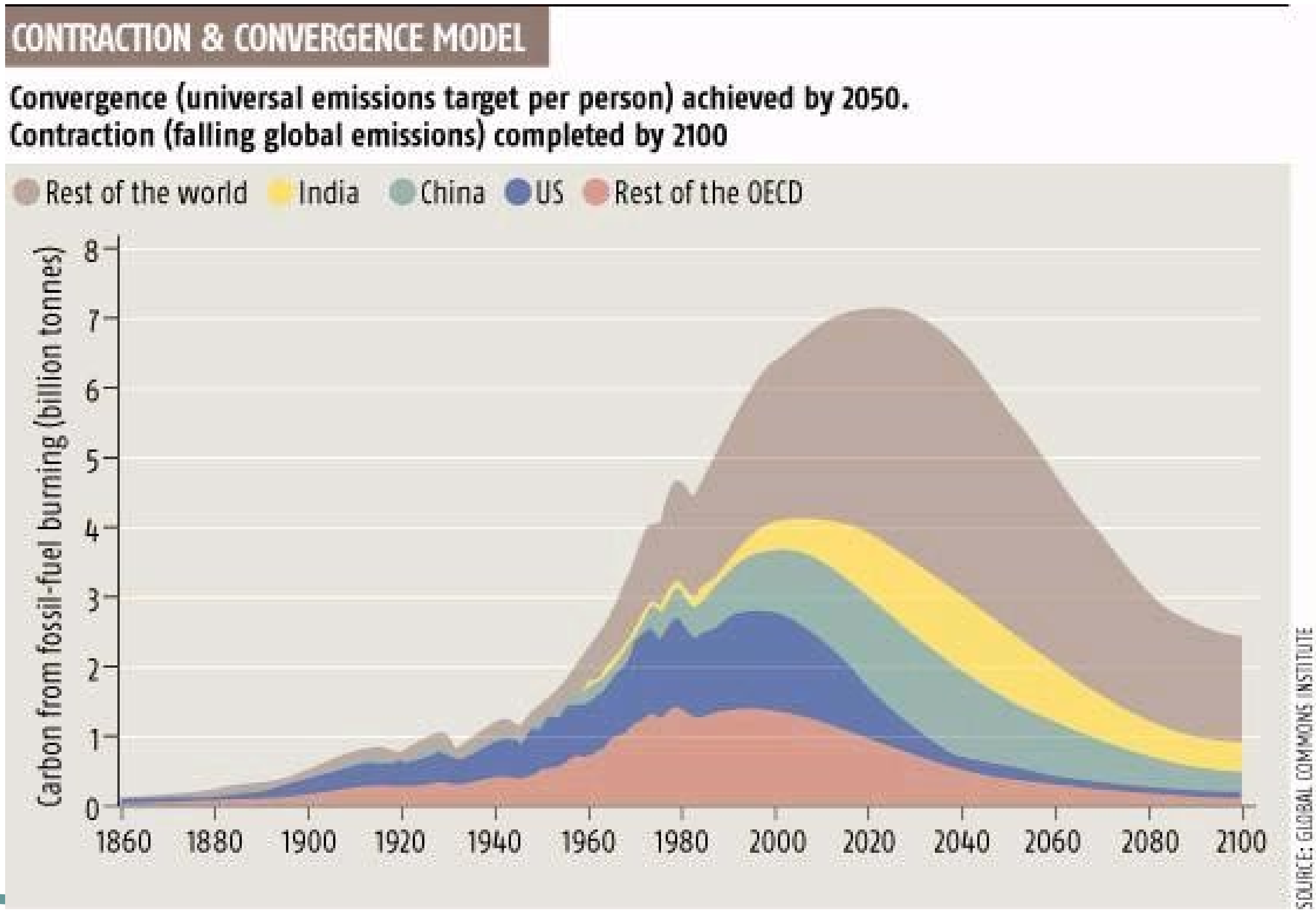
Carbon Trade

Problems with the carbon trade

- The 'product is politically defined'
- Market already dominated by a small number of players and subject to marginal trading in derivatives
- Leading to commodification of 'eco-system services' and great land grab

STUCK ON AN ELEVATOR WITH THE U.S. AT THE U.N. GLOBAL WARMING CONFERENCE

Contraction and Convergence



Converging World

- 25 per cent of the profits from the electricity generated by wind turbines directed to support partner communities
- transfer of intermediate technology