

Globalization From the Bottom Up, or Top Down?:

Where Do We Go From Here. . .

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Abstract

This case study is set in Porto Alegre, Brazil – where a group of six individuals have come together to discuss the need to address the increasing backlash against globalization. Of the six, three are representatives from the World Economic Forum that takes place in Davos, and three are representatives from the World Social Forum that takes place in Porto Alegre. The case attempts to juxtapose the pros and cons of globalization in a setting where those involved in creating a globalized world confront those that more directly experience the effects of that globalization. The purpose of the case is to enable readers to quickly grasp some of the differing arguments both for and against globalization. The case also tries to highlight the importance of taking into account both political and economic perspectives (embodied by global corporate powers) *as well as* “human” perspectives (embodied by local communities and organizations), when trying to understand globalization and its role in our lives. Participants in a role play take the positions of the six characters: two economists, and representatives from Nike, the World Trade Organization, a women’s NGO, and a trade union.

It is a sunny day in Porto Alegre, Brazil. Six men and women with briefcases dangling from their fingers are mounting the steps to a 3-star hotel. Three of them are looking uncomfortably warm in dark suits. The other three are dressed in smart-casual garb, looking cool in the hot sunshine. There is an uncomfortable tension in the air, as they know that once in the air-conditioned conference room, there will be more than one disagreement amongst them. Three people are representatives from the World Economic Forum (WEF) in Davos, and three are representatives from the World Social Forum (WSF) in Porto Alegre. All six feel the importance of this meeting weighing on their shoulders, in view of the current neoliberal world system that promotes free trade and open markets, and the backlash against globalization that has been evident ever since the WTO talks in Seattle in 1999. From the WEF there is an economist, a WTO representative, and a manufacturer from Nike. From the WSF there is an economist, a union leader, and a representative from a women’s NGO. The reason that these two opposing camps are meeting is that the backlash against globalization can no longer be ignored, and if the world is to move forward, a dialogue must begin. And this dialogue

must cross the boundaries that exist between corporations and global powers, and local organizations and communities.

The Local Setting

It is apt that this meeting should take place in Porto Alegre, it being one of the few places in the world where an alternative view is being implemented. It is here that in 1989, the Town Council created a system where citizens are elected by the local population to serve as their voice regarding the allocation of Porto Alegre's budget. This participatory democracy ensures that citizens have a say in where they want their money spent, and how much of it should be used for each town project. The Brazilian Workers Party (PT) governs Porto Alegre with a view to promoting greater citizen control over all aspects of government decision-making. The participatory budget has benefited the poor because there are regional budget assemblies in communities where anyone can come and does come to vote for what they want their money to be spent on. This system fights the traditional clientelism that a number of political systems are based on, where exchanges of favors occur between elected officials and their supporters. The success of the participatory democracy in Porto Alegre shows the world that a concrete alternative that implements a democracy where local people literally decide what happens in their communities is possible.

The WTO Representative

I would like to start by saying my piece. We at the WTO have been given much negative press of late, particularly since the Seattle talks in 1999. In defense of the organization, I would like to outline a few points. First of all, we are living in a world where consumers dictate what is available and how much products are. If consumers, who include the majority of the population, are benefiting from what we make possible, where is the wrong in that? Secondly, one of the WTO's most important aims is to liberalize trade in goods and services through the General Agreement on Tariffs and Trade (GATT), and the

General Agreement on Trade in Services (GATS). Both of these have a number of positive and necessary outcomes.

Free trade that allows goods and services to pass between countries without tariffs and restrictions allows for economic growth. Economic growth then naturally leads to an increase in employment. In addition, lowering trade barriers allows the importation of goods that would not otherwise be available. This increases competition, which then lowers costs, increasing the standard of living since living costs go down. So far, I see nothing but benefits. “Open markets are expected to encourage quality improvement and product and process innovation; reduce the scope for wasteful resource use and rent-seeking; constrain the power of individual economic operators; and ensure users continued product availability at reasonable conditions”¹. Liberalizing services such as telecommunications, transport, health, and education has the potential for great economic growth. A study conducted by the World Bank and the ITU from 1990 to 1994 on telecommunications reforms in 26 Latin American and Asian countries has shown a 20% increase in employment in those countries that allowed for varying degrees of competition compared to a 3% increase in monopoly markets². There is so much potential for economic growth that can be realized through both the GATT and GATS agreements, and as we know, economic growth is beneficial to the world.

The Economists

From Davos:

I would like to add to what my colleague has just outlined. Globalization is getting such a bad reputation because of people like you, who are involved with organizing either protests, or something like the World Social Forum, where a large number of idealists get together to discuss what you think is wrong with our current system, but have no logical solutions to changing it. Again, what about all the positive effects of globalization? The world’s poor are benefiting greatly from this current economic system. There has been an increase in jobs and raises in income for all of the world’s populations, both rich and poor. The implementation of “growth-through-integration” has meant that Third World

countries are catching up to First World countries. Governments in these countries view trade as a positive thing, as it is reducing poverty in their countries. There is increasing employment in the South, as these corporations are being invited to establish themselves in countries that suffer an extremely high level of unemployment. Is that not a good thing? Organizations such as the WTO, should be looked upon as the solution to the world's poverty, not the cause. If Third World countries refuse corporations offers to invest, they risk being trapped into poverty. A number of policies promoting growth that have been attacked actually have beneficial effects. For example, cutting inflation and cutting public spending both encourage economic growth. However, contrary to critics' views, they also *improve* the distribution of income, thus benefiting the poor. If globalization is brought to a halt, the world's poor will be the first to feel the effects.

It has also come to my attention, that globalization has brought a number of advantages to the world. The Internet and mobile telephony have transformed communications. Increasingly efficient transport and communications have allowed corporations to improve the quality of life for the majority of consumers. There are people around the world that now have access to products and material benefits that they never would have, had globalization not been in effect.

From Porto Alegre:

Unfortunately, I must disagree with both of you. The rapid removal of trade barriers and tariffs in the name of free trade and "benefits" to poorer populations has plunged the world markets into interdependency. First World countries depend upon Third World countries for labor and specific goods that are produced in mass in those countries. In turn, Third World countries then start to depend upon imports for all of their basic needs. This dependency leads to a global indifference to corporate abuses of the environment, worker, consumer, health, safety and basic human rights in order to keep corporate profits and economic negotiations in a competitive arena where profit is the leading motive. In addition, liberalizing financial flows and externalizing capital regimes has lessened the amount of control governments have on the global flow of capital. States are losing their power to non-state actors such as transnational corporations. This has all resulted in

financial crises all over the world, in Southeast Asia, Russia, Mexico, and Brazil among others.

The volatility of the current financial market is detrimental to human development and must therefore be stabilized. One means of doing this is to impose taxes such as the Tobin Tax that regulate capital. The Tobin tax imposes a small worldwide tariff of as little as 0.05% on all foreign exchange transactions in order to reduce the volume of speculative flows. This helps to stabilize exchange rates and increases the autonomy of national governments, freeing capital for development. That capital can then be used constructively in the eradication of poverty, which we all of us at this table say is one of our ultimate goals. Taxing financial transactions would also lead to tax cuts for working families and the ability for an increased investment in education, infrastructure, and research and development. In addition, if economic growth means an increase in employment and higher living standards, then is it not possible to create jobs that have higher wages as well as jobs that are not detrimental to the health and safety of workers?

I would like to add one more thing regarding the mention of the GATS agreement. This agreement could have a number of negative effects as well. It “could become more difficult for communities to achieve vital policy goals such as access to health care; limiting how many hotels will be allowed in an environmentally sensitive area; give preferences to local service providers or give preferential treatment to providers that are owned by women or minorities”³. Commodifying health and education will lead to them being available only to those with the purchasing power. Is that the primary goal of the GATS agreement?

The Union Leader

Our economist here from Davos is saying that employment is increasing in Third World countries due to free trade. Yet I do not think that he has taken into account the conditions that this wonderful employment has people living in. It is one thing to applaud a statistical increase in employment, but it is quite another to do so when that

employment is available at the expense of human dignity and basic needs. Let us quickly discuss wages. Every human being has the right to at least a minimum wage in order to support himself, herself and a possible family. There is such a thing as a *living wage*, which implies that an individual can live in human conditions on their salary, as well as allowing an individual to provide for a family. Why is this right being violated in so many instances if, as our WTO representative claims, economic growth due to free trade causes an increase in wages?

Turning to factory conditions, there are large numbers of factories that do not provide workers with adequate protection from the conditions in which they work. Workers are often exposed to hazardous chemicals and are not provided with adequate protection from them, they are exposed to high noise and heat levels. Workers have also reported respiratory problems from many factories, and the general working environment still causes concern for health and safety of workers. These hazardous conditions are magnified by the prevention of union organizing, which then gives the workers no means of protesting their living and working conditions. Even areas where workers live are under attack from environmental destruction from factory waste and pollutants. Farmland and fishing ports are slowly disappearing as a result of factories being built and polluting waters and land.

The Manufacturer from Nike

When I hear this union leader speaking, I wonder what it is that you are fighting for. Workers as far as I know are being paid wages that are equivalent to what a minimum wage would be in their countries. Although, if wages were to be compared in dollar amounts there would be a large difference in what a worker is paid in the US versus in the Philippines for example, the wages are equivalent when taken in the context of local currency value. Workers are getting much more than they would if these factories weren't creating jobs. Think of all the people who would be unemployed if there weren't factory jobs in countries like the Philippines or Mexico. Wherever Nike has gone, we have raised both wages and living standards. The poor are no longer as poor. Proof is given

by the World Bank, which has estimated that in the Philippines, “the gap between the average income of the poor and the official poverty line closed by 40 percent”⁴, which means that the poor are better off than before. Our factories have lifted people out of poverty and have created a middle class. And speaking for Nike, the company also carries out some of its manufacturing in the US, where labor costs are considerably higher. How can people say that we are exploiting workers in countries where we can get away with paying close to nothing for our labor? In addition, the reason corporations have to search for cheaper labor elsewhere, is that consumers are demanding products at lower and lower prices. We have to be able to compete to stay alive.

Union Leader

I know I have already spoken, however I am going to interrupt, as I would like to address what our friend from Nike has just said. There are statistics that prove that factory workers are living on below minimum wage salaries. There are statistics that prove that NIKE has fought every inch of the way to have wages remain low. Nike is known to have paid workers all over the world less than a living wage in the past. Take Indonesia for example. Shoe factory workers in your factories were paid around \$20 a month in 1998. This amount may seem less than it actually is. As you have implied, wages have to be taken in context. Well...if those \$20 are taken in context and converted to Rupiahs (Rp), they are still not enough to sustain an individual, never mind additional family members. The total cost per month in order to cover minimum physical requirements for a single male worker was estimated at \$33.25. For a female worker, the estimate was \$35, due to additional requirements such as sanitary napkins and bras. Both figures are over the \$20 monthly wage. It is clear that a living wage in this circumstance is not being respected, and that is something that must be changed. I know that you at Nike claimed not to be able to afford to raise wages in Rupiahs, but under pressure from strikes and governments, you finally did several times⁵. I realize that over the last few years, Nike has raised wages to above the minimum wage set by the government in Indonesia, and has stopped local contractors from paying apprentice wages. However, how many people

had to fight for this to happen for it to go through? People should not have to fight for their fundamental human rights.

Nike Manufacturer

I agree with you. People should be allowed their fundamental human rights. However, you are forgetting that Nike has made much progress in the past few years. The company has been working to improve the lives and communities of workers who make its products. For example, Nike has increased its minimum age requirements to 18 for footwear factories, and 16 for apparel and equipment. The company has “implemented increased wages in Indonesia and other locations where economic need have dictated; established education and microloan programs for factory workers and the surrounding communities; and, improved working conditions through adopting water-based solvents and other steps. We have also been transparent about where we have needed improvements and have adopted specific remediation plans to correct deficiencies”⁶. Regarding the statistics you have quoted on Indonesia, Nike has increased wages to above the minimum wage of 231,000 rupiah/month (\$26US) prescribed by the Indonesian government in 1999. We now pay a minimum cash wage of 265,000 (\$30US) and provide a bonus package that adds up to 332,000 (\$37.50US)⁷. In addition, you have to look at the larger benefits that these corporations and new factories bring into poorer countries. They introduce new shopping areas, restaurants and leisure centers; the standard of living is going up.

Union Leader

I realize that Nike has taken huge steps forward in providing for workers, and I applaud that effort. However, the wages are still not considered a living wage. Global Exchange recently released an Indonesian wage study. The study shows that the wages Nike pays of 332,000 rupiah/month (\$37.50US) is needed to cover the basic needs of one person. A living wage, which is a wage that helps cover the needs of a family, not just one worker, would be twice this figure, or 664,000 rupiah/month (\$75US)⁸. If an individual cannot

even afford to support their family, I don't think that he or she would be able to afford to go to the new shopping centers. Nike has yet to meet the demand for a living wage, as well as the demands to allow independent monitoring in all factories. Also, a workers right to organize into independent unions has not yet been recognized by Nike.

The Women's NGO Representative

I hear what all of you are saying; however, there is something that I would like to bring up as an extremely important issue that is not being addressed by all this talk. That is the fact that the introduction of your factories and jobs is having a very gendered effect. Do you realize that the majority of the people working in your factories are women? That these women have families to support? As the union leader has pointed out, how do you expect one woman working all day in a factory, for less than minimum wage, to support her children? I realize that we are dealing on a more general level right now, talking of effects and implications of this on a transnational level that is more global. However, a large part of what we are dealing with, that I think you people from Davos forget, is *human life*. People are not units of labor that are there for you to move around like pawns. They are living, breathing, feeling beings that realize when there is something wrong with the system within which they work. Many of these people realize that they are directly experiencing the effects of your grand policies, and those effects are not beneficial.

Take for example, the increasing cutbacks in social services by states, often a move that has been promoted by structural adjustment programs (SAPS). These cutbacks directly affect women and their families. Women are put into the position of being primary provider, educator and doctor for their families, as they can no longer afford the few services that are offered. Education becomes more expensive and thus forces parents to pull their children out of school, usually girls. In addition, there is a more personally damaging effect that gender discrimination has on these women factory workers. Women factory workers are often subject to various forms of discrimination such as sexual harassment, mandatory pregnancy testing, and unequal pay even though they need more

money for their basic needs than men do. Women have a right to privacy in the workplace, which mandatory pregnancy testing as a condition for employment violates. Additionally, there is a glass ceiling that is in place, preventing women from obtaining any promotions to middle management.

The input from women in building wealth, and their participation in sustainable development programs is necessary, even crucial for the elimination of poverty. Perhaps if we considered the implementation of a more pluralistic approach to public policy, economic and social systems, we would have a direct effect on meeting more diverse needs. The enforcement of international instruments such as the Universal Declaration of Human Rights is also important. Grassroots organizing for women's rights is essential, and could easily introduce pluralistic approaches to problem solving.

The WTO representative

Now that we have heard from everyone, I would like to pose a question to the economist from Porto Alegre. You have talked about a Tobin Tax being imposed. If this tax is so great, and so many people are starting to favor it, then why have we not heard more about it? Why isn't it blazing across headlines everywhere and being discussed by heads of organizations? It seems as if the tax would be detrimental to transactions between businesses, in addition to being difficult to implement. For one thing, how can you ensure that governments use the tax revenue for development instead of keeping it for themselves? And how would you ensure the fair redistribution of money that would come in from the tax? The amount of that money would also vary from country to country. To me, this tax does not seem very practical given the difficulties of implementation.

The Economist from Porto Alegre

One of the reasons nobody hears about the Tobin Tax is that corporations own a large part of the media. Therefore, why would they report on an alternative that could

potentially make them lose a small amount of money on their products? Tobin tax revenues could potentially generate between \$150-300 billion annually depending on how the tax was implemented. The UN and World Bank estimated in 1997 that the cost of wiping out the worst forms of poverty and providing basic environmental protection would be about \$225 billion yearly⁹. Given the *political* will, it would be possible to implement such a tax. In addition, the Tobin tax is not the only possible alternative to globalization. There are other actions that can be beneficial to the world's poor, such as the cancellation of the Third World debt, the elimination of financial tax havens and the privatization of banks. These would not be completely detrimental to financial institutions such as the WTO.

Where do we go from here?

The Women's NGO Representative

OK. I am going to interrupt because we are running out of time. We need to figure out if we can reach some sort of working relationship where we can respect our different opinions and still move realistically forward in taking measures to prevent the negative effects of globalization. In an ideal world, is there any way that we could reach some sort of conclusion or agreement on some of these issues? The World Economic Forum representatives are presenting the advantages to free trade and economic growth, and view these as the most important aspects of the debate. On the other hand, it is clear that the World Social Forum representatives are saying that a neoliberal, capitalist globalization is not an inevitable and 'natural' state of being. There are feasible alternatives, and we must consider these if we are to move on in a more positive and equal direction during this new century. In effect, both sides are working in similar directions. The pro-globalization people are cognizant of the inequality their system fosters, but continue to promote it as the only feasible option. In contrast, the anti-globalization movement has realized that the system must change if anything else is going to change, and are proposing alternatives.

In order to bridge this gap, we all need to work to implement policy that will take the benefit of the many rather than the few into account. We must somehow reach a compromise and promise to work to end the inequalities and environmental damages that are created by free-market capitalism. In the end, these inequalities will affect all of us, rich and poor. We have to work towards a common humanity for all, instead of selecting the few to be recipients of that privilege.

There is an organization called ATTAC, the *Association for the Taxation of final Transactions for the Aid of Citizens*. Perhaps we should look to this organization's suggestions and goals if we are to come up with some sort of compromise here. We are obviously six people who are fighting for somewhat different causes that we all feel are valid and necessary. ATTAC is an organization that is not against free trade and open markets, but is against the ways in which those concepts are employed. There is no responsibility, no human and social consciousness. We are letting the "market" rule our actions, and the market is not a speaking breathing human life, it is a human creation, and as such can be changed and molded to *human* needs. ATTAC argues for more regulation of the market and the preservation of a realm free from market values at the same time as it sees some benefits to free trade *with* regulations.

The Union Leader

I have also heard of a document that has been drawn up by a group of experts from different areas affected by globalization called the *Common Agreement on Investment and Society*¹⁰. This document outlines social and cultural approaches to economic development in a format like a treaty. Perhaps we could look to implementing this as a means of benefiting the majority of the world's population. Whatever we do, as you are saying, if we take care to consider the pluralistic nature of globalization, and its different effects on different segments of the world population, it will be a step in the right direction.

The Women's NGO Representative

Exactly. In figuring out any course of action, we must keep in mind that globalization is not simply an economic process, but is social, cultural, and political as well. Respecting all of these aspects is the challenge that now faces us here in this conference room. So...the question remains: where do we go from here?

¹ June 1999. *The Developmental Impact of Trade Liberalization Under GATS*. Informal Note by the Secretariat at: http://www.wto.org/english/tratop_e/serv_e/gsliber_e.doc.

² *ibid.*; 1999

³ Public Citizen's Global Trade Watch May 2001. Found at: <http://www.citizen.org/pctrade/GATS/onepagermay8.htm>

⁴ Richburg, K. Spreading the Wealth: How 'globalization' is helping shift cash from rich nations to poor ones. The Washington Post National Weekly Edition. March 17 1997.

⁵ All statistics found at: <http://www.summersault.com/~agj clr/alerts/nikeindowageneedsstudy>.

⁶ April 2001. Nike Condemns Anti-Globalization Terrorism Plan Against Minneapolis Retail Store, Calls on Other Activists to Denounce Senseless Violence. Found at: http://nikebiz.com/media/n_anti.shtml.

⁷ Nike Campaign. Frequently Asked Questions. (Web page accessed May 2001). Found at: <http://www.globalexchange.org/economy/corporations/nike/faq.html>

⁸ *ibid.*; (May 2001)

⁹ May 1999. Time for a Tobin Tax? Some Practical and Political Arguments. Found at: <http://attac.org/alterdavos/>

¹⁰ Common Agreement on Investment and Society. Found at: <http://www.globalexchange.org/economy/alternatives/>