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WTO and corporate globalisation - a background paper

More detailed information on the overview and ten point reform paper

This paper provides the background analysis to the Overview and Ten Point Reform Programme. Wherever possible the text is cross-referenced to the relevant reform being proposed.

Section 1. Winners and Losers from Globalisation

Of the world's 100 largest economies, 51 are corporations and only 49 are countries" (Institute for Policy Studies 1999 Report: The Rise of Corporate Power)

"Since the early 1980s the world economy has been characterised by rising inequality"

(UNCTAD Trade and Development Report 1997). "Extreme poverty declined only slowly in developing countries during the 1990s and the number of poor people remained roughly constant as the population increased." (World Bank Report, Development Indicators, May 2001)

The proponents of global free trade argue that it promotes global economic growth, creates jobs, makes companies more competitive, and lowers prices for consumers. It is also claimed to provide poor countries, through infusions of foreign capital and technology, with the chance to develop economically and, by spreading prosperity, creates the conditions in which democracy and respect for human rights may flourish. In fact although transnational corporations invested record amounts abroad in 1999, it was mostly in the developed world, the share of developing countries in global foreign direct investment inflows having fallen from 38% in 1997 to 24% in 1999. (World Bank Development Indicators 2001). Multinationals do not make their investment decisions from altruistic motives, they position themselves to take advantage of their potential markets and they move from location to location to maintain the lowest manufacturing costs.

Analysis by the United Nations Conference on Trade and Development (UNCTAD) shows that income gaps between North and South have continued to widen and that globalisation has contributed to this tendency. In 1965, the average per capita income of the G7 countries was 20 times that of the world's poorest seven countries. By 1995 it was 39 times as much. Growing wage inequality between skilled and unskilled workers is characterised as a global problem. In almost all developing countries that have undertaken rapid trade liberalisation, wage inequality has increased, most often in the context of declining industrial employment of unskilled workers and large absolute falls in their real wages. Locally controlled production and employment is diminished. Capital has gained in comparison with labour, and profit shares have risen everywhere. (source:-1997 Trade and Development Report).

The following extracts from current World Bank Reports confirm the impact of these trends and illustrate graphically that the poor and marginalised peoples of the world lose out from globalization:-

"Three-fifths of the world's people in the poorest 61 countries receive 6 percent of the world's income—less than $2 a day. But their poverty goes beyond income. While 7 of every 1,000 children die before age five in high-income countries, more than 90 die in low-income countries .Africa is now the region with the largest share of people living on less than $1 per day . in 2000 about half of the population of the developing world still lacked adequate sanitation .. approximately 1.5 billion people in low and middle-income economies lacked access to safe water supplies .and in Sub-Saharan Africa fewer than half the population has access .thirty-eight countries have seen life expectancy decline since 1990. Most are countries hit by the AIDS epidemics"

Some Europeans, particularly those in the central and eastern countries, do not appear to be benefiting either. According to the European Commission's Communication on Sustainable Development (May 2001) "One in every six Europeans lives in poverty. Poverty and social exclusion have enormous direct effects on individuals such as ill health, suicide, and persistent unemployment. The burden of poverty is borne disproportionately by single mothers and older women living alone. Poverty often remains within families for generations."

It is of course not just the relationship between trade liberalisation and social development or poverty which is in question. As the WTO itself acknowledges "the growing world economy has been accompanied by environmental degradation, including deforestation, losses in bio-diversity, global warming, air pollution, depletion of the ozone layer, over-fishing and so on." (Trade and the Environment Study No 4 1999.). WWF estimates that the Earth's natural ecosystems declined by 33% between 1970 and 1999.

The winners and losers under the present system are thus clear. It is equally clear that for the majority of the world's people the present pattern of economic growth and international trade is not delivering on its promises. If the 'triple-bottom line' demands that sustainable economic growth goes hand-in-hand with social and environmental sustainability, then we need a radical re-definition of the goals of international trade and a fundamental re-shaping of the mechanisms by which we can achieve these goals.