FACTS ABOUT...

Globalization

The Problem

When leaders gather at the Johannesburg Summit, they will confront a world situation markedly different in many ways from that of the 1992 Earth Summit. Globalization, fueled by government decisions around the world to liberalize trade and capital markets and accompanied by privatization and deregulation of economic activities and rapid development of information and communication technologies, has dramatically changed the world's economic landscape.

The 1990s was a time of increasing prosperity for countries and enterprises that were able to take advantage of globalization and the rapid spread of new information and communications technologies. The United States enjoyed a record period of expansion, serving as a prime engine of the world economy. International trade flourished throughout the decade, with global exports growing at an average rate of 6.4 per cent, reaching $6.3 trillion in 2000. Even developing countries, as a group, experienced solid growth in the 1990s, with gross domestic product increasing by 4.3 per cent a year, up from 2.7 per cent in the 1980s.

The benefits of globalization are obvious: faster growth, higher living standards and new opportunities. But not all countries and not all people have shared the benefits of the globalization phenomenon. Many countries lacking the technical capabilities, infrastructure and institutional capacity found themselves falling far behind the rest of the world. Africa, for example, experienced marginal growth during the decade, and these gains were eroded by high population growth, widening the gap between living standards in Africa and the rest of the world. As Africa was further marginalized during the decade, its share of world trade continued to fall, from only 2.7 per cent in 1990 to 2.1 per cent in 2000.

Critics of global economic integration argue that the problem is not merely that globalization primarily benefits the rich, but that it also imposes further hardship on poor people in developing countries, increases volatility and vulnerability, and is detrimental to local cultures and harmful to the environment. Several financial crises sparked concern that globalization could take away as much as it could give. First in Mexico, and then in East Asia, massive withdrawals of capital devastated economies and drove millions of people back into poverty. While many of these economies have since rebounded, worries persist that the machinery of globalization could cause deeper financial downturns.

The world is interconnected as never before — groups and individuals interact more and more directly across State frontiers, often without involving the State at all. This, of course, has its dangers. Crime, narcotics, terrorism, disease and weapons all move back and forth faster, and in greater numbers, than in the past.

Key Statistics

- During the 1990s the economies of developing countries that were integrated into the world economy grew more than twice as fast as the rich countries. The "non-globalizers" grew only half as fast and continue to lag further behind.
- On average, developing countries that lowered tariffs sharply in the 1980s grew more quickly in the 1990s than those that did not.
- During the 1990s, the average annual rate of growth of gross domestic product (GDP) for developing countries as a whole increased to 4.3 per cent.
- The overall poverty rate, based on an income poverty line of one dollar per day, declined from 29 per cent in 1990 to 23 per cent in 1998.
- The total number of people in poverty declined slightly from about 1.3 billion to 1.2 billion in the 1990s.
- Only 15 per cent of the world's population, in the high-income countries, accounts for 56 per cent of total consumption, while the poorest 40 per cent, in low-income countries, accounts for only 11 per cent of consumption.
- The poorest 10 per cent of the world's people have only 1.6 per cent of the income of the richest 10 per cent, and the richest 1 per cent received as much income as the poorest 57 per cent.

- Governments in all countries subsidize inefficient and unsustainable uses of energy and transport, at a cost of between $650 billion and $1.5 trillion a year.

What Needs to Be Done

The UN Secretary-General, in his report on the implementation of Agenda 21, suggested that participants in the World Summit on Sustainable Development consider a number of proposals aimed at ensuring that globalization is managed so as to advance economic growth and sustainable development in all countries and spread the benefits more widely. These recommendations include:

- Developing and strengthening coordinated macroeconomic policy management at both the national and international levels, to be more responsive to concerns about globalization and sustainable development.
- Removing trade-distorting subsidies and improving market access of products and services of developing countries to developed countries, especially products for which developing countries have a competitive advantage, such as agricultural and textile goods.
- Eliminating all exceptions to duty-free and quota-free treatment for exports from the least developed countries (LDCs).
- Assisting developing countries, in particular LDCs, in their efforts to fully integrate into the world trade system and participate effectively in multilateral trade negotiations.
- Strengthening the World Trade Organization (WTO) to ensure that it provides an institutional framework for an unbiased, rule-based and non-discriminatory international trading system.
- Assisting developing countries in narrowing the digital divide.
- Countries have made significant commitments at the Doha WTO meeting and at the Monterrey Conference on Financing for Development to address some of the major challenges posed by globalization. At Johannesburg, the key will be for governments, along with NGOs and business, to identify and pursue initiatives that can capitalize on commitments made.