

# Globalization for Beginners



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## United for a Fair Economy

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# The Global Economy: Why should we care?



## Security

Job losses, wage & benefits cuts, war, famine, migration



## Democracy

Corporations & international financial institutions gaining power over governments



## The Environment

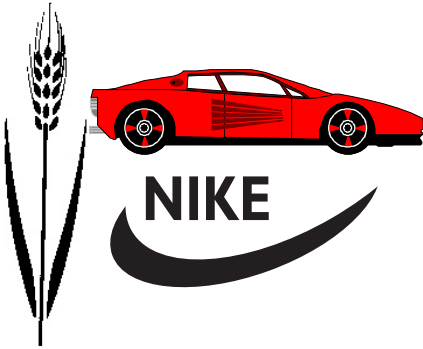
Resource depletion, pollution, global climate change



## Justice

Growing inequality

# What Global “Trade” Really Means



## Real Goods

\$9 trillion in 2004



## Services

\$6.5 trillion in 2004



## Capital Investment

\$73 trillion per year



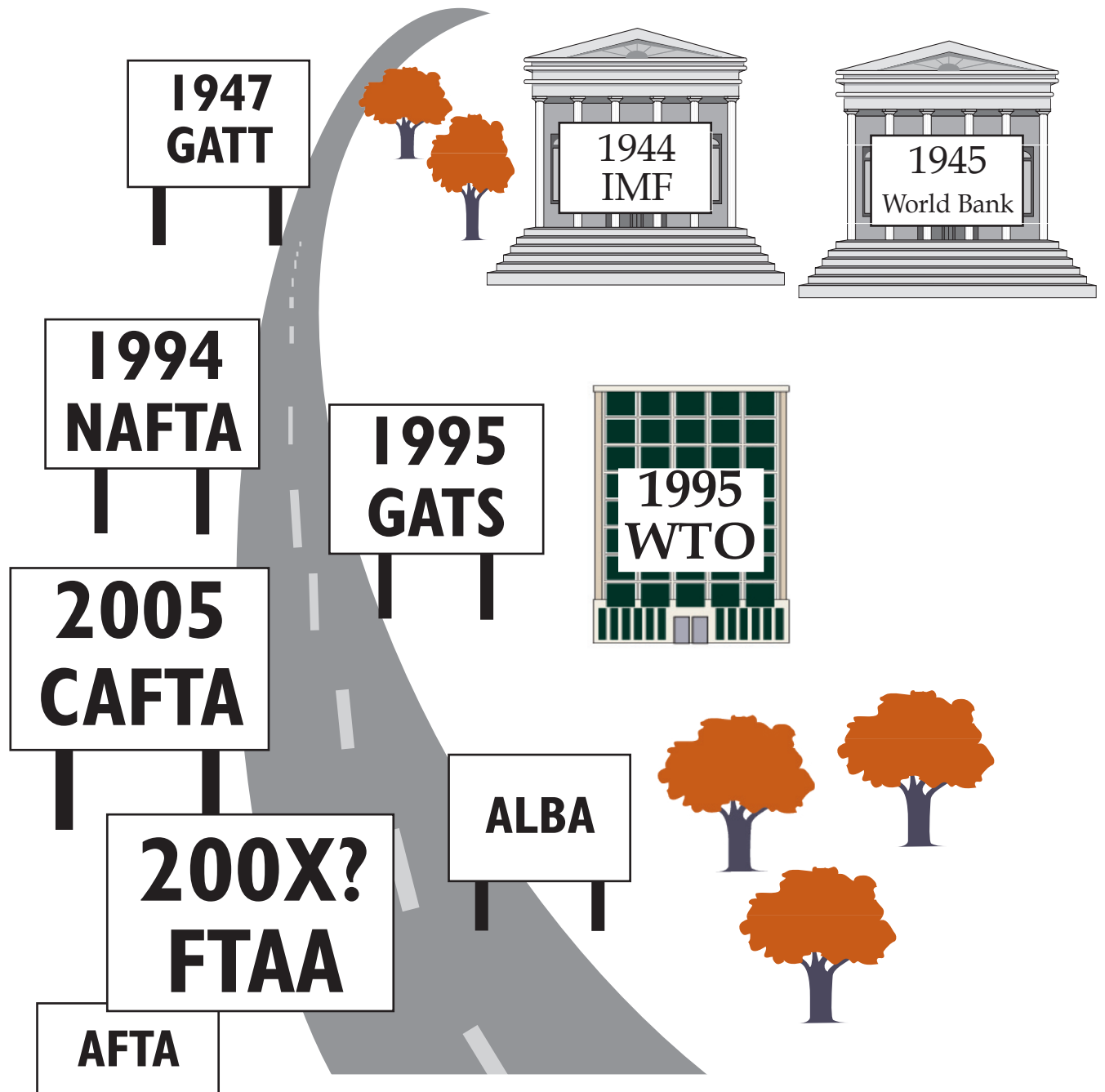
## Capital Speculation

\$655 trillion per year

# The Trade Landscape

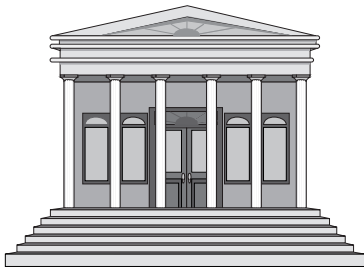
## Trade Agreements

## International Financial Institutions



# International Financial Institutions

## World Bank



Funds roads, dams, power plants, etc., and restructures the economies of the “Global South”

## IMF



Oversees financial systems, collects debt and restructures the economies of the “Global South”

## WTO



Writes & enforces trade rules and settles disputes (that allow corporations to have power over governments)

# The Prescription for the U.S. Economy after WWII

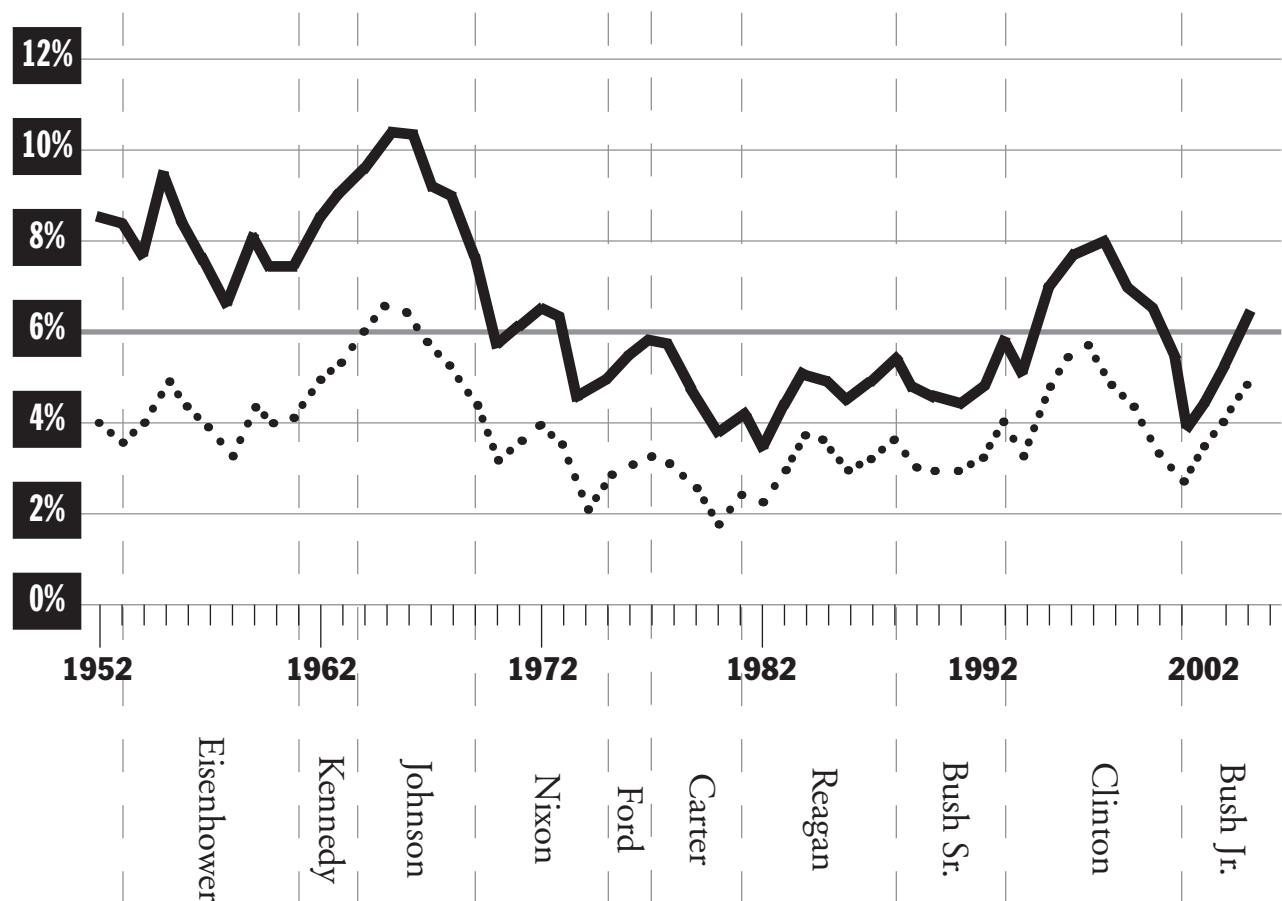
“The problems of America can be summed up in two words: *Russia* abroad and *labor* at home.”



— Charles “Electric Charlie” Wilson,  
President of General Electric  
(1940-1942, 1945-1950)

# Profit Rate (1952-2004)

*Corporate profits fell sharply after the mid-1960s.*



**Source:** Left Business Observer; data from Federal Reserve and Bureau of Economic Analysis data.

The profit rate is defined as corporate profits from the national income accounts divided by the Federal Reserve's estimates of the value of the tangible capital stock, from their flow of funds accounts. Nonfinancial corporations only.

The chart shows the profit rate before and after taxes.

# Structural Adjustment

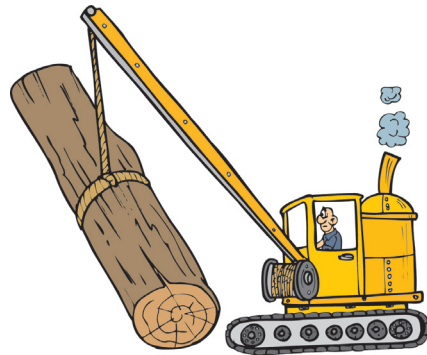
- **Restricts credit**
  - e.g., no loans to farmers
- **Lowers tariffs & opens markets**
  - cheap imports flood the marketplace
- **Balances the budget**
  - by cutting social services while continuing support for the military
- **Lowers wages**
- **Privatizes state industries**
- **Repays the national debt**

# World Trade Organization (WTO)

*A “government” of, by, and for corporations*

**Of ...**

Industry Sector  
Advisory Committees



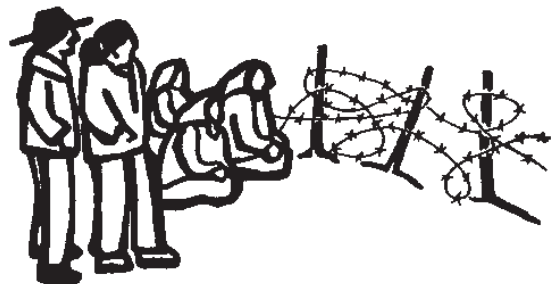
**By ...**

Dispute Settlement  
Process



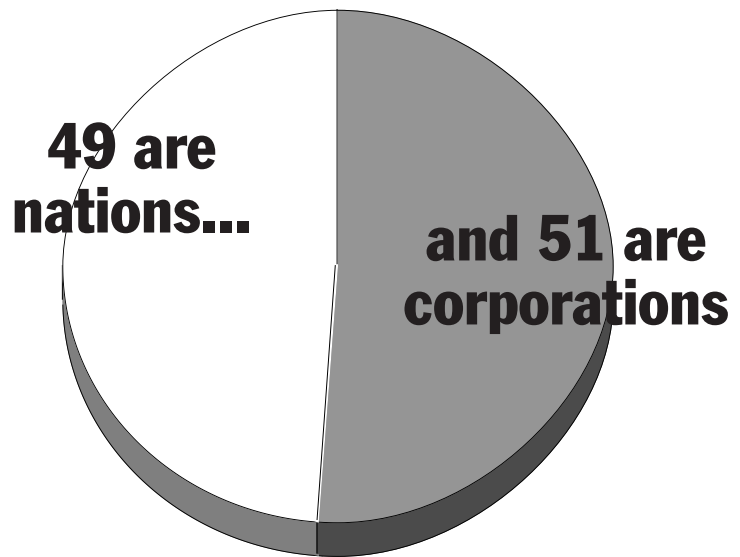
**For ...**

Property rights over  
human rights



# Transnational Corporations: Large, and Getting Larger

*Of the world's 10  
economies .*



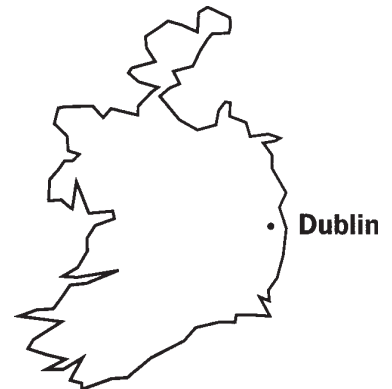
*With \$256 billion in 2004 sales, **Wal-Mart** is larger  
than the economies of 100 countries, including . . .*



**Israel**  
*\$118 billion*



**Portugal**  
*\$168 billion*



**Ireland**  
*\$184 billion*

# Globalization & Race

*The benefits of globalization flow mostly to the corporate elites of the “North.”*



*The burdens of globalization are borne mostly by the people of the “South” the vast majority of whom are people of color.*

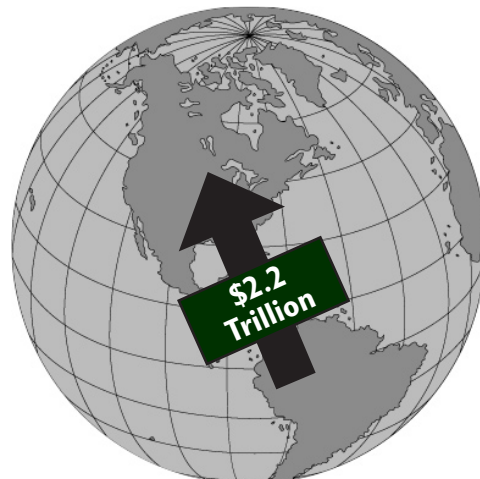
# Financing the Global Economy

*From 2001 to 2004 . . .*

. . . the “South” received **\$1.2 trillion** in aid, grants, loans, debt reorganization, trade credits, and direct foreign investment . . .



. . . the “South” paid out **\$2.2 trillion** in interest and principal (not including royalties, dividends, repatriated capital, and under-priced raw materials).

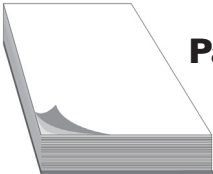


*The results: in 2004, the “South”  
was 6.6% deeper in debt than it was in 2001!*

**Sources:** UN Dept. of Economic and Social Affairs, World Economic and Social Survey 2005: Financing for Development; OECD, Development Cooperation Report 2005, Statistical Annex, and CRS (Creditor Reporting System) online database; World Bank, Global Development Finance 2005; ,

# World Income and Consumption

*20% of the world's people in the highest-income countries account for 86% of total private consumption expenditures.*

|                                                                                                              | Richest 20% | Poorest 20% |
|--------------------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>Meat &amp; Fish</b><br> | 45%         | 5%          |
| <b>Energy</b><br>         | 58%         | 4%          |
| <b>Phone Lines</b><br>    | 74%         | 1.5%        |
| <b>Paper</b><br>          | 84%         | 1.1%        |
| <b>Vehicles</b><br>       | 87%         | <1%         |

# What is NAFTA?

**Implemented in 1994**

**US - Canada - Mexico**

- Not just “Trade” rules covered but *new rights for corporations* established
- Labor & environment “side” agreements are NOT enforced
- NAFTA after 10 years . . . weakened:
  - wages and workers rights
  - environmental protections
  - democratic rights

and the result: a *Race to the Bottom*

# What is CAFTA?

## Central American Free Trade Agreement



- A foothold to hemispheric “free trade”
- A deal between the weakest & the strongest
- A faster “race to the bottom”

# What is the FTAA?

*The Free Trade Area of the Americas  
All Nations in the Americas except Cuba  
Negotiations are ongoing*

- **Could privatize essential services:**
  - water
  - education
  - health care
- **Could weaken laws and local democracy**
- **No labor or environmental negotiating groups**

# Signs of Hope

*People's movements around the world are  
battling harmful global rules*

- **A hemispheric movement against CAFTA was built is mobilizing to oppose the FTAA**
- **Privatization of water services in Bolivia was prevented**
- **Growth of World Social Forums**
- **The Multilateral Agreement on Investment (MAI) defeated in 1998**
- **Huge protests whenever trade rules are negotiated (WTO in Seattle)**

# Strategic Challenges

- **Build a broad-based coalition**
  - oppose the FTAA & other NAFTA-style deals
  - ally around specific issues/targets
  - build a multi-racial global movement
- **Systematically educate & reach out**
  - bring workshops to your communities
  - host a house party; launch a campaign
- **Target intersections of corporate power & government decision-making**
  - oppose corporate bailouts that help only investors
  - join anti-sweatshop campaigns
  - support campaign finance reform
- **Deal with the North-South divide**
  - end Structural Adjustment
  - cancel the debt

# **What You Can Do**

- **Arrange or host a workshop**
- **Buy Fair Trade products**
- **Talk with your elected officials about Fair Trade vs Free Trade**
- **Explore ALBA, as a model trade agreement**
- **Attend the World Social Forum gatherings (next in Caracas, Venezuela 1/06)**