

## Introduction: contradictory perceptions of globalization

***"One of the great myths of corporate globalization is that it will end poverty. It will not! It creates enormous wealth, but only for the elite who benefit from consolidation, mergers, the surge of global-scale technology and financial activity. For the past 50 years — and this is seen in statements by the World Bank and others — the world has seen more poverty than ever and the situation is worse." Anita Roddick<sup>1</sup>***

The last twenty years of economic development, which has been called the globalization age, was a period when there was a **massive improvement in the quality of life for billions of people all over the world.**

- Absolute poverty decreased in a significant way for the first time in human history, and hundreds of millions of men and women lifted out of poverty were able to move further up to some modest prosperity. It is estimated that more than 900 million people entered into the population group with incomes above US\$ 1,800 per capita and year over the last 10 years; one-third of them moved to incomes above US\$ 6,000 p.c. (in purchasing power parities).
- With the increase of GDP per capita, qualitative factors of individual lives improved in a significant way across the world: higher life expectancy, improved access to safe water and education, and many others.
- Private sector investment – both local and foreign invested – increased; each year, about 6 million new firms are being created in the world (net of closures).
- As a result, the annual creation of new jobs – self-employed and employed – almost doubled, productive employment expanded

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<sup>1</sup> From: <http://www.idealswork.com/interview/roddick/roddick3.asp> ; no date. Anita Roddick is founder of Body Shop, today a company of US\$ 270 million market capitalization; the founders sold out ¾ to investors, the rest still is owned by Mr. and Mrs. Roddick.

on its key role to add widespread wealth for families, societies and countries.

Despite all this, globalization continues to invoke much controversy and critique in everyday life and debate. It is of course a fact that despite massive improvements on so many levels of peoples' livelihoods **there are still too many poor and hungry men, women and children in the world**. But if we seriously want to bring further improvement for these people, we need to understand how, in what direction and why things have been changing.

People like Anita Roddick misunderstand – and often also misrepresent – the long-term changes and trends driven by globalization (and other simultaneous factors, such as modernization and technological progress). The critique is often loud and undifferentiated. And since unfounded allegations about globalization are so loud, since they are quite useful as a smokescreen to cover mistakes in policy and management, they have found a wide echo and, by repetition, have turned into “self-evident” truths in international and national forums.

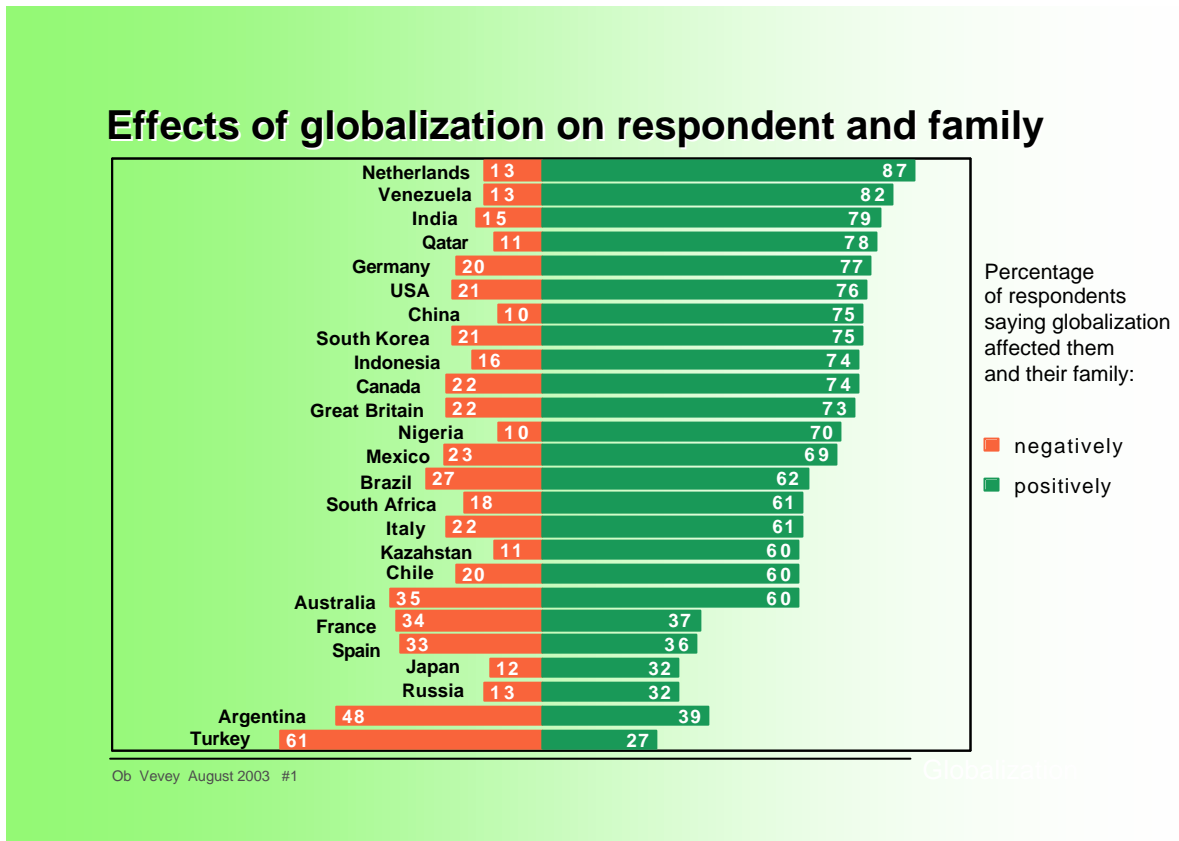
But what do people all over the world actually think about the impact of globalization? Apparently, answers very much depend on how and what exactly one asks. Interestingly, when asked **how globalization actually affects their own individual life, the answer from men and women in most countries is overwhelmingly that the impact is positive**. A survey of 25,000 citizens across 25 countries – 14 of them in the developing world – provides a clear and impressive answer: close to 75% of this highly representative sample of world population say that globalization improved both their own and their families' lives.<sup>2</sup>

Answers differ between countries. At the bottom of the chart are Argentina and Turkey with a very negative evaluation of the impact

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<sup>2</sup> Environics International; Global Public Opinion on Globalization; Toronto February 2002.

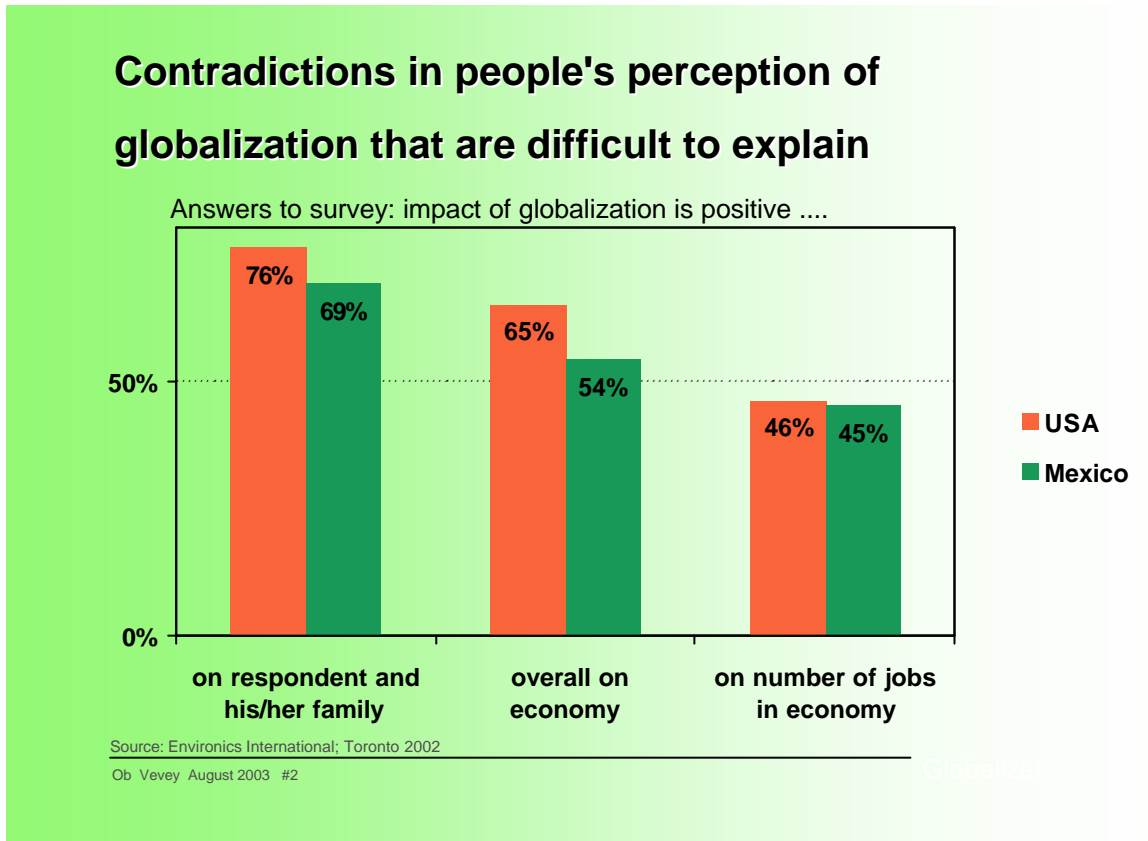
of globalization on the persons' lives; both countries were in a severe financial crisis at the time the survey was made. This needs special attention, and we will devote a special section (section 3) to the questions of how financial crises relate to globalization.



The surveyors asked the same group of people a few further questions. When they asked what globalization meant for the economy as a whole and more particularly the number of jobs, the picture drawn of globalization became much more negative. The same people who in a vast majority see their own lives improved seem to think that things have been deteriorating for a majority of people in their own country.

The chart below illustrates this rather strange phenomenon for the USA and Mexico. Take Mexico: close to 70% of the people recognize that their own and their families lives have improved as a result of globalization, but only a 54% think that this is true for the whole of the economy, i.e., a majority of the Mexican population, far

less than 50% admit that globalization was positive for jobs in Mexico. Similar patterns apply for countries in Europe, South America, Asia and even Africa.



This contradiction in perception triggered our curiosity: how come that for their own lives, a vast majority of people feel improvements, but for the economy as a whole they see deterioration? What distorts people's views? Or is globalization a process that defies basic economics? Can it actually improve individual lives of a huge majority while the economic situation and employment deteriorate?

One thing is clear, while authorities on their own personal and their family's situation, people rely on what they read and hear when answering two questions about the overall economy and employment.

All in all, many of the critiques and concerns on the negative effects of globalization seem to be ill-founded and based more on PERCEPTIONS and IDEOLOGY rather than on FACTS. Furthermore, these critiques are mostly expressed by “representatives” of different groups or organizations, but seldom are the average citizens’ opinions taken into account.

## Issues discussed; thesis and structure of the report

***"Shallow understanding from people of good will is more frustrating than absolute misunderstanding from people of ill will." Martin Luther King Jr.***

This report looks for empirical evidence on some of the most commonly held perceptions about globalization; it provides facts and figures, so readers can form their own opinion based on evidence instead of hearsay. It is not an elaborated piece of research, but a review of simple and easy to reach information and some empirical work of the authors, in order to help understand

- the actual impact of globalization on peoples' lives, and
- demands on countries and individuals – particularly in developing countries – in order to be able to increase their benefits from this process.

This undertaking is very much an uphill battle. Opinion leaders in many different quarters who criticize globalization seem to be highly credible and occupy the "moral high ground" in the ongoing debate: NGOs, academics, union leaders, media commentators, churches' representatives and even some "progressive" corporate leaders both in developed and developing nations. On the other hand, the majority of advocates of globalization mainly come from clearly identified organizations and countries: some rich countries, international organizations (IMF, WTO, etc.), business leaders who focus on creating wealth in the mainstream business. This may lend support to a perception that globalization is only in the interests and benefits of a handful of privileged individuals and nations.

The paper will work around two main theses:

1. That globalization needs to be understood in the context of what it really means, rather than of what widespread perceptions are. We start from the thesis that most discussions on globalization are distorted either by political or other interests, and that a large number of allegations are not supported by the evidence from the last two decades.
2. That globalization, when properly understood and actions are taken to take advantage from it, can provide a unique opportunity for the development of countries, societies and billions of men and women across the whole world both in the near and longer-term future.

The paper has five sections looking at the global picture; two further sections address the issue from a Latin American point of view.

The first section is on the nature and dynamics of globalization. Among the issues addressed:

- Does globalization only benefit the largest international companies, and does it discriminate against national, against small and medium size companies? Who actually benefits from economic liberalization?
- Has globalization increased inequality both of incomes and in terms of opportunities for individuals?

The second section: is globalization an instrument or an obstacle for development? Among the questions:

- Has globalization been imposed by rich countries and international organizations to take advantage of the poorer countries' natural resources and cheap labor in order to continue increasing their own living standards and profits?

- Does globalization only benefit those rich and educated individuals that can take advantage of it? Does it discriminate the poor and non-educated persons? How can globalization benefit poor peasants in remote areas?

The third section addresses recent financial crises. Among the issue taken up:

- Have they become more severe with globalization?
- Have global financial markets become a scourge of humanity?

The fourth section is on the human dimension of globalization. Among the questions to be discussed:

- Have societies turned into inhuman structures dominated by contempt for other people?

The fifth section takes a look beyond economics, asking, for instance:

- Is globalization a further stage of the “neo-liberal” economic model, unethical and discriminatory, as it destroys national cultures and values, does it destroy the environment?
- Will it need politicians and regulations to save the world from the global threat?

Two separate sections make a case for Latin America and several countries on the continent, asking the questions:

- Why are results for Latin America perceived as particularly disappointing? Is it, for instance, because globalization was imposed by technocratic-led governments, especially in Latin America, with little concern for its effects on the poor?