

Global Health BSc

St Mary's School of Medicine

Module 3

Week 4: **Policy/Governance**

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Globalization and problems of equitable development

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Globalization

Globalization is a process in which economic markets, technologies, and communication patterns gradually exhibit more 'global' characteristics , and less 'national' or 'local' ones (OECD, 1997).

It is claimed that increases the wealth of nations

But globalization is a vague concept

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1. Defining Globalization
2. Main dimensions of globalization and equity problems
3. Tracing links: two case studies of globalization, development and ill-health
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1. Defining Globalization

- i. Precedents
- ii. What is it?
- iii. What are its main mechanisms?
- iv. What institutions are in charge?
- v. What are its main success and problems?

i. Precedents of globalization

- Departure from the Bretton Woods economic order (1950-1972)
- Adoption of market reforms economic and policy reforms (since 1973 onwards)

ii. What is globalization?

- Increasing unification of the world's economic order: reduction of barriers to international trade: tariffs, export fees, and import quotas
- Integration: Transport and communication technology – combination of factors
- Goal: Increase material wealth, goods, and services
- New international division of labour
- Integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration and spread of technology.
- Widening, deepening and speeding up of interconnectedness in contemporary social life from the cultural to the criminal, the financial to the spiritual
- Efficiencies, international relations, specialization and competition

What is globalization?

- “Is the closer integration of the countries and peoples of the world which has brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and people across borders (Stiglitz, 2003).
- Washington Consensus (1989): Globalization is an elimination of barriers to trade, communication, and cultural exchange. The theory: worldwide openness will promote the inherent wealth of all nations

iii. What are its main mechanisms?

- Liberalization (neo-liberalism):
relaxation of restrictions, deregulation, market reform, 'freeing up' markets.
- **Privatization, liberalization and macro-stability:**
- create a climate to attract investment which is supposed to create growth.
- Ideological approach: viability and legitimacy
- 1989 Washington Consensus

The Washington Consensus

- Coined by John Williamson in 1989 to describe a set of ten relatively specific economic policy prescriptions
- Macroeconomic stabilization
- Economic opening to trade and investment
- Expansion of market forces within the domestic economy
- Privatization, trade liberalization, and deregulation
- 10 rules for developing countries: *one size fits all*

iv. What institutions are in charge? 3 types

1. Multinational corporations

Capital, goods,
technology, people

2. International civil organizations

- United Nations
- International Red Cross
- World Health Organization

Humanitarian, peace,
decent work, global trade
liberalization

3. Economic institutions

International Monetary Fund IMF

International Monetary Fund
Cooperative, public.
Focuses on crisis; may lend money.
Overseer of orderly monetary system and guardian of economic stability

World Bank, WTO

World Bank - investment bank, intermediates between investors and recipients, promotes economic and social progress in LDC. Advice and training

World Trade Organization WTO since 1995. Powers over national governments. Clear and stringent rules to govern global trade liberalization

v. Success and inequalities of globalization

Successful achievements of globalization

- Quicker economic growth
- International export trade flows
- Access to jobs
- Access to knowledge
- Interconnectedness

Problems of inequality

- Countries in crisis, lack of stability and funds; IMF conditions
 - Persistent poverty in LDC - World Bank
 - Invasive trade regime - WTO
 - Unprecedented global environmental degradation
 - The haves and the have-nots: people in the Third World living on less than a dollar a day increasing .
- Uncertainty about the long-term ability of the environment to withstand the pressures of globalised large scale economic activity.
 - Globalization places new stresses on environmental resources worldwide
 - Health impacts in globalized settings

2. Main dimensions of globalization and equity problems

Political globalization

Environmental globalization

Cultural globalization

Political and economic globalization: **international trade, FDI and finances**

Political, environmental, cultural, and economic and political globalizations

- Political globalization: human rights, democracy, labour standards, environmental standards; greater coordination of actions by governments and other institutions across the globe
- Environmental globalization: increasingly global effects of human activity on the environment, not necessarily positive
- Cultural globalization: connections among languages, ways of living, and fears of global homogeneity
- Economic and political globalization through liberalization means the greater global connectedness of economic activities, through transnational trade, capital flows and migration.

Focus: Economic and political liberalization

Privatization, liberalization and macro-stability



International Trade

Foreign Direct Investment (FDI)

International Finances



To improve growth prospects in LDCs



Economic and policy activities

Equity problems and examples

International Trade

- Global free trade: transport costs and protectionist barriers fell
- LDC manufactured exports growth - creates new jobs - NIE
- Theory: ITL enhances a country's income by forcing resources to move from less productive uses to more productive uses aimed to utilize a nation's *comparative advantages*
- Enhances stability by diversifying the sources of funding

International trade and equity problems

- LDC lowered trade barriers. Advanced countries maintained subsidies on agricultural goods where many developing countries have a comparative advantage.
- Short of capital and entrepreneurship
- Moving resources from low productivity to zero productivity
- Conditions and fast pace reforms requested by IMF



Mexico

Cuba

Guatemala

Haiti

Nicaragua

Panama

Venezuela

Colombia

Suriname

Ecuador

Peru

Brazil

Bolivia

Paraguay

Uruguay

Argentina

Chile

Example of international trade: agriculture in Bolivia

- Bringing down trade barriers to eradicate the growth of coca
- Comparative advantages
- Alternative agriculture: gates for exports closed



Foreign direct investment (FDI)

MNC central to expansion of FDI globally

- Theory: **Privatization, liberalization and macro-stability** to create a climate to attract investment, which creates growth.
- Brings with it technical expertise and access to foreign markets.
- Creates new employment possibilities and industries.
- Access to source of finance, especially important in those LDCs where local financial institutions are weak
- Central role of MNCs: FDI, generation, diffusion of R&D and Technology - Product market integration

Equity problems associated with FDI

- Inflow of capital may impede development (dual economy): due to currency appreciation: cheap imports, expensive exports
- May undermine national industrial and technology strategies.
- Often destroy local competitors, crush down small and medium national entrepreneurs.
- Undermine national industrial policies and social arrangements.
- Loss of demand for low-skill workers in developed economies - wages differentials

Examples of FDI and equity problems

- Gold mine Yanacocha, Peru: environmental impacts, economy and resource extraction
- Coca Cola and Pepsi: local producers of drinks
- WalMart in the USA and other countries: local shops



Source: BBC News, 2002



Source: fruitfulista.com

International finances

- Theory: the greater financial strength of foreign banks can enhance financial stability in the local countries.
- Extraordinary level of international financial transactions
- When borrowing, LDCs pay a premium of developed country interest rates to reflect their greater default risk.
- Financial strength of foreign banks can enhance financial stability in the local countries.

Equity problems related to international finances

- Absence of productive capital (but there is financial capital)
- The challenge is not only to create sound banks but also to create banks that provide credit for growth.
- The failure of international investment may itself lead to macro-instability instead.

Example of international banking and problems of development

- 2001-02 : worst ever financial crisis in Argentina
- Banks blockade, the *Corralito*
- Banking collapse
- Reduction of productive growth



3. Tracing links: globalization, development and ill-health

i. International trade and the soya agro-export model in Argentina: Environmental cancer

ii. Global production and consumption of electronics – E-waste and illness, China

i.

International trade and the soya agro-export model in Argentina

- Economic liberalisation: agro-export crops
- integration in global markets: shift of national investment and FDI into profitable crops
- economic model : trade barriers cancelation, deregulation of environmental standards and land concentration
- agro-export country – uses its '*competitive advantages*'

Argentina:

- World's second biggest grower of soya
- GMO soya since 1996
- In 2009, soya was planted on a record 18 mill' hectares, about half of the country's farming land.
- Economic boom: record profits for **soy farmers** and **multi-nationals**

Equity problems with the agro-export model of Argentina

- Economic dependency on transnational investments
- Agricultural system heavily dependent on agrochemicals, GMO seeds and expensive machinery
- Food sovereignty is at risk
- Problems with maintaining local produce growth
- Rural populations have been displaced
- The number of small farms has dropped significantly
- Inequality and unemployment have increased
- Environment: Deforestation, soil and water badly contaminated
- Unacknowledged health effects

International agro-export model and ill-health in Argentina

- 5,000 live people in Ituzaingo, city of Cordoba, Argentina
- 300 cancer cases (e.g., Hodgking, Lynphatic, Leukemia) found
- Expected cases for leukemia: 1-3 in 100,000 people
- Other diseases such (e.g., Lupus, Hemolytic Anemia)

Main culprits:

- **Glyphosate**: most widely known pesticide in Argentina.

Marketed under: Roundup by MNC Monsanto

Associated with high incidence of birth defects

- **Endosulfan**: potent insecticide Banned in many countries for its devastating effects on health
- Also heavy metals - **plumb, chromium, arsenic** - in domestic water tanks above the roofs of homes, and in soil

ii. Global production and consumption of electronics – E-waste and illness, China

- Integration of China in world trade: producer, exporter and consumer of global electrical and electronic equipment (EEE)
 - **Second** producer of electronic waste in the world but the **first** importer of electronic waste
 - 80 percent of the e-waste found in China comes from overseas
 - *competitive advantage*
- City of Guiyu, Guangdong: perhaps the largest electronic waste (e-waste) dump site on Earth
 - Workshops thrive on dismantling e-waste and extracting valuable elements, e.g., steel, aluminium, copper, plastic and gold
 - 100.000 men, women and children in Guiyu receive US\$1.5 per day doing this job.

The international e-waste trading model, China and problems of development

- After extraction of the valuable material, people sell it and dump the rest in the soil and rivers
- The health problems therefore originate both in the dismantling process and the disposal of the unused material.
- The highest worldwide concentration of polybrominated ethers observed among e-waste workers in Guangdong



The impact of high levels of exposure to Polybrominated diphenyl ethers (PBDEs)

Polybrominated diphenyl ethers (PBDEs) has been linked to the following	Learning, behaviour, and memory problems	(Viberg 2003)
	Liver toxicity and cancer.	U.S. EPA classifies deca form of PBDEs as a “possible human carcinogen” (ATSDR 2004). (NTP 1986).
	Thyroid problems	(Zhou 2002)
	Reproductive problems	(Schreder 2006)

4. Conclusion

Some policies promote **growth** but have little effect on **poverty**; some promote growth but actually increase poverty; and some promote growth and reduce poverty at the same time (Stiglitz, 2003, 82).

The last are called **pro-growth** and reduce poverty at the same time.

There might be policies that are **win-win** like land reform or better access to education for the poor which hold out the promise of enhanced growth and greater equality.

Sometimes there are **lose-lose** policies for which there is little if any gain in growth but a significant increase in inequality.

Source: Stiglitz, 2003, Globalization and its Discontents

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The end Thank You

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