



Anti-Globalization and Free Trade

Ian Sheldon

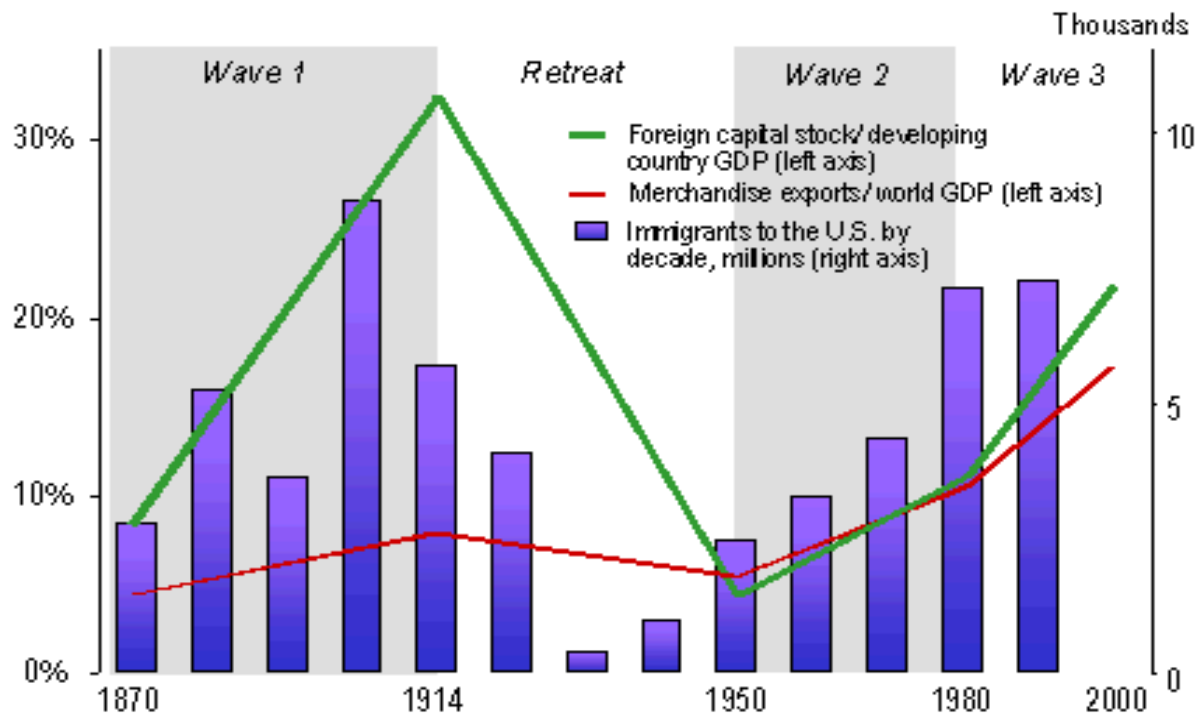


What is Globalization?

- ③ Increasing world economic integration
- ③ Trade, direct investment, financial flows, migration
- ③ Not a new phenomenon

Globalization not new

Three waves of globalization



World Bank (2002)

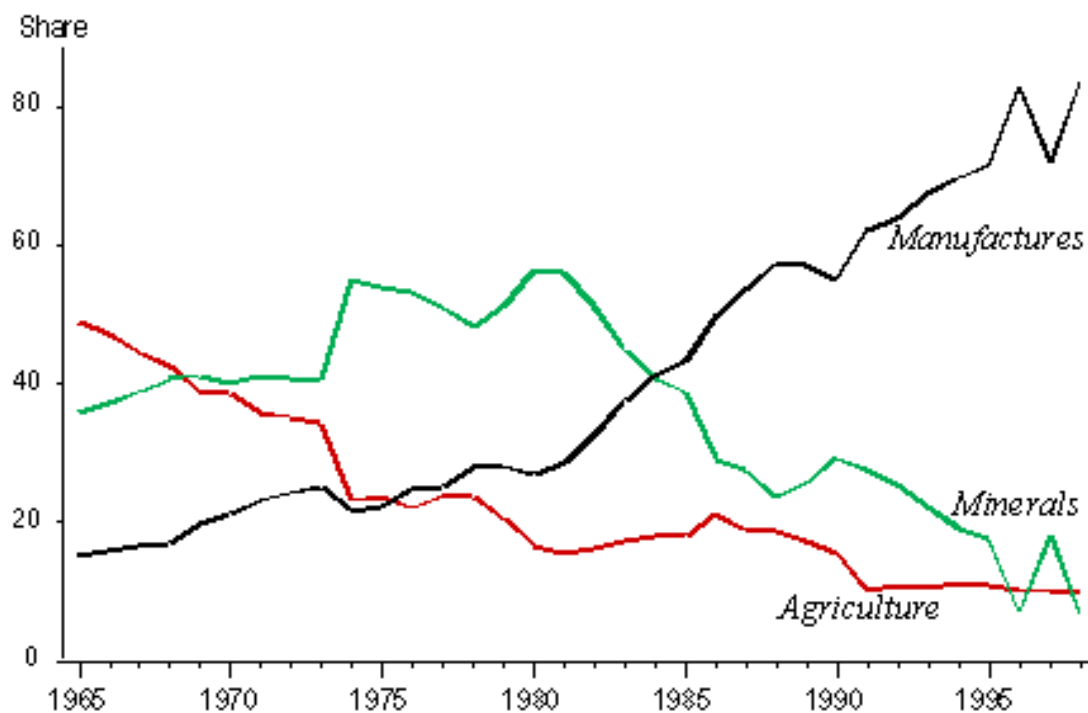


Current Phase Different

- ③ Some developing countries globalizing (e.g. China)
- ③ Lower trade barriers, better investment climate, better transportation
- ③ Some developing countries marginalized (e.g. Africa)
- ③ Infrastructure, education, corruption, trade barriers, and location

Developing Country Trade

Developing country exports
have shifted toward manufactures



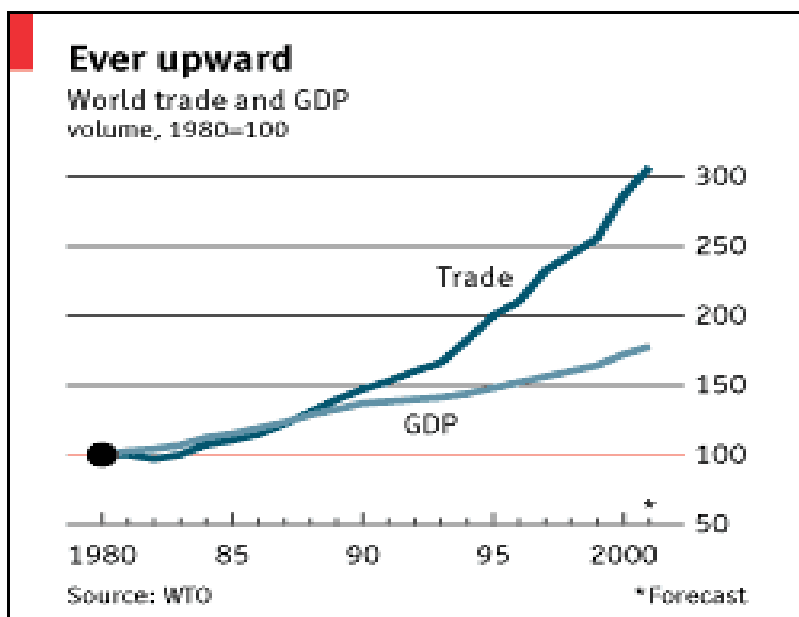
World Bank (2002)



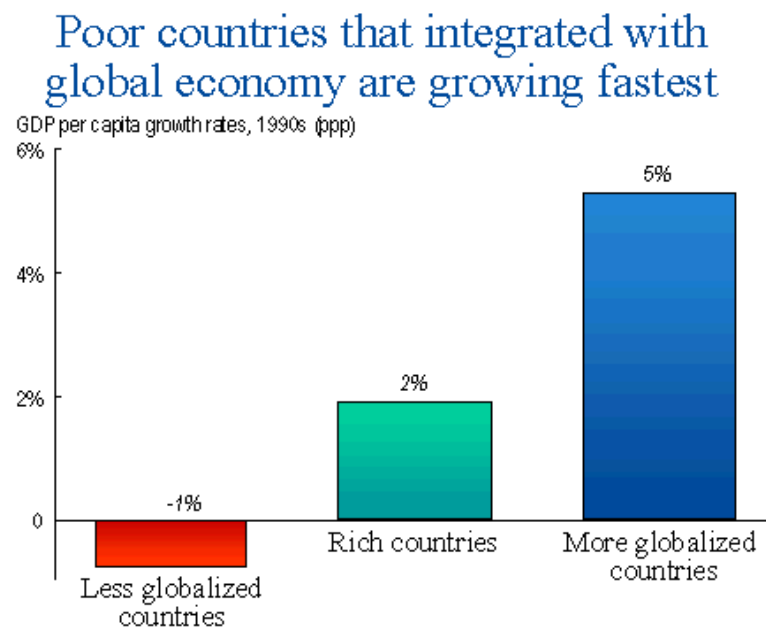
Impact of Trade

- ③ Consumer purchasing power increases
- ③ Unskilled workers in emerging countries gain
- ③ Unskilled workers in rich countries lose
- ③ Correlation between growth rates and trade

Trade and Growth?



“The Economist” (2002)



World Bank (2002)

Anti-Globalization Protests

- ③ Protests at IMF and WTO meetings very common
- ③ Broad coalition – trade unions, NGOs, charities, etc.
- ③ Why protest if there is growth and poverty alleviation?

IMF and WTO under fire



"The Economist" (2001)

Concerns over Globalization



③ Multinationals

③ Financial Instability



③ Labor

③ Environment



“The Economist” (2002)

Multinationals

- ③ Increase in investment by multinationals
- ③ Can “crowd out” local firms, but more productive
- ③ Generate technology transfer and spillovers
- ③ Global firms beyond government regulation



Financial Instability

- ③ Financial integration accompanied by crises
- ③ Short-term capital flight leading to recession
- ③ Due to weak financial institutions, bubbles, speculative attacks and “contagion”
- ③ Requires caution when liberalizing financial markets



Labor

- ③ **Activists seek trade sanctions against child labor**
- ③ **Child labor levels highly correlated with poverty**
- ③ **Well-intentioned policies can “backfire”**
- ③ **Developing countries believe enforcing labor standards through WTO is new form of protectionism**



Environment

- ③ Evidence that environment worsens and then improves with growth is inconclusive
- ③ Concerns about “race to bottom” and pollution “havens”
- ③ Little evidence emerging economies deliberately lowering environmental standards to attract investment
- ③ WTO/GATT appears unsympathetic to environment



Stop Globalization?

- ③ Reversing globalization may consign some countries to continued poverty
- ③ There are legitimate concerns about process
- ③ “We cannot go back on globalization; it is here to stay. The issue is how can we make it work.”
(Stiglitz, 2002)

Future for Globalization

- ③ Need for WTO “development” round
- ③ Requires social protection policies for “losers”
- ③ Address global environmental issues “globally”
- ③ Debt forgiveness to poorest developing countries
- ③ Greater transparency of international institutions

Gains from Trade

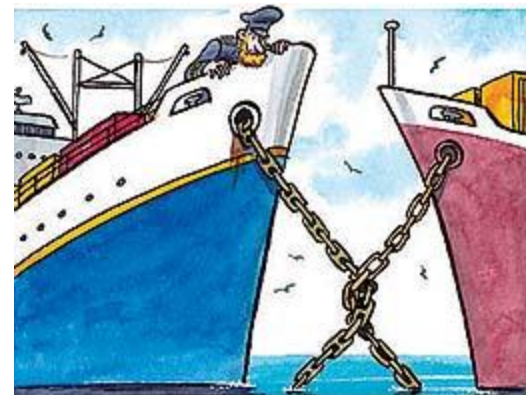
Forecast Annual Gains (US \$ billion)

Benefiting Region	Liberalizing Region	Agriculture	Total
Developing Countries	Rich	11.6	43.0
	Developing	31.4	65.1
	Total	43.0	108.1
Rich Countries	Rich	110.5	96.7
	Developing	11.2	49.6
	Total	121.7	146.3
All Countries	Rich	122.1	139.7
	Developing	42.6	114.7
	Total	164.7	139.7

Source: World Bank (2002)



“The Economist” (2002)



Questions PP

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