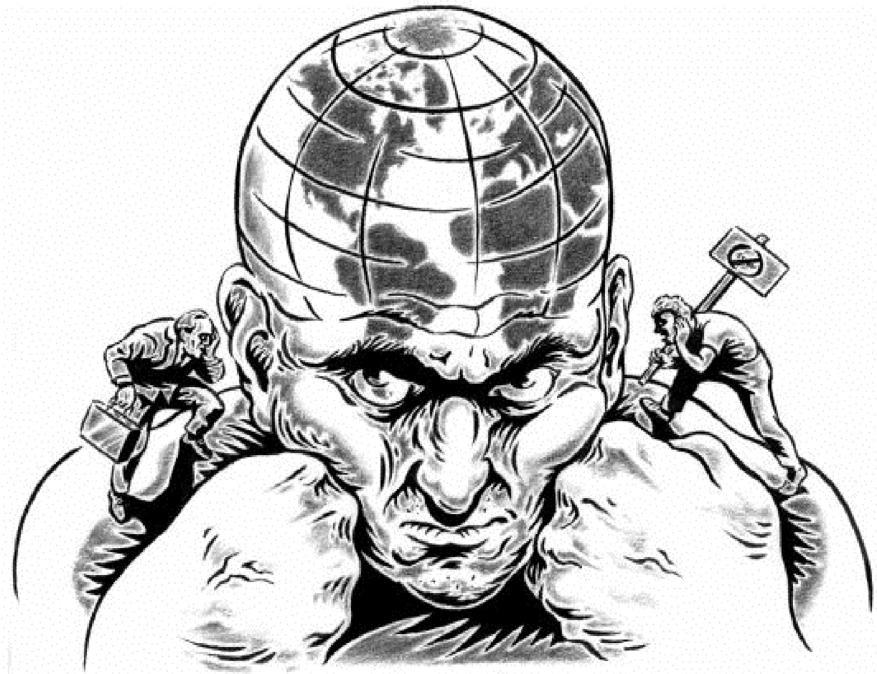
NYU-UN-PDL-A6

ECONOMIC AND SOCIAL DEVELOPMENT TRENDS IN A GLOBALIZED WORLD

By Patricia de la Garza



Globalization / *The Wall Street Journal*

Final Paper presented at the NYU/Wagner Graduate School of Public Service
Course: "International Organizations and their Management: The UN System"

Prof. Ahmad Kamal, former Ambassador of Pakistan

New York, NY
November 25th, 2002

TABLE OF CONTENTS

INTRODUCTION

Globalization as a phenomenon is not new. Yet, during the last 50 years it has shaped development in the world economy, affecting as never before the living conditions of people around the world and constrained the role of nation states. Within only five decades the consensus about how world can achieve "development" has changed significantly. At first, right after the Second World War and as result of the post colonial era, the nation state was assigned a strategic role in development under the assumption that the market, by itself, was not sufficient to meet the aspirations of latecomers to industrialization. Later, and as result of the excessive role of the state and failures of planned economies, the world adopted a new thinking about development; this time the so called *Washington Consensus*, which saw privatization and liberalization -and no longer the state-, as means to achieve development. Under this tacit and in operation agreement transnational corporations; production and trade; and international banks and financial intermediaries; are the ones that still determine world's opportunities to development. But regardless of the approach to development, the truth is that poverty, inequality and deprivation persist, and yet new problems have surfaced. At the same time that liberalization, privatization and globalization have gathered momentum, the Washington Consensus and the phenomenon of globalization are under serious critiques, setting the bases for a new approach to development that has been shaped by new actors, new development issues and institutional setting very different from fifty years ago: sustainable development.

Taking into consideration this changing global context, this paper makes and endeavor to study the effects of the traditional approach to development and globalization on the social and economic development and examine the emerging approaches, trends and actors to redress economic and social imbalances in the context of globalization. Even though the idea of redressing social and economic imbalances appears as unattainable mission, the vision of this paper is optimistic; it recognizes that creative thinking, strong civil society and new partnerships and collaborations are emerging and mapping out a more promised path to development. After the analysis, the paper supports the idea that in order to achieve a successful economic and social development in a globalized world the following strategies have to be pursued: sustainability, national and international governance, and human development.

SECTION I: EXAMINATION OF THE EFFECTS OF GLOBALIZATION ON THE SOCIAL AND ECONOMIC DEVELOPMENT

This section offers an overview of how we became a globalized world and about the main aspects that characterize globalization since around 1980 and its impacts on major aspects of our lives, such as employment, migration, environment, power, and institutions, all elements of world's social and economic development. The section ends with a discussion of some of the main causes why globalization has become so controversial, especially because of its effects on poverty, equity, and rights.

1. How we became a globalized world?

Economic globalization is not a wholly new trend. Indeed, at a basic level, it has been an aspect of the human story from earliest times, as widely scattered populations gradually became involved in more extensive and complicated economic relations. In the modern era, globalization saw an earlier flowering towards the end of the 19th century. That earlier peak of globalization was reversed in the first half of the 20th century -a time of growing protectionism, in a context of bitter national and great power strife, world wars, revolutions, and economic and political instability- and during this second half of the century the tide has flown towards greater globalization. Ahead we provide further explanation of such stages.

a) The three waves of globalization

Studies on globalization indicate that the first wave of globalization went from 1870 to 1914, and was driven by falling transport costs. The cheaper transport caused by technology advances opened the opportunities for land-intensive commodity exports and this production of primary commodities for exports required large amounts of labor and capital. Even though the unprecedented increase in growth reduced poverty, the world income inequality started to rise. In this stage, the impact of globalization on inequality within countries mostly depended on the ownership of land.[1]

The years from 1914 to 1945 saw World Wars I and II. During this gap of 30 years the international trade went into reverse by a retreat into nationalism and protectionism. The inter-war period brought on the great depression and in turn, governments responded by protectionism. Despite of this retreat from globalization, the trend to world inequality was not reversed.[2]

Those immediate years following World War II distinct the beginning of the second wave of globalization –that went from 1945 to 1980- but are also crucial to reveal the roots of today's global economic and social imbalances. Right after the Second World War countries engaged their selves to collective action in the fronts of peace and security and economic and social development. To these ends, the UN System was created and multilateral institutions were erected not only to maintain peace and security, but also to govern international trade and investment and reduce trade barriers that they have previously erected.

How these institutions opened the opportunities for development? During this second wave of globalization, trade liberalization was selective in both in terms of which countries participated and which products were included. Basically, whereas trade between developed countries in manufactures good was freed of barriers, they formed "economies of agglomeration" and promoted social protection. By their side, developing countries faced severe barriers for agriculture and manufactures, they did not participate in the growth of global manufacturing and services trade, and they were confined to dependence on primary commodities. According to a World Bank Report on globalization, the net effect of this trend was: "greater equity within developed countries; more inequality between developed and developing countries, a little change within developing countries".

The third wave of globalization started in 1980 and continues today. Our review of this stage allowed to identify the following as unique characteristics of current the current wave of globalization, these are: a) today's economic integration occurs through trade, migration, and capital flows; b) whereas trade has grown massively and more developing countries are participating in the world markets for manufactured goods and services, many other developing nations have became increasingly marginalized and suffered declining incomes and rising poverty; c) international capital flows have increased substantially (especially in the form of FDI), but most of these capital flows are between

[1] World Bank and Oxford University. *Globalization, Growth and Poverty*. A World Bank Policy Research Report. Washington, DC: World Bank/Oxford University Press, 2002. p. 23
[2] Mundell, R. "A Reconsideration of the Twentieth Century". In *American Economic Review* 90, 2000: pp. 327-40.

developed countries and just a small proportion goes to developing countries, especially to Africa; and d) because of the inequalities in wages and income distribution between poor and rich countries, migration has escalated more than ever before.[3] Aspects and effects of globalization are expanded ahead, but let us first elaborate more on the global institutional framework created to support globalization.

b) Global institutions for a post-World War II global economy

After the World War II, the leaders of the allied powers were of the view that one of the main causes of the war was the failure of the open trade system during the Great Depression. Then, they agreed that the enduring peace and welfare of nations were connected with freedom in international trade. Whereas the United Nations System was created as a means of peacefully resolving political differences between states, multilateral institutions were created to provide a framework of rules for countries to manage trade and investment.

One of the most important pillars of this new order, embodied in the Bretton Woods Institutions, was the establishment of the International Trade Organization (ITO), the International Monetary Fund (IMF), and the International Bank for the Reconstruction and Development (The World Bank).[4] The IMF had the responsibility for maintaining currency exchange stability and for helping member nations to deal with short-term disequilibrium in their balances of payments; the IBRD for aiding in the reconstruction of war-devastated areas and in the modernization of the underdeveloped countries; and the ITO for reducing or eliminating tariffs and other barriers to trade. The ITO, which never came into existence, was substituted first by the Uruguay Round, then by the GATT and now is the World Trade Organization (WTO) the body that frames trade. It is important to highlight that, even though globalization is not limited only to trade of goods and services, the WTO does not deal with environment, labor standards, and human rights, forcing the countries to seek other means of attaining their objectives without imposing costs on other countries[5].

In spite of all this institutional building, the challenge to promote economic well being through international action persists. As we will see ahead in this paper, an evaluation of these institutions indicates that they have experienced a gradual erosion of their capacity to "govern".

c) Aspects of today's globalization

As said before, today's economic integration occurs through trade, migration, and capital flows. World trade is measured relative to world income. Capital flows are proxied by the stock of foreign capital in developing countries relative to their GDP. Migration is proxied by the number of immigrants to the United States. Since 1870 none of these flows was significantly large to warrant the term globalization.[6] This growth in cross-border economic activities takes various forms:

International Trade: A growing share of spending on goods and services is devoted to imports from other countries. Moreover, a growing share of what countries produce is sold to foreigners as

[3] The World Bank. *Op Cit*. p. 23

[4] Khalid, Rasheed, Philip Levy and Mohammad Saleem. *The World Trade Organization and the Developing Countries*. Pamphlet Series, Vienna: OPEC Fund for International Development Publications, February 1999.

[5] World Trade Organization. *10 Common Misunderstandings about the WTO*. The World Trade Organization (WTO) http://www.wto.org

[6] The World Bank. *Op. Cit* p.23.

exports. Among rich or developed countries the share of international trade in total output (exports plus imports of goods relative to GDP) rose from 27 to 39 percent between 1987 and 1997. For developing countries, it rose from 10 to 17 percent.[7]

Foreign Direct Investment (FDI): Firms based in one country increasingly make investments to establish and run business operations in other countries. Direct investments are the principal channel of international private capital flows, especially to developing countries. Overall world FDI flows more than tripled between 1988 and 1998, from US$192 billion to US$610 billion, and the share of FDI to GDP is generally rising in both developed and developing countries. Developing countries received about a quarter of world FDI inflows in 1988-98 on average, though the share fluctuated quite a bit from year to year. Just right before the terrorist attacks of September 2001, it was predicted that FDI flows were likely to decline a 40% decrease in 2001 –due to world economy slowdown seen with Mergers and Acquisitions decrease. Today the effects of the terrorist attacks on FDI flows are difficult to gauge but company surveys suggest that they would be limited but the decline is not likely to be recouped in 2002, at least until the following conditions are met: consumer confidence be restored; liberalization of FDI regimes; development in information and communication technologies; and competition between firms[8].

Capital Market Flows: In many countries, especially in the developed world, savers increasingly diversify their portfolios to include foreign financial assets (foreign bonds, equities, loans), while borrowers increasingly turn to foreign sources of funds, along with domestic ones. While flows of this kind to developing countries also rose sharply in the 1990s, they have been much more volatile than either trade or FDI flows, and have been restricted to a narrower range of 'emerging market' countries. As we will learned ahead, this pattern explains much of the economic instability affecting developing nations.

Although we have just reviewed the main economic aspects of globalization, it is worth to mention that it not refers only to economic *interdependence* -in terms of international trade, international investment, and international finance-, it also extends to flows of services, technology, information, and ideas across national boundaries. Furthermore, this interdependence is primarily *asymmetrical,* which have far reaching serious implications for social and economic development. This asymmetric aspect of globalization and its effects is the focus of the following section.

2. Effects of globalization in social and economic development

As just said, globalization has been associated with exclusion of countries and of people from its world of economic opportunities. According to the author Nayyar, people experience such exclusion if they do not have assets, physical or financial, which can be used (or sold) to yield an income. Even those with capabilities may be excluded from employment if there is no demand for their capabilities in the market, which in turn are defined by the market itself. According to this author, the increased openness, interdependence and integration attributable to globalization have made it more difficult for governments to intervene, particularly through economic policies, to combat such exclusion.[9] Having this in mind, this section explores how exclusion has affected the living conditions

[7] The source for many of these data is the World Bank's *World Development Indicators 2000*.

[8] United Nations. Department of Economic and Social Affairs (DESA) and United Nations Conference on Trade and Development (UNCTD). *World Economic Situation and Prospects 2002*. New York: UN Publications, 2002. p. 15

[9] Nayyar, Deepak, ed. *Governing Globalization –Issues and Institutions*. Series: WIDER Studies in Development Economic Oxford University Press. Oxford: Oxford University Press, July 2002. p. 10

of people and constrained the role of the nation states, leading to situations such as unemployment and poverty; economic instability; restriction of migration, environmental degradation, etc.

a) Unemployment and poverty

Globalization may have created opportunities for a few countries and some people in the developing world, but a very large proportion of both countries and people have remained untouched, or been marginalized by the same process. According to our research, one-eight of people in the industrialized world are affected by, or live in, poverty. Almost one-third of the people in the developing world, an estimated of 1.5 billion, live in poverty and experience absolute depravation insofar as they cannot meet their basic human needs.[10] Globalization has not succeeded in reducing poverty in Africa, neither in succeeding in ensuring stability in Latin America and Asia. Furthermore, the transition in Eastern Europe remains grossly incomplete and has been accompanied by a large increase in poverty, inequality and mortality.

b) Restriction on Migration

The massive gaps in income have created intense economic pressures for people to emigrate out of poor areas –both rural-urban migration within countries and international migration. Yet, even though there could be mutual benefits of international migration, cross-border movement of people is closely regulated and highly restricted. According to a study elaborated by the World Institute for Development Economic Research, in the contemporary world economy we can distinguish five categories of labor flows, of which two are old and three are new. The old labour flows are made up of emigrants and refugees, and the new are guest workers, illegal immigrants and professionals. The study points out that, whereas globalization has set in motion forces that create a demand for labour mobility (transnational corporations, mobility of professionals and globalization of education); there is an asymmetry between the free movement of capital and the unfree movement of labour across national boundaries[11].

As we see, the institutional framework for globalization is characterized by a shrinking asymmetry where national boundaries should not matter for trade flows and capital flows but should be clearly demarcated for technology flows and labour flows. It follows that the developing countries would provide access to their markets without a corresponding access to technology and would accept capital mobility without a corresponding provision for labour mobility. This restriction, lies at the heart of inequality in the rules of the game for globalization in the late twentieth century.

c) Accelerated economic integration vs. economic instability

A third particular negatively effect of economic and globalization imbalances, is when developing countries compete with each other to attract direct foreign investment, allowing short-term capital movements with serious consequences for the economy. The rapid integration of, and into international financial markets, combined with the explosive growth in portfolio investment flows and short-term capital movements, has led to a volatility in capital flows and instability in exchange rates so

[10] Nayyar, D., ed. *Op. Cit.* p. 5
[11] Nayyar, Deepak. *Cross-Border Movements of People.* Working Papers No. 194. Finland: UNU World Institute for Development Economic Research (UNU/WIDER). August 2000. pp.15-17.

that the danger of capital flight is present.[12] Some of the countries affected by these financial and economic patterns are Chile, Argentina, Mexico, and other economies in transition and Asia.

Perhaps the most recent example of the weaknesses of economies subjected to volatility and their vulnerability to external crisis is the aftermath of September 11. Because of the global economic slowdown occurring since the terrorist attacks in the United, many developing countries and economies in transition are experiencing:[13]

- International trade stagnated at the global level and declined significantly for many countries;
- The international prices of many commodities on which the exports of a large number of developing countries are still concentrated fell substantially;
- Net capital flows to developing countries remained at a low level; and
- The external financing conditions for these economies became more stringent.

While some improvement is expected, many developing countries and transition economies continue to face a challenging external situation.

d) Environment and power

A fourth controversial effect of globalization is the relationship between trade and intensification of competition, and the environmental degradation. Economic activity affects the natural environment and, vice versa, the state of the natural environment affects economic activity. Whereas the accent that developing countries put on deregulation has accelerated the overexploitation and degradation of common property resources, the little effort that developed countries devote to lower production, consumption and waste disposal, puts in serious risk the sustainability of our planet. Even though many multilateral environmental agreements have been subscribed to redress the environmental damages, the truth is that their implementation yet remains unachievable. So far, it has been difficult for developing countries to adopt stringent and sometimes unfair environmental standards and there is a lack of political will from the industrialized nations to deploy the necessary resources to cover all the goals listed in the Agenda 21, which sets the new parameters for the relationship between development and environment.

Globalization has also constrained the role of the nation state. The autonomy of the nation state is much reduced in matters economic if not political. There are significant players apart from the nation states; these are corporate entities and civil society.[14] As we will examine in the second section of this paper, the nation state is not the main actor in this stage of globalization. Alliances between NGOs, international corporations and the international financial institutions are emerging as new actors in the global economic architecture.

As we see so far, despite of the many benefits of globalization for certain countries, the current balance still shows instability, a wide poverty gap, and little freedom for developing countries in shaping their own ways to join globalization.

---

[12] Bhaduri, Amit. Nationalism and Economic Policy in the Era of Globalization. Working Papers No. 188. Finland: UNU World Institute for Development Economic Research (UNU/WIDER), July, p. 20

[13] United Nations. Department of Economic and Social Affairs (DESA) and United Nations Conference on Trade and Development (UNCTD). *Op, Cit.* p. 25

[14] Notes from the Course: International Organizations and Their Management: The N System, at NYU/Wagner School of Public Service. Professor Kamal. November 2002.

3. Why globalization has become so controversial?

When emerged, the UN System placed a bet on globalization of the economy as a mean to pledge prosperity for the rich and the integration of the poor. Hitherto, after more than fifty years of such bet, many are discontent with globalization effects and it has become very controversial. Thus, it is the goal of this chapter to exploring the main controversial aspects, ideas and issues underlying the dissatisfaction with globalization.

a) The failures of the international economic system: The Washington Consensus

Perhaps one of the strongest criticisms to globalization is that the set of neo-liberal principles that have been promoted by the Multilateral Economic Institutions, as the basis for development, have demonstrated a big failure. These set of principles that are known as the Washington Consensus - trade liberalization, tax reform, realistic exchange rates, liberalization of capital markets, and privatization- have replaced the discipline of development economies[15]. Furthermore, whereas this consensus brings the idea that simply opening up to international trade and investment is a development strategy itself, it gives the IMF tremendous amount of power to decide the most important macroeconomic policies in the world and in great extend to determine people's opportunities for development. As Joseph E. Stinglitz, the 2001 Noble Prize in Economics explains: "The Keynesian orientation of the IMF, which emphasized market failures and the role for government in job creation, was replaced by the free market mantra of the 1980s (…) that signaled a radical different approach to economic development and stabilization"[16].

This is in spite that the last 20 years of the experiment in applying these principles, during which most low and middle income countries significantly opened their economies and followed the Washington's economic advice, have been unquestionable economic failure. According to economic analysis, the failure of the last two decades also shows up in a substantial decline in the major social indicators. For almost all groups of developing countries, there was considerably reduced progress in life expectancy, infant and child mortality, measures of education, and literacy in the past two decades, as compared with the period from 1960-1980.[17]

The discontent with the Washington Consensus lies then in that: 1) liberalization has, too often, not followed by the promised growth, but by increased misery and 2) underlying the problems of the IMF and the other international economic institutions is the problem of governance: who decides what they do.

b) Shit of power to global corporations

In some countries, processes and policies associated with globalization and neo-liberal reform have weakened the regulatory capacity of certain state institutions. Given the size and global reach of transnational corporations (TNCs) and their ability to move capital, technology, goods and services cross borders; there has been a massive shift in power- out of the hands of nation states and governments into TNCs. In fact, by 1999 this sector compromised approximately 60,000 parent firms

15 Weisbrot, Mark. *The "Washington Consensus" and Development Economics*. Draft paper for the discussion at the UNRISD meeting on **"The Need to Rethink Development Economics"**, 7-8 September 2001, Cape Town, South Africa. Geneva: United Nations Research Institute for Social Development (UNRISD), 2001. p.3

16 Stiglitz. Joseph E. *Globalization and its Discontent*. NY: Norton, 2002. p. 16-17.

17 *Ibidem.*

with other a half million foreign affiliates, which in 1997 accounted for one third of world exports. Today, the economic power of the largest TNCs is more than double the combined GDP of the poorest 100 countries.[18]

c) Trading free(dom)?

Following this idea that the Washington Consensus has not accomplished the promise of global development, today there is another source of controversy over globalization: this is the idea that in many cases commercial interests and values have supersede concern for the environment, democracy, human rights, migration rights, and social justice. This new world order has been designed to protect the rights and freedoms of transnational corporations.

Certainly the main discontent in this area is that the industrialized countries have not open opportunities for everybody and far from opening trade opportunities for developing economies, they still maintain trade curtains to protect their national industries. One of the most serious consequences of this unfair trade is that developing countries, specially the LDC have been marginalized to participate only based on commodities.

SECTION II: CRITICAL EXAMINATION OF NEW TRENDS AND ACTORS TO REDRESS ECONOMIC AND SOCIAL IMBALANCES IN THE CONTEXT OF GLOBALIZATION

The emerging trends to redress imbalances are being guided by the stringent criticism of globalization itself, the Millennium Development Goals[19] -which sets the new parameters of social and economic development pledging a more human face of development- and the aftermath of the USA terrorist attacks. The emerging trends suggest that the current challenge is to ensure a prompt and widespread economy recovery from the current slowdown, but also to seek more balanced and stable growth in the longer run. The attainment of the Millennium Development Goals will require additional resources, new approaches and new partnership among all development stakeholders. Ahead some of the recent trends and efforts to sustain a longer-term agenda to ensure that developing countries and economies in transition can participate more effectively in the globalized world economy.

4. Trends and Actors

Although it has been stressed out that it is necessary to restructure the international finance and trade architecture, yet remains as the main vehicle for economic and social development and unfortunately does not grasp enough the opportunities for a more sustainable, equitable, and democratic growth. Nevertheless this reality, there are other trends that seek to redress the imbalances and that we want to examine in this section.

---

[18] Utting, Peter. *Business Responsibility for Sustainable Development*. Geneva 2000 Occasional Paper No. 2. Geneva: UN Research Institute for Social Development, January, 2000, p. 2

[19] The goals are: 1) eradicate extreme poverty and hungry; 2) achieve universal primary education; 3) promote gender equality and empower women; 4) reduce child mortality; 5) improve maternal health; 6) combat HIV'AIDS, malaria and other decease; 7) ensure environmental sustainability; 8) develop a global partnership for development. Source: United Nations. *UN Millenium Development Goals (MDG)* http://www.un.or/milleniumgoals/index.html October 16, 2002

a) Sustainable Development: a new concept

Without question, the concept of sustainable development and the emerging consensus around this development strategy is a recently new trend that was not present in the Washington Consensus or the Keyness theory. The Brundtland Commission defines sustainable development as one that meets the needs of the present without compromising the ability of future generations to meet their own needs. This suggests that sustainable development should be viewed more as a process than a goal. Another formulation might be a process that minimizes the contradictions between economic growth, environmental protection and social well-being[20]. The Earth Summit of June 1992 was a key event in which this idea of sustainable development was introduced by focusing both public and corporate minds on the issue of environmental degradation and sustainable development.

Development agencies and actors concerned with promoting sustainable development have been joined in recent years by another player –private sector. Indeed, he Summit's programme of action, Agenda 21, contained some 32 provisions related to TNC activities[21]. It called on the world governments, business, international development agencies and NGOs to work together to minimize the trade off between economic growth and environmental protection. Even though the Rio Document calls for "participation" of various disadvantaged social groups and civil society organizations, it fails to address the difficulties and obstacles that block effective participation and social mobilization.

Explicitly, only one Bretton Woods' institution a *buy in* and has joined this concept, this is The World Bank. Even though the World Bank has recognized the importance of this approach to development and it is trying to pursuit, still there is a lot of criticisms around its ability to achieve it.[22]

b) Corporate Social Responsibility for Sustainable Development

Several TNCs and business associations not only have jumped on board to the sustainable development idea, but also attempted to deal with it, specially because the regulatory role of the stated ceded place to "corporate self regulation" and voluntary initiatives as the approach for promoting the adoption of instruments and processes associated with corporate environment responsibility. Therefore, increasingly, big business is embracing the language of *corporate social responsibility*[23] and taking measures such as codes of conduct, certification, etc.

The International Chamber of Commerce counts more than forty codes of conduct designed to govern activities of global corporations in a bid to mitigate globalization's harmful aspects. These include the Global Sullivan Principles, the UN Global Compact, the Global Reporting Initiative, and the Organization for Economic Cooperation and Development (OECD) guidelines on Multinational Enterprises.[24] While the guidelines are comprehensive, their implementation procedures need updating and enforcing. Perhaps the most significant concern with some forms of voluntary initiatives and

---

[20] Utting, Peter. *Op cit*. p. 1.
[21] United Nations. *UN Millennium Development Goals (MDG)* http://www.un.or/milleniumgoals/index.html October 16, 2002.
[22] Einhorn, Jessica. "The World Bank's Mission Crep". In *Foreign Affairs*; New York; Sep/Oct 2001
[23] "… Is the ethical behavior of a company towards society. It involves management acting responsibility in its relationship with other stakeholders who have legitimate interest in the business". Utting Peter, *Op. Ci*t p. 4.
[24] Knight, Daniel. *Environment-Finance: Corporate Codes of Conduct Deemed Insufficient*. June 13, 2001. Source: http://www.globalpolicy.org/reform/2001/corpcode0613.htm

partnerships is that none of these efforts includes mechanisms to hold companies accountable when they fail to comply.

In the particular case of Global Compact, launched in January 1999 by the UN Secretary-general Kofi Annan, it challenged business leaders to enact nine core principles, which fall within three main categories: human rights, labor rights, and environment protection. It is a list of precepts that the UN does not characterize as a regulatory instrument. It has explicitly adopted a learning approach to inducing corporate change, as opposed to a regulatory approach; it comprises a network from of organization, as opposed to the traditional bureaucratic form; and finally, there is no government role, and the corporation is responsible for regulating itself.[25] Perhaps the main strength of the initiative rests on its network approach, but its weaknesses on its learning focus. A network action brings together all the relevant social actors to produce a new collective action but the learning approach lacks enforceability or negative consequences for non-compliance.

This changing attitude of business is also reflected in the phenomenon of *partnerships*. For instance, the UN-business relation has undergone a profound change during the past three decades and the number of partnerships involving business and the UN organizations has increased in recent years and. In recent years, these relations have entered a new era as many agencies and other UN bodies strive to develop partnerships with large corporations or projects and programmes funded by corporate philanthropist.[26]

Some of the more powerful forces that drive corporate responsibility include: the possibility of enhancing competitive advantage, "reputation management", pressure group and consumer politics, regulation or the threat of regulation, and changes in the way production and marketing are being organized globally.[27] While such "drivers" may encourage corporations to be more responsive to environmental and social concerns, there are various concerns: How effective are "voluntary initiatives" and "partnerships on development? Is there a possibility of "institutional capture" as business comes to exercise influence over decision-making with the public sphere? Are voluntary initiatives and partnerships may serve to weaken key drivers of corporate responsibility –government regulation, collective bargaining and certain forms of social activism?

Perhaps, as Peter Utting suggests, realizing the potential of collaboration, it is necessary to "rethinking regulation and partnerships". According to him, there is potentially an important role for certain form of "co-regulation". These may involve, for example, so-called "negotiated agreements" between government and business, and "civil regulation", where NGOs, consumers and trade unions have considerable influence determining the standards and norms shaping business relations with society and environment. Key to success of co-regulation are not only the 'soft' features of dialogue and compromise (e.g. UN), but also the "hard" ones of government sanctions; laws related to disclosure and freedom of information, freedom of association and collective bargaining; and various forms of civil society protest.[28]

---

[25] Global Compact Executive Office of the Secretary-General. *The Global Compact: Corporate Leadership in the World Economy.* New York: UN Publications, 2001

____________. *The Global Compact: Report on Progress and Activities*, New York: UN Publications, July 2002.

[26] Utting, Peter. *UN-Business Partnership: Whose Agenda Counts?* Paper presented at seminar on "Partnership for Development or Privatization of the Multilateral System", organized by the North-South Coalition in Oslo, Norway on December 8, 2000. Geneva: UN Research Institute for Social Development, 2000. p. 2

[27] Utting Peter. *Op. Cit.* p. viii.

[28] Utting Peter. *Business Responsibility for Sustainable Development*. p. ix.

c) Reforming the financial and trade architecture to long-term development

The main efforts to redress the asymmetric impacts of the financial and economic infrastructure focus on sustain a longer-term agenda which, at least in theory, seeks to ensure that developing countries can participate more effectively in the globalized world economy.

One of the efforts to reform the trade architecture is taken place at the WTO. So far, there have been four Conferences: Singapore (1996), Geneva (1998), Seattle (1999), and Doha (2001). The latest one, Doha, has been characterized as the "development round" because it has the intention to rectify the imbalances from the past and address the challenges facing the multilateral trading system. The agenda contains three types of future actions and according to the Doha Ministerial Declaration; such negotiations are to be concluded by 1 January 2005[29]:

- Topics for immediate negotiations: agriculture, services, industrial goods, environment, anti-dumping, subsidies, dispute settlement, regional agreements, and fisheries subsidies;
- Topics for future negotiations that are subject to "explicit" consensus among WTO Members (scheduled for 2003): investment, competition, and government procurement and trade facilitation.
- Issues for further examination in relevant WTO bodies: these are of special interest to developing countries and include the relationship between trade, debt and finance; transfer of technology; and problems faced by small and vulnerable economies.

A second effort to reform the financial architecture started in Mexico, in March 2002, at the International Conference on Financing for Development[30], which had the overall objective of agreeing on national policies and institutional changes to improve the mobilization of domestic resources for development within the developing countries. At Doha as well as in Monterrey, issues that developing countries want to pursue were included and, at least, in theory, sustainable development is a principal objective of these efforts.

Additionally, there has been much greater international recognition that many of the poorest developing countries are trapped in a cycle of stagnation and poverty, and have been unable to benefit from globalization. The IMF, WB and the OECD realized that unsustainable external debt was acting as a major impediment to growth and poverty reduction. As result of this thinking and the pressure put by NGOs, they enhanced the Heavily Indebted Poor Countries (HIPC) initiative. The problem with this is that even though the initiative has shown progress to date, additional efforts are required to mobilize resources necessary to implement it fully. Besides, current expectations that the enhanced HIPC Initiative will provide durable exist from the debt problem are unrealistic and have also to deal with national responsibility. [31]

In the particular case of the Least Developing Countries a new approach beyond debt relief has been introduced: the Programme of Action for the Least Developed Countries for the Decade 20041-2010. This approach is being put into practice through the preparation and implementation of the Poverty Reduction Strategy Papers (PRSPs), which are the vehicle through which Governments are expected to elaborate their national owned poverty reduction policies, through which donors are expected to align their assistance for poverty reduction. Now, according to the UNCTD, although this

[29] The World Trade Organization (WTO) Website: http://www.wto.org
[30] United Nations. *Report of the International Conference on Financing for Development. Monterrey, Mexico, 18-22 March 2002.* A/CONF.198/11. New York: UN, 2002.
[31] Articulo de LDC/HIPC/ Foreign Affairs

approach is a major opportunity to achieve greater poverty reduction, the problem is that an "effective poverty reduction in situations of generalized poverty will require a bolder rethinking of policies which moves beyond the adjustment policies and towards long-term development strategies".[32]

Efforts at the international level are also regional initiatives such as the European Union's Everything But Arms, whereby Members States agreed to provide duty and quota-free access to most goods from the LDC. Ideally, similar actions should be adopted by all developed countries.

Finally, it is important to mention that as a result of the discontent of the developing countries "over the failure of the developed nations to lower their restrictions on commodity trade, in 1964 the UN General Assembly approved the celebration of the first UN Conference on Trade and Development (UNCTD). Today the UNCTAD supplements the work of GATT by providing a forum that was focused on the needs of the developing countries; nonetheless, it continues to function within the framework of the WTO.[33]

We can conclude that whereas these efforts certainly represent a victory for the developing countries and they agreed to begin discussing a fairer trade agenda; the imbalances of the past have yet to be redressed.

d) The ICT and the Digital Divide Corporate Social Investment

Another UN action to facilitate the integration of developing countries into the world economy is the introduction of ICT for the development of poor countries[34]. The current debate on the importance of access to ICT and its value in addressing global development disparities is part of this wider discussion on the potential benefits and risks of globalization. This is because ICT is itself a key enabler of globalization: the level and pace of global flows in physical and intangible assets have been dramatically boosted by the ability to connect vast networks of individuals across geographic boundaries, at negligible marginal cost. This relationship between ICT and globalization makes ICT interventions critical to development policy.

However, there is still considerable uncertainty about the nature of the relationship between ICT and development. Debate regarding the effectiveness of using ICT to help achieve development goals arises not only around questions concerning the evidence in support of a relationship between ICT and development, but also more substantially from inherent doubts about the relevance of ICT to achieving sustainable development and fears that investment in ICT will draw resources away from traditional development goals.

e) Social actors for development in a globalized world: NGOS, trade unionist, civil society

Non-governmental organizations, grassroots organizations, social movements, and other forms of civil action are emerging as the main contra-power of corporations. These various forms of local self-organization are defending or improving access to resources, income and services, and are

---

[32] UNCTAD. *The Least Developed Countries Report 2002. Escaping the Poverty Trap.* New York: UN Publications, 2002. p. 199

[33] Ziring, Lawrence, Robert Riggs, and Jack Plano. *The United Nations. International Organization and World Politics.* 3rd. ed. US: Wadsworth, 2000.

[34] UN General Assembly 56th session. *Responding to Globalization: Facilitating the Integration of Developing Countries into the World Economy in the 21st Century.* Agenda item 109 © of the provisional agenda **High-level dialogue on strengthening international economic cooperation for development through partnership**. NY, 17-18 September 2001.UN p.1.

exploring the challenges inherent in the triangular relation between the international development community, nongovernmental organizations and national governments. Among the important achievements reached by that these actors and movements we can mention:

- The pressure they put on their governments to push for changes within the IMF and the Bank;
- The movement for debt relief, in which European organizations played a major role;
- The pressure on the IMF and WB to adopt the HIPC initiative in 1996;
- The Jubilee 2000 Movement, which called to debt cancellation;
- And the protest at the Seattle ministerial meeting in December 1999, which heightened public awareness of globalization and the WTO.

Debate here is what can be done to increase the accountability of international development NGOs and improve their relations with actors in the South.

5. The "missing links" to successful social and economic sustainable development in a globalize world

Proposals are needed on the structure, powers, and resources required by the new world institutions for the implementation of the development agenda for the future. For a successful economic and social development in a globalized world three key strategies have to be pursued: sustainability, national and international governance, and human development.

a) Redefinition of Development: GDP vs. Human Development

As we have seen along this paper, the traditional approach to development does not incorporate the human side. As we have learned from the previous sections, markets are not accountable for people, governments do. Even though this is an economic principle, there has to be mechanisms in place that allow empower development at the individual level and provide the individuals with intellectual, professional, and human capacities and assets to live in what seems a new era of globalization.

Whereas the sustainable concept adapted to development certainly pay a lot of attention in maintaining and equilibrium between the planet and the economy, a creative thinking is introducing and developing consensus on another promised idea: human development. Even when human development is not a new concept, the approach and definition is. So far, the human development was measured in terms of GDP. This year, the United Nations Development Programme just published the Human Development Report 2002, which includes a very innovative approach to development.

This approach sees the individual and possibilities to enhance his/her political participation, education, gender equality, right to democracy, etc, and aims to incorporate the people left-behind, the ones in the bottom and the have-nots. Their only real possibility of fair development within economic globalization, trade and market, is building human capacity for people to shape their destinies.

b) Good national and international governance for development: democracy

The UNDP Report also touches upon the need of strength democratic processes at the local and national level, but most importantly, at the global level. At the national as we have seen, there are new global issues that are not been necessarily addressed by the current global institutional framework created back in 1945. The world has changed, more players are in the stage and all of them have to be include in the international decision making process. For instance, even though the WTO tries to operate by consensus, its large membership makes that process, thought democratic in principle, unwieldy and exclusionary in practice, leaving many developing countries without a voice. The dispute settlement mechanism at the WTO has been quite effective, but its operation has been less transparent than it could be.[35]

Therefore, one should ask is what can be done to make organizations like the IMF, WB and WTO more democratic, transparent and accountable; should they continue to exist? Are they really addressing social and economic inequalities?

c) Internet Governance

As the global Internet becomes ever more significant for cross-border commerce and communication, nation-states are increasingly deferring to these organizations, either for guidance in harmonizing national lawmaking or for the actual creation of binding decisions. These entities are making policy that once would have been made by nation-states through traditional processes of legislation and administrative rule making. Today is necessary to create greater transparency and stronger representation of the public interest in ICANN, and for Internet governance more generally.

Conclusions:

- The neo-liberal approach to development is eroded. The world has learned that liberalization is not necessarily the path to empower income and economy. China and other Asia economies have show the world that other ways are possible. The Washington Consensus is falling and a new approach to development has to rise.

- Sustainable development and human development are the new paradigms that already start shaping an alternative approach to development. The good news is that certain international institutions are agreeing in the potential of these approaches, but still much has to be done to get the buy in of corporations, governments and international banking and financial institutions.

- The world economy and polity at the present juncture are fundamentally different from those that existed half century ago when the United Nations system and the Bretton Woods institutions were created. This institutional framework has evolved over time however, the underlying construct, which was based on the worldview of its architects, has remained the same. Moreover, if the world has changed so much since then, so must have its governance needs in terms of institutions and rules.

- Currently there is a great debate among economists and analysts on the negative effects of globalization; perhaps they could play an important role in public debate and maybe opening opportunities to create space for "development economics".

[35] Deardoff, Alan V. and Robert M. Stern. What the Public Should Know about Globalization and the World Trade Organization. In *Research Seminar in International Economies.* Discussion Paper No. 460, University of Michigan, July, 2000. <http://www.spp.umich.edu/rsei/workingpapers/wp/html>.

BIBLIOGRAPHY

Bhaduri, Amit. Nationalism and Economic Policy in the Era of Globalization. Working Papers No. 188. Finland: UNU World Institute for Development Economic Research (UNU/WIDER), July 2000

Deardoff, Alan V. and Robert M. Stern. What the Public Should Know about Globalization and the World Trade Organization. In *Research Seminar in International Economies*. Discussion Paper No. 460, University of Michigan, July 2000. <http://www.spp.umich.edu/rsei/workingpapers/wp/html>.

Einhorn, Jessica. "The World Bank's Mission Crep". In *Foreign Affairs*; New York; Sep/Oct 2001

Global Compact Executive Office of the Secretary-General. *The Global Compact: Corporate Leadership in the World Economy*. New York: UN Publications, 2001.

Global Compact Executive Office of the Secretary-General. *The Global Compact: Report on Progress and Activities*, New York: UN Publications, July 2002.

Hausamann, Ricardo and Eduardo Fernandez-Arias. *Foreign Direct Investment: Good Cholesterol?* Prepared for the Seminar **The New Wave of Capital Inflows: See Change or Just Another Tide?** Annual Meeting of the Board of Governors, IADB, IAIC, New Orleans, March 26, 2002. Washington: Inter American Development Bank Research Development.

Khalid, Rasheed, Philip Levy and Mohammad Saleem. *The World Trade Organization and the Developing Countries*. Pamphlet Series, Vienna: OPEC Fund for International Development Publications, 1999.

Knight, Daniel. *Environment-Finance: Corporate Codes of Conduct Deemed Insufficient*. June 13, 2001. <http://www.globalpolicy.org/reform/2001/corpcode0613.htm>

Korten, David C. *When Corporations Rule the World*. Second ed. Connecticut: Kumarian Press, Inc. and Barrett-Koehler Publishers, Inc. 2001.

Mundell, R. "A Reconsideration of the Twentieth Century". In *American Economic Review* 90, 2000: 327-40.

Nayyar, Deepak, "The Existing System and the Missing Institutions" in *Governing Globalization –Issues and Institutions*. Series: WIDER Studies in Development Economic Oxford University Press. Oxford: Oxford University Press, July 2002.

Nayyar, Deepak, ed. *Governing Globalization –Issues and Institutions*. Series: WIDER Studies in Development Economic Oxford University Press. Oxford: Oxford University Press, July 2002.

Nayyar, Deepak. Cross-Border Movements of People. Working Papers No. 194. Finland: UNU World Institute for Development Economic Research (UNU/WIDER). August 2000

Rodrik, Dani. *Globalization, Growth and Poverty: Is the World Bank Beginning to Get It?* December 6, 2001.

Ruggie, John Gerard. "The Theory and Practice of Learning Networks". In *JCC5*. Cambridge: Greenleaf Publishing, Spring, 2002.

Stiglitz. Joseph E. *Globalization and its Discontent*. NY: Norton, 2002.

Stretton, Hugh. *Inefficiencies of Global Capital Markets*. DESA Discussion Paper No. 2, NY: UN/DESA Publications, December 1998.

UN General Assembly 56th session. *Responding to Globalization: Facilitating the Integration of Developing Countries into the World Economy in the 21st Century*. Agenda item 109 © of the provisional agenda **High-level dialogue on strengthening international economic cooperation for development through partnership**. NY, 17-18 September 2001.

UNCTAD. *The Least Developed Countries Report 2002. Escaping the Poverty Trap*. New York: UN Publications, 2002.

United Nations Development Programme (UNDP*). Human Development Report 2002. Deepening Democracy in a Fragmented World*. New York/Oxford: INDP Publications, 2002.

United Nations. Department of Economic and Social Affairs (DESA) and United Nations Conference on Trade and Development (UNCTD). *World Economic Situation and Prospects 2002*. New York: UN Publications, 2002.

United Nations. *Report of the International Conference on Financing for Development. Monterrey, Mexico, 18-22 March 2002*. A/CONF.198/11. New York: UN, 2002.

United Nations. *Special high-level meeting of ECOSOC with the Bretton Woods Institutions, 22 April 2002*. http://www.un.org/esa/coordination/ecosoc/bwi.htm Oct. 16. 2002.

United Nations. *UN Millennium Development Goals (MDG)* http://www.un.or/milleniumgoals/index.html October 16, 2002

United Nations. *United Nations for Sustainable Development, Agenda 21*. http://www.un.org/esa/sustdev/ October 16, 2002

Utting, Peter. *Business Responsibility for Sustainable Development*. Geneva 2000 Occasional Paper No. 2. Geneva: UN Research Institute for Social Development, January 2000.

Utting, Peter. *UN-Business Partnership: Whose Agenda Counts?* Paper presented at seminar on "Partnership for Development or Privatization of the Multilateral System", organized by the North-South Coalition in Oslo, Norway on December 8, 2000. Geneva: UN Research Institute for Social Development, 2000.

Weisbrot, Mark. *The "Washington Consensus" and Development Economics*. Draft paper for the discussion at the UNRISD meeting on **"The Need to Rethink Development Economics"**, 7-8 September 2001, Cape Town, South Africa. Geneva: United Nations Research Institute for Social Development (UNRISD), 2001.

The World Bank and Oxford University. *Globalization, Growth and Poverty*. A World Bank Policy Research Report. Washington, DC: World Bank/Oxford University Press, 2002.

World Bank. *What is Globalization*? http://www1.worldbank.org/economicpolicy/globalization/ag01.html November 3, 2002.

World Bank. *World Development Report* 2003. Washington:WB, 2002.

World Trade Organization (WTO). *10 Common Misunderstanding about the WTO*. Geneva: WTO Publications, 2002.

World Trade Organization (WTO). *Doha 4th Ministerial Declaration.* http://www.wto.org/english/thewto)e/mionist_e/min01_e/mindecl_e.htm November 2002.

Ziring, Lawrence, Robert Riggs, and Jack Plano. *The United Nations. International Organization and World Politics*. 3rd. ed. US: Wadsworth, 2000.