Globalization and Mercy
A Challenge for the 21st Century

Almost forty years ago, Vatican II called us *to scrutinize the signs of the times and to interpret them in the light of the Gospel.* (***Gaudium et Spes #4***). As the twenty-first century dawns, probably the most dramatic sign of our times is the process of globalization. No part of the world remains untouched by this phenomenon. Globalization impacts the lives of people living in remote mountain villages, tiny Pacific atolls and crowded city slums, as well as the capacity of Earth itself to sustain life. What is this reality we call globalization? Where did it come from? Where is it going? How do we interpret globalization in light of the Gospel and the charism of Mercy?

Trying to define globalization is like peeling an onion. There are many layers. On the surface, globalization is a process of economic integration the goal of which is to facilitate the unfettered flow of goods and services around the world. Major developments in telecommunications and in transportation, such as the jumbo jet, make it possible to produce goods anywhere in the world for sale anywhere in the world. Fresh fruits, vegetables, meats and flowers can be flown anywhere on the planet in a matter of hours. With computerization, it possible to coordinate the productive process over thousands of miles, with components made in one country, assembled in another and packaged in a third for sale in yet a fourth. Markets are no longer limited by national borders.

Transnational Corporations (TNCs) Drive Globalization

The engine driving this whole process is the transnational corporation (TNC). Most of today's TNCs began as small family businesses serving a local market. Over the years, these firms expanded geographically by moving beyond their local areas and home countries. They also grew as economic units through mergers and acquisitions so that today they are among the world's largest economic entities, dwarfing many nation-states.

The growing power of the transnational corporation has fundamentally changed the relationship between business and the nation state. With TNCs free to move about the world looking for friendly investment climates, nations now find themselves competing to attract investment. In their drive to maximize profits, which the *raison d'être* of the transnational corporation, TNCs seek a cheap, docile labor force, generous tax breaks, government funded infrastructure, and weak environmental and worker safety regulations.

Over the past twenty years, developed countries have lost thousands of manufacturing jobs, as companies moved production facilities to low-wages areas of Asia, Africa and Latin America. At the same time, workers in Third World countries labor for wages that do not enable them to provide for their basic needs or those of their families.

From GATT to the World Trade Organization

For almost fifty years, international trade was governed by the General Agreement on Tariffs and Trade (GATT). This agreement was signed at the 1947 Geneva Conference on multilateral trade. GATT set out rules of conduct, provided a forum for multilateral negotiations regarding solutions of trade problems, and worked to eliminate tariffs and other barriers to trade. Over the years, GATT held eight negotiating sessions (rounds) aimed at eliminating barriers to the free flow of goods around the world. Most of these efforts addressed reductions in tariffs, which are taxes placed on imported goods to protect local industries. However, there was no permanent organizational structure to enforce the GATT provisions.

The most recent GATT round, the Uruguay Round (which began in that country in 1986) established a permanent body, the World Trade Organization (WTO) to oversee compliance with GATT trade rules. The WTO opened its doors in Geneva in 1995. In addition to setting up a permanent administrative structure, the Uruguay Round also extended GATT jurisdiction to new areas that can now be challenged as impediments to free trade. Under the new trade rules, national, state/provincial and even municipal legislation, including laws that protect health and safety, workers rights and the environment can be challenged as non-tariff barriers to trade.

A number of recent cases demonstrate the growing power of the WTO vis-a-vis national, state/provincial and local governments. For example, the European Union's long standing ban on beef treated with hormones, a U.S. regulation that places limits on contaminants in imported gasoline, a Danish law requiring returnable bottles and a U.S. ban on the importation of tuna caught through methods that endanger dolphins and sea turtles have all been weakened or rescinded to comply with WTO rulings. These rulings are made behind closed doors by panels of trade specialists. These is no public scrutiny or appeals process. Countries that refuse to abide by WTO rulings face stiff penalties.

Public Challenges to Corporate-Driven Globalization

Since its inauguration in 1995, the WTO has held three ministerial meetings. The most recent one, held in Seattle USA in December, 1999, hoped to launch a new round of trade talks that would extend the reach of the WTO into new areas such as forest products, fishing, genetically modified foods, eco-labeling, investment, government procurement and trade-related intellectual property rights. However, the meeting ended in chaos as 50,000 demonstrators marched in the streets to protest corporate-driven globalization that threatens the health of workers, communities and Earth itself.

Several years ago, attempts to forge a Multilateral Agreement in Investment (MAI) failed when a draft document was leaked to the public. This agreement would have allowed TNCs to sue governments when laws, even those drafted to protect public health and safety and the environment, negatively impacted a company's profits. The MAI also required that governments give foreign corporations equal footing with domestic firms and outlawed performance requirements. Performance requirements demand that foreign companies hire a certain percentage of local workers and include local inputs in their products.

Roles of the World Bank and International Monetary Fund

Two other institutions have played major roles in the globalization process–the World Bank and the International Monetary Fund (IMF). These institutions were founded at the 1944 Bretton Woods conference, where delegates from forty-five nations met to build a framework for the post war economy. The World Bank was established to rebuild war-torn Europe. That task was accomplished quickly. By the 1960s the Bank was making loans to developing countries for large infrastructure projects.

The IMF, on the other hand, was founded to make short term loans to countries that were experiencing balance of payments problems associated with trade and to help stabilize currencies. Over the years, however, the IMF's mission has expanded to that of watchdog over the global economy. A number of factors contributed to this development.

The oil price hikes of the early 1970s generated huge cash reserves in the major money center banks of the First World as OPEC nations deposited their increased earnings. The banks, anxious to loan this money, sought borrowers in the Third World. Third World countries, many of them recently independent, borrowed the money for various projects, not all of which were sound. The second oil shock of the late 1970s plunged the first world into recession. They could no long buy the products of the developing countries. Interest rates rose so Third World loans increased in cost. With ballooning loans and a loss of markets in the first world, the Third World was on the brink of disaster. In 1982 Mexico defaulted on its loans and the debt crisis began.

It was at this time that the IMF emerged as the major player in world financial affairs. Countries could apply to the IMF for a loan to help them get their financial affairs in order. In order to qualify for such a loan, however, the country had to implement a number of provisions that together have come to be known as a Structural Adjustment Program (SAP). Failure to satisfactorily implement a structural adjustment program usually meant that other creditors would not even consider making new loans. The IMF seal of approval became a requirement for any country trying to move out from under the burden of debt and gave the IMF tremendous power over national economies.

Structural Adjustment Programs

Structural Adjustment Programs required that countries devalue their currency (this made their exports cheaper and thus more competitive, but increased the cost of imports such as oil, fertilizer, medicines, spare parts, etc.); raise interest rates (this promotes domestic savings and attracts foreign investment, but is disastrous for small business and farmers because it severely limits their access to capital); open their markets (this promotes free trade, but destroys food self-sufficiency as local producers cannot compete with transnational food conglomerates); cut government spending especially in the areas of health, education, housing and other services (this lowers inflation but increases unemployment, lowers wages for workers still employed and threatens the health of the majority of the population); sell public assets (this is rooted in the belief that the private sector always functions more efficiently, but it helps transnational corporations eliminate local competition and acquire valuable assets at bargain prices).

The debt is a mechanism for integrating poor countries into the global economy on terms detrimental to their people but favorable to the interests of TNCs as well as a way to transfer wealth from poor countries to rich ones.

Social and Cultural Impact of Globalization

Globalization also has serious social and cultural ramifications as well as economic ones. Transnational media conglomerates dominate films, television, videos, music, books, magazines and news coverage. The Western consumer model is presented as the ideal to which all must strive. Local customs, foods, art forms, dance, music, languages are threatened by the inroads of TNCs such as Disney, McDonalds, Wal-Mart and Nestle.

Intellectual property rights raise frightening new questions about the sanctity of life and the commodification for profit of life forms. The knowledge of indigenous peoples, carefully nurtured over thousands of years, is under threat by biotech companies that seek to patent seeds and plants. Access to life-saving medicines, especially those used to treat persons with HIV/AIDS, is also at risk as huge pharmaceutical firms prevent countries from producing cheaper generics.

What are some of the assumptions that underlie the free market (neoliberal) economic model? The first seems to be that economic growth is the ultimate good. Trade is essential to promote growth. There must be no restrictions on the movement of goods, services or capital. The market is the first, best and most efficient way to promote economic growth and distribute the fruits of this growth. "These values promote a hyper-consumerism combined with advocacy of a uniform, world-wide development model that reflects the Western corporate vision and serves corporate interests" (*The Case Against the Global Economy* Jerry Mander and Edward Goldsmith 1996).

The apostles of neoliberalism claim that economic growth will bring prosperity to all. We know that this is a lie. Earth cannot sustain the consumption patterns that characterize the richest 20% of humanity. Corporate-driven globalization will fail because it carries within itself the seeds of its own destruction. Creation cannot be made a commodity.

What is our new vision for a world that meets the basic needs of all in a way that respects human dignity and cares for our Earth from which we all come?

How can we embody God's mercy in a world where all creation reflects God's glory?

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