

Putting a Human Face on Globalization

by *Christopher Lingle*

Globalization is a much-maligned phenomenon. Environmentalists portray increased global economic growth as anathema to their goals. And their anti-capitalist allies assail multinational corporations for plundering less-developed regions of the world and exploiting workers.

Ironically, these same issues have been raised in similar debates that raged over the past several decades. Neither evidence nor the overwhelming intellectual arguments that dispute the claims of the opponents of globalization seem to have silenced them.

Since the other side never gives up, it might be useful to update some of the ripostes to the assertions of anti-globalists. Let's start with the environment.

Instead of being the enemy of the environment, economic growth arising from globalization has proven to be an unexpected friend. A raft of academic studies demonstrates a positive link between economic growth and increased environmental quality. One study indicates that when growth delivers a level of per capita income of about \$4,000 to \$5,000, pollution problems tend to be alleviated. There is also evidence that countries that engage in significant international trade have significantly lower levels of

sulfur dioxide.

A World Bank report indicates this clearly. As the economies of OECD (Organization for Economic Cooperation and Development) countries grew by approximately 80 percent after 1970, they increased their supplies of clean water and improved sanitation and waste disposal. They also achieved significant increases in air quality, with declines in particulate emissions of 60 percent and sulfur dioxide emissions that have fallen by 38 percent.

The simple truth is that when people become richer, they are more willing and better able to "purchase" safeguards for the environment. This is because higher economic growth provides communities with the interest and the means to solve pollution problems.

Indeed, poverty contributes to environmental degradation since people living at near-subsistence are more likely to abuse the environment. In pursuit of sheer survival, there is less worry about depletion of forest resources or game or fish. Often the poor are compelled to exploit marginal lands to produce food. As they farm near deserts or in tropical forests, their efforts will contribute to erosion and may lead to desertification or deforestation.

Those who want a better environment should look to the process of increased economic growth as perhaps the only way to leave a better world for future generations.

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Benefits the Poor

Now consider the effect of globalization and growth on Third World economies, especially the consequences for the poor. It turns out that economic growth benefits the poor because it can allow prosperity to be more widely shared. A World Bank report (“Growth Is Good for the Poor,” D. Dollar and A. Kraay, Development Research Group, March 2000) indicates that each percentage increase in economic growth causes the incomes of poor individuals to rise by the same proportion. This ratio was observed as a general relationship between incomes of the bottom fifth of the population and per capita GDP in a sample of 80 countries over 40 years.

To put a human face on these effects, an example is offered that involves a large multinational from New Zealand and one of its small customers in the remote hills of Guatemala.

The multinational is New Zealand Milk, a cooperative of farmers that operates an exporting arm by the name of Fonterra. Given that there are more cows in New Zealand than people, it is not surprising that the industry aggressively seeks export markets.

Its representatives sell a variety of dairy products that are found throughout Guatemala. One product is a full-cream milk powder that is marketed under the brand name Fernleaf. Despite the difficulty in pronouncing the name (it is asked for by the color of the box it comes in, yellow), it is the leading dairy brand among Guatemalan consumers.

Rosalía Ictem is the major buyer of Fernleaf in the hilly region outside the city of Petén. Known as Doña Chalía, she is of pure Indian blood and was born in Cobán. So she decided to name her shop in memory of her hometown, La Cobanerita.

Located in the tiny village of Santa Elena, La Cobanerita began as a tiny venture with minimal capital but has shown continued

growth. Those who come into her shop will find Doña Chalía barefooted and greeting customers in one of her colorful native costumes.

Despite her petite size, she is quite impatient and brusque with customers. But regular customers are treated well and all are treated fairly.

Although illiterate, Doña Chalía is highly numerate and has her own checking account to facilitate her business dealings. Local representatives of New Zealand Milk praise her for her timely payments.

Scuffed at Prizes

During a promotion to reward those vendors able to increase their sales, New Zealand Milk offered televisions, computers, refrigerators and even a car. When this scheme was presented to Doña Chalía, she scoffed at the prizes. She indicated that she had many TVs and refrigerators. And she did not need or want a car.

Instead, she suggested that they award her a blender so she could use it to sell more of their powdered milk products. Sensing an opportunity, they provided her with several blenders. Soon her idea was applied nationally and led to considerable expansion in sales.

And so Doña Chalía put the shoe on the other foot. This simple Indian woman was able to provide profitable advice to a large international corporation!

While this is but one example, evidence shows that more people have been lifted out of poverty in the last 50 years than in the previous five centuries. The number of people leaving poverty in East Asia alone is almost 500 million. Most of these gains have come from economic growth brought about by increased trade and capital flows associated with globalization. Those who truly want to see fewer poor people should encourage all governments to adopt policies that promote sustainable growth through increased access to global markets. □