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## GLOBALIZATION AND DEMOCRACY

Carl B Hamilton

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## **ABSTRACT**

### **Globalization and Democracy\***

The Paper analyses if globalization is (i) undemocratic, (ii) if NGOs can fill a gap in representation and accountability, and (iii) the role of inter-governmental (undemocratic) international institutions like the World Bank with regard to democracy and globalization. (iv) A major part deals with the question if globalization enhances democracy. The answer is important since democracy is – on the whole – for specified reasons likely to enhance poverty reduction.

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## **Globalisation and democracy\***

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## Globalisation and democracy.

### 1. Introduction.

For good reasons many regard the world as unjust and plagued with poverty. From that observation one could draw the conclusion that the state of the world is the result of existing international institutions and today's ruling political ideologies. If you take this view, it is hardly surprising that you also protest when international leaders and representatives of 50+ old international organisations declare that the recipe is 'more-of-the-same'. More and freer trade, stricter and more norm-based fiscal and monetary policies, etceteras. In addition, although many of these leaders themselves come from democratic countries, they do not seem to bother about the absence of democracy for poor people in many developing countries. Is it surprising that some protest?

The paper takes as its starting point part criticism coming from the anti-globalist movement. Two distinctly different claims are looked into. First, the claim that globalisation is undemocratic. Second that institutions like WTO, the World Bank and the International Monetary Fund (IMF) should be democratic.

### 2. Globalisation, anti-globalists and democracy.

Following Sen (1999), any country that "is independent, that goes to elections regularly, that has opposition parties to voice criticisms, and that permits newspapers to report freely and question the wisdom of governments policies without extensive censorship" is regarded as democratic.<sup>1</sup> The concept includes not only political rights (like the right to form political parties that openly can compete for and be elected to positions of power in government) but also crucial civil liberties like personal freedoms, freedom of the press, belief and association. Countries' level of democracy has been measured by index. One such index has been constructed from the "Polity III data set" but there are several other indices, like the Freedom House index<sup>2</sup>; see Gurr and Jagers (1995).

The word "globalisation" means different things to different people. To limit confusion, here globalisation means international trade in goods and services, and foreign investment.

Who are the anti-globalists? "There are strong tensions between organised labour and campaigning non-governmental organisations (NGOs); between people who want to protect national autonomy and those who want to override it; between those who want to save the environment and those whose main aim is development; between those who want to protect traditional ways of life and those who want to upset them; and, of course, those who want reform and those who seek a revolutionary transformation. Some protesters are self-interested. Others are idealistic." (Martin Wolf, *Financial Times*, Sept 4, 2001).<sup>3</sup> In the light of this description, is it possible to find a common denominator among the anti-globalist NGOs?

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<sup>1</sup> Sen (1999), ch. 6, p.152.

<sup>2</sup> The index, methodology and criteria can be found on [www.freedomhouse.org](http://www.freedomhouse.org).

<sup>3</sup> See also Bhagwati (2002a and 2002b).

Firstly, many take the view that there should be less of globalisation than there is today, or that globalisation should at least not increase from today's magnitudes. Or, if globalisation would increase, it should not do so unless there are some additional conditions attached to it. Secondly, many anti-globalists take a sceptic view of international organisations like WTO, The World Bank and IMF (the latter two denoted IFI, International Financial Institutions, for short). Of course, it is possible to be positive to globalisation and negative to the present work of WTO and the IFIs.

### **3. Undemocratic globalisation?**

What distinguishes many anti-globalists from others – like scholars and journalists – is that some of them claim that they are able to represent the preferences of others and not just themselves. There are “grassroots NGOs claiming to represent people whose lives and livelihood are being directly affected by the actions and policies of the IMF, the World Bank and the WTO. The argument here is that representation in international institutions is imperfect. The emissaries of existing governments fail to represent many groups' rights and predicament. NGOs acting in international fora are necessary to fill the gap in representation and accountability that results.” (Woods and Narlikar 2001, p.15). This argument, as it stands, is not that globalisation is necessarily bad, but that not all views are represented when important decisions are taken in international fora on e.g. the rules of the multilateral trading system.

However, implicitly or explicitly, the critique is also that the preferences of those who are *not* represented in international institutions are more negative on globalisation than are the preferences of those who are represented. Had the preferences of all concerned – the set of which is difficult to define precisely, and whose preferences are difficult to aggregate – been taken into account, then the decisions of the IFIs would have yielded different outcomes and less trade and foreign investment.

Let us consider a claim that the true preferences of peoples of the world on globalisation are more sceptical than the preferences reflected in the policies of WTO's member states, and of member states and staff of the IFIs.

*Can a hypothesis be rejected which states that the present ruling preferences on trade, economic integration, and investment – as reflected in the policies of important rich and poor countries, and consequently also in the WTO and the IFI – reflect the views of a majority of the populations in the rich and poor countries?*

To discuss the popular preferences on globalisation, two approaches are used.

Since we want to capture the history of Gatt/WTO rounds during the last 40 plus years we start off by dividing countries into democratic OECD ones, and “other countries”. For the subset of OECD member countries the question is asked whether is it possible that the preferences of the electorate on trade and integration in a systematic way in elections have differed from that of the elected governments' positions? For the “other countries” are considered comparative international opinion polls on globalisation, trade integration and protectionism. With good polls one should be able to learn how respondents in different countries look upon globalisation and trade. If consistently such polls would yield the result that globalisation and free trade are disliked and that respondents are inward looking and in favour of

protectionism, then the polls would call into question the basis for many member countries' positions, and of the policies of the IFIs.

### 3.1. Democratic OECD countries.

Do democratic member countries of e.g. WTO in a systematic pro-globalisation way differ in policy positions from the voters' preferences? "Even if every government in the world were democratically elected, a large problem of accountability would still remain for international organisations. ... We have seen that in national politics a government rarely wins or loses an election on a particular issue. Yet rarer would be a government that won or lost an election (or office through some other means) due to a position taken by its representative within an international organisation. Indeed, given that elections do not hold politicians to account on domestic issues, it would be rather ludicrous to assert that they might serve as a mechanism of accountability in the international sphere where voters have even less information, and less motivation to cast their votes on such issues. Clearly elections as a mechanism of domestic restraint on public officials cannot be stretched into an effective mechanism of accountability for international institutions even if every government in the world were democratically elected. Yet this is precisely what the arguments about the traditional structure of governance and representation attempts to do"; Woods and Narlikar (2001, p. 7). The authors are hardly correct that "a government rarely wins or loses an election on a particular issue". There are plenty of counter examples unless one defines "issue" in an extremely narrow sense. Apart from this flaw in the quote, the authors are probably correct if one would consider individual decisions in the WTO, most countries, and a particular point in time. But do isolated cases of narrowly defined "issues" constitute the appropriate sample? Our answer is no: the authors seem unlikely to be correct when considering the direction of policy embedded in the large number successive decisions over some forty years on multilateral trade rounds resulting in lower trade barriers and enhanced economic integration.

Let us consider the OECD-countries. To be a member of the OECD, a country must fulfil the requirement to be a pluralistic democracy, enforce respect for human rights and have a market economy exposed to international competition. Assuming that *on average* there has been at least 25 such members per year since 1960 and that the average period between general elections has been some four years. This means that there have been at least 250 general elections among this group. (The true number is higher since the number of members has increased, and the average term is less than four years.) If these governments' decisions to liberalise (manufactures) trade had been in a systematic conflict with the voters' preferences, it is likely that such a misrepresentation at some points in time had become serious election issues in some of the 250 elections.

Are voters in OECD-countries – as a general rule – unmoved by issues like trade, economic integration and globalisation? Trade has on several occasions been an issue in US elections, e.g. as reflected in the US handling of the Seattle WTO-meeting in 1999 and the US steel protection following the 2000 presidential campaign. Trade has also figured on several earlier occasions in US politics; see e.g. Scheve and Slaughter (2001, ch.1). The post-WWII history of Western Europe has many national elections and referenda fought on aspects of economic and political integration. The outcomes of these elections and referenda have sometimes forced governments to resign and have permanently split political parties. From Western Europe we also have the

additional experience that democratic countries – through elections and referenda – choose different degrees of integration with the surrounding world. Switzerland has decided to stay out of the European Union (EU), as well as the European Economic Area (EEA). Norway and Iceland are members of the EEA, but they are not members of the EU. Denmark, UK and Sweden are members of the EU, but they have not (yet) adopted the common currency. The UK is a member of the EU, but not the Schengen agreement on passport-control-free movement of persons. One can note also, that over time the European countries have decided, in democratic processes, to integrate more and more.

The hypothesis does not seem possible to reject.

If – on the other hand – it had been a correct description that trade issues seldom have been significant election issues such an observation does not warrant a claim that voters are unmoved by globalisation issues, anyhow. Precisely for the opposite reason political parties and governments may try to ensure that trade and integration issues do not become significant ones in elections. They can do this by trying to ensure beforehand that trade and integration policies will be unlikely to cause – from their perspective – disruptive conflicts and undermine efforts to control the agendas of the election campaigns. Then the hypothesis cannot be rejected, of course.

Also, if voters had been opposed to a continued opening up of markets for goods and services and investment, e.g. in Europe nationalistic politicians at times can be expected to have capitalised on such sentiments. Indeed, one has seen inward looking nationalistic movements in many European countries, but these have typically focussed on immigration and asylum-seekers, and not on trade in goods and services and foreign investment. In several polls, xenophobia does not correlate reliably with the respondents' views on globalisation.<sup>4</sup>

The conclusion is that the trend in the multilateral trade negotiations to liberalise trade – including exceptions like agriculture and textiles – cannot be said to have been in conflict in a systematic way with the preferences of the voters in the OECD countries. Thus one cannot reject the hypothesis that some 40 years of (pro-globalisation) positions and decisions of the OECD-democracies have been in line with the OECD-electors' preferences.

### **3.2. Other countries.**

With the help of two international and comparative polls the group of countries is widened to include also important non-OECD ones, including several that are not democratic.

(i) Globalisation. In October to December 2001, a poll on globalisation was taken with “representative samples” of individuals in 25 countries.<sup>5</sup> Some of the questions are seen in the head of *Table 1a*. The survey results can be said to be within +/- 3 per cent of what they would have been 19 times out of 20, had the entire population been surveyed. Globalisation was defined as international trade in goods and services, and

<sup>4</sup> Mail from Dough Miller of Ipsos-Reid. The polls can (soon) be found on the home page of the Political Science Department of Queens University, Canada.

<sup>5</sup> World Economic Forum. The reference and some information on the methodology is given below Table 1.

investment. In the table, the countries have been grouped in two classes, richer and poorer ones. In the head of Table 1a is, first, the participating countries' GNP/capita, and, second, the three different questions that the respondents were asked.

The (un-weighted) averages are strikingly similar (column 1). Among the OECD-countries, Australia, France and Spain stand out as the more negative ones. Argentina's and Turkey's recent economic crises seem reflected in strongly negative attitudes. Note the similar results for the populous countries China, India, Indonesia and Nigeria, but also Qatar, Venezuela and South Korea. They all report weak negative (column 3) and strong positive (column 4) attitudes to globalisation. When the results for poorer countries are weighted by population size, the pro-globalisation results of these four countries dominate. Thus accounting for some 43 per cent of total world population and 51 per cent of all low- and middle-income countries' population (1998) – only some 10-15 per cent regarded globalisation as negative. As many as 70-80 per cent regarded globalisation as positive. One should note the Chinese responses to the country's benefits from integration with the world economy (columns 5, 8 and 11).

Considering the two biggest economies, USA and Japan, the respondents of Japan are more sceptic to globalisation than those of the USA. In fact, the respondents of the USA and Britain in this poll display very similar preferences on globalisation. One can also note the positive attitude to globalisation found in Russia. Throughout the respondents are more sceptic about the effect of globalisation on jobs, than on the economy as a whole. This is especially striking for Germany, Japan and Australia.

(ii) Trade and protection. The Ipsos-Reid Global Poll was taken at about the same time as the above one, i.e. November-December 2001.<sup>6</sup> It covers 20 countries, some of which overlap with the above poll (*Table 1b*). This poll asks about free trade vs. protection rather than the vaguer concept of "globalisation". Also from this poll it is difficult to nail down any distinct difference in opinions between e.g. rich and poor countries. An open orientation of respondents in China and South Korea is confirmed, and Taiwan can be added. Mexicans seem distinctly positive to openness in both polls, while the opposite holds for the Argentineans' attitudes at the beginning of the acute phase of the country's 2001-02 crisis. Again France and Australia stand apart as sceptics to trade and globalisation. The US respondents seem positive on globalisation generally, but seem negative to free trade. This 'confused' attitude is shared with the UK and Brazil. The right-most part of Table 1b tries to capture "freedom to shop vs. restrictions". Here there is another type of 'confusion', viz. that in four countries many respondents seem to prefer freedom to shop and restrictions on imports at the same time, viz. USA, Australia, Poland and Portugal.<sup>7</sup>

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<sup>6</sup> Ipsos-Reid Global Poll, February 20<sup>th</sup>, 2002. The poll is available from [thomas.riehle@ipsos-reid.com](mailto:thomas.riehle@ipsos-reid.com), and the methodology from [rob.breitzkreutz@ipsos-reid.com](mailto:rob.breitzkreutz@ipsos-reid.com).

<sup>7</sup> Given the French respondents' consistently sceptical views on globalisation and free trade, it is somewhat surprising in the Ipsos-Reid poll that in no other country – apart the respondents in Japan and the US itself – is it more popular to work for an American company than in France. (That part of the poll is not discussed further here.) The polls for France underscores one of France's European dilemma, viz. wanting to be the leader and engine of European integration, and at the same time often being more sceptical than other European countries about the benefits of international trade, investment and globalisation. It is difficult to have it both ways.

Scheve and Slaughter (2001) have looked more deeply into US attitudes. Their polls indicate that Americans think that international trade is beneficial from an overall perspective, but at the same time Americans worry about job destruction and lower wages, in particular so among lower skilled and lower paid Americans.

(iii) WTO. In a poll in June 2001 in Sweden the respondents were asked how they regarded WTO. The result was firstly, that the WTO was regarded as “very positive” or “positive” by 44 percent, which was much less than for the UN (88 per cent), but slightly more than the EU (40). However, almost half of the respondents answered that they were neither positive nor negative to WTO, or didn’t know.<sup>8</sup>

From these polls – taken at the height of the globalisation debate – it does not seem possible to reject the hypotheses that when governments and international institutions advocate and promote openness, they reflect the views of the majority of populations of both the OECD- and other countries of the world.

#### **4. Can NGOs “fill a gap” in representation and accountability?**

Suppose that the above conclusions – based as they are on some current polls and the revealed policies of decades of policy making in democracies – were wrong. Still the question remains whether NGOs' preferences could be said to be less wrong. Is it true that “NGOs acting in international fora are necessary to fill the gap in representation and accountability”, to quote a view presented in Woods and Narlikar (2001, p.15). Are the preferences of NGOs focussing on trade and development more representative and more correct as a starting point for decisions on globalisation and trade rules, than current polls and the revealed positions of the democracies of the world?

First of all – there are many hundreds of NGOs, they do not think alike and their internal systems of representation and accountability differ.

Second, most NGOs have their origin in developed countries and are likely to reflect knowledge of and concerns on development felt in their home countries. These values and priorities need not be same as those of the grass roots of the poor countries, of course. “A long standing concern about these NGOs is that their activities further magnify the voice and influence of industrial countries’ peoples and governments in international debates and institutions which already disproportionately represent the industrialised world.”<sup>9</sup> Of the 738 NGOs accredited to the 1999 WTO-meeting in Seattle some 87 per cent were based in industrialised countries.<sup>10</sup> The largest Swedish NGO – “Forum Syd” (Forum South) is an umbrella organisation for all Swedish development NGOs, and it is financed entirely by the Swedish state through its aid agency Sida. The interest in rich countries for poor countries’ labour standards and environmental protection is often in poor countries regarded as a particular hypocritical form of protection against their exports.<sup>11</sup>

<sup>8</sup> “Svenska folket om globalisering”, TEMO investigation no. T-21950, June 26, 2001; see [www.temo.se](http://www.temo.se), (“The Swedish population on globalisation”). Several questions were asked in addition to the one on WTO. One of these was on child labour: of the generally free trade oriented group of Swedish respondents, no less than 74 per cent agreed with the statement that “Sweden should not trade with countries allowing child labour”.

<sup>9</sup> Woods and Narlikar (2001, p. 15).

<sup>10</sup> UNDP (2002), p. 8.

<sup>11</sup> See Bhagwati (1995) and (2002).

NGOs are like multinational firms (MNF), trade unions and farmers' organisations in the sense that they all have roles to play in domestic policy discussions. They can also be invited, and included in country delegations since the composition of these is a national decision. An NGO, or an individual from a developed country, can quite legitimately be made a member of a poor country's team. However, a *formalised* role for NGOs, MNFs, trade unions, farmers' organisations, etc in international debates, negotiations and decision making in the WTO or IFIs raises serious questions about representation and accountability. What criteria should be applied when selecting MNFs and NGOs? To state that "Such a selection [of NGOs] should be done in collaboration with civil society" – as suggested by Bellman and Gerster (1996, p. 40) – is a complete non-starter since it just raises the question of the content of the concept "civil society". Further, there are no guarantees against – but the very real risk – that a formal role for MNFs and NGOs would give some countries "extra" votes. Like wise, there are no guarantees against – but the opposite due to the logic of *realpolitik* – that some NGOs would be funded (and founded) by MNFs, farmers' organisations, trade unions and other organised interest groups, and operate under the cover of a more legitimate NGO.

A typical NGO has often started off with concerns for specific projects or issues. Perhaps it is for this reason that most NGOs have developed a micro perspective of development. They can be involved in projects focussing on farming in some region, the plight of women, children and education, micro credits, environmental concerns etc. These are all honourable causes, but – from the point of view of representation of views – the overall result is likely to be a bias in favour of distributional issues and "soft" policy stances. There are few – if any – NGOs devoted to "hard" macro issues like the enhancement of better and more stringent rules for budget discipline, financial sector reforms, the reform and abolition of bad banks, a unified exchange rate, a rent-free trade policy, or simply economic efficiency.

There are some particular aspects of democracy, NGOs and developing countries. First, if a (poor) country is on its way to democracy it can be risky for an international institution to bypass the fragile democracy and its institutions, and instead use an NGO as the institution's channel to the population, even if the NGO is run in an exemplary manner. There need not be a conflict between fragile democracy and an NGO, of course but there is a clear procedural dilemma.

Second, poor countries have well known difficulties to participate in the WTO. If well funded NGOs, MFNs, etc. are given formalised roles – like the right to be heard or speak in decision shaping processes – as urged by Bellman and Gerster (1996) – that is very likely to result in a crowding out of poor countries' struggle for attention and influence in WTO. Already today, well-funded and capable NGOs can achieve what many poor countries cannot afford, viz. a presence in Geneva and being continuously involved in WTO-activities. If scarce resources, like time in the WTO-machinery, are spent on presentations of the views of NGOs, MNFs and others, such time-allocations will almost certainly be at the expense of weaker parties, like poor countries' and their interests.<sup>12</sup>

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<sup>12</sup> Bellman and Gerster (1996) argue for NGO participation in several ways in WTO: In the dispute settlement process, Article 13.2, they suggest that "NGO participation could possibly be enhanced if recourse to [NGO contributions] were to be made compulsory." (p.37). Undertaken by the WTO and NGOs (jointly?) there should be systematic "impact assessment studies on development and the

A most surprising aspect of Bellman and Gerster (1996) is that they do not seem to recognise that their demand for significantly larger influence of NGOs in WTO would be at the expense of their other major request, viz. a vastly expanded role for national parliaments. Neither do they seem to realise the separation of roles in a parliamentary democracy regarding decision preparation and decision making between the government (executive) and the parliament (their description of the role of parliaments in the formulation of countries' trade policy is not always correct).<sup>13</sup>

In conclusion: It is impossible to give a definite answer for all places and times on the value and a proper role of NGOs. Neither does it seem possible to deliver an answer to the question if NGOs can "fill a gap" – when it exists – and properly reflect the preferences of others, like the poor of a country. However, in the light of the above, it seems very unlikely that NGOs normally could "fill a gap". The burden of proof rests heavily on the NGOs themselves.

### **5. International institutions, globalisation and democracy.**

Now the second criticism is considered, viz. the claim that decisions taken in international institutions like WTO and IFI are undemocratic. That these decisions are imperfect reflections of the views of the peoples of the world is clearly correct. This is so in spite of a statement like the following from an otherwise excellent book on WTO: "Some would argue that ... the WTO is probably the most democratic international organisation extant, in that it operates by consensus and, if voting occurs, it is on the basis of one-member-one-vote."<sup>14</sup> E.g. not all of WTO members are democracies (China and Saudi Arabia for example), and such member countries' representatives should not be assumed even to have as their ambition to represent the population. Further, why should Iceland and India – with 350 000 and nearly one billion inhabitants, respectively – have the same number of votes? If one were thinking about even some imperfect approximation of democracy, it would be reasonable that India has more votes than Iceland. These remarks do not mean that the issue of representation of preferences in international institutions would be trivial or unimportant. Quite the contrary, but demands for 'more democracy' in intergovernmental organisations is more complex than many critics of WTO and the IFIs seem prepared to discuss. One cannot ignore the basic undemocratic feature; namely that it is the nation state irrespective of size that has a right to membership of WTO and IFIs.

One would have thought that demands for global democracy, a Global Parliament and a World Government would be the logical visionary alternative suggested by the critics of today's intergovernmental organisations, e.g. along the lines suggested by the world federalist movements. But just the opposite seems to be the rule: the anti-

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environment" (p.40, p. 62). In addition NGOs should have observer status in WTO's Committee on Trade and Development (CTD) and on WTO's Committee on Trade and Environment (CTE). However, Bellman and Gerster (1996) do not suggest that there would be any NGO interest for a role in WTO's Committee on Budget, Finance and Administration. This reinforces an impression of wanting to play with the angels, only.

<sup>13</sup> "Parliamentarians are authorised to participate only ... as observers [WTO]" (p.50). What other role could they possibly take on without replacing the government?

<sup>14</sup> Hoekman and Kostecki (2001), p.70. Also UNDP (2002) takes the view that democracy in WTO would be one country, one vote: "Consider the World Trade Organisation. Every member has one vote, which is very democratic." (p.8).

globalists seem more local than global in their visions when it comes to political decision-making (“glocalism”).

Thus issues on international trade and globalisation will continue to be handled by governments in intergovernmental organisations, and by diplomats and other civil servants. Then negotiations and decisions are prepared and taken in processes that are not always open, and – to be effective – many times cannot be open. This is a classical problem of democratic accountability in foreign and security policy and it is not specific to WTO and IFIs. The problem is handled in slightly different ways in different democracies, but generally speaking through parliamentary committees and councils with special rights to secret information, closed sessions and the possibility of being consulted and deciding on negotiating positions. However, compared to a normal parliamentary control of governments’ domestic actions, the control of what goes on in international organisations is often weak and indirect and is dominated by the participating governments’ agendas and selection of information. Furthermore, it is only in the subset of democratic member states of WTO and IFI that parliamentary control is exercised.

Moreover, the parliamentary perspective is typically a national one. The “economist’s” interest in global welfare effects of trade reform, and systemic aspects of the global trading system and problems of regionalism attracts few immediate votes and has few pressure groups working for them. This, of course, just makes economists’ contributions on these matters relatively more important.

## **6. Globalisation, democracy and poverty reduction.<sup>15</sup>**

The democratic deficit that is part and parcel of the intergovernmental form of decision making make the WTO and IFIs natural targets for many anti-globalists. However, the fact that the WTO and the IFIs are not *being run in a democratic way*, does not exclude the possibility that they would *advocate democracy* as the preferred mode of government of nations. However, the IFIs are not seen to argue in favour of democracy. Should the IFIs be neutral on the issue? This section looks into the issue both in the light of the anti-globalist critique and the UN’s poverty reduction objective.

It is likely that the anti-globalists’ criticism that owners and staff of the IFIs promote globalisation from an undemocratic platform would lose ground if the IFIs would argue openly for democracy in member states. But avoiding such criticism cannot be the aim. There is a much more substantive issue, namely that democracy is instrumental in achieving the IFIs’ stated overriding objective, viz. poverty reduction, in addition to be good per se.

Second, the IMF and the World Bank support the UN’s “Millennium Development Goals”. These are by the year 2015 “to have reduced by half the proportion of people living on less than a dollar a day, and have reduced by half the proportion of people who suffer from hunger,” while improving health, education, and the environment.<sup>16</sup>

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<sup>15</sup> After the ISTI conference the UNDP (2002) Development report was published. It contains much material on governance, poverty and democracy. UNDP – like the UN, WTO and the IFIs – is not a democratic organisation, of course.

<sup>16</sup> See the web site of the United Nations.

### 6.1. Governance, poverty and democracy.

Individuals have preferences not only over outcomes but also over processes. Thus, measures taken to enhance openness and globalisation, and which have been decided upon through a democratic process, are more legitimate and should have a better chance of long term survival than if the same decisions were arrived at in some other way, e.g. through a dictator's decision or external (IFI) pressures. This is described by the IFIs as the importance for success to apply "participatory approaches" and for governments to "own" domestic reforms and policies. A democratic process is – among other things – a participatory approach. *Ceteris paribus*, democracy thus seems desirable for the IFIs from a governance point of view.

Of course, The World Bank has for many years been working on so called governance issues, but the Bank has not seen it proper to argue openly and clearly in favour of democracy. "The World Bank has identified three distinct aspects of governance: (i) the form of political regime; (ii) the process by which authority is exercised in the management of a country's economic and social resources for development; and (iii) the capacity of governments to design, formulate, and implement policies and discharge functions. *The first aspect is deemed outside the Bank's mandate.*" (World Bank 1994, p. xiv, our italics).<sup>17</sup> The Bank at times seems very close to endorse democracy with a governance motivation, although it never calls for a democratic process, or democracy: "It is all about equal opportunity and empowerment for people, especially the poor" (Director James Wolfenson in 2002).<sup>18</sup> The Bank can go to great lengths not to use the word democracy when it describes desirable governance policies: "Exchanging information through open debate creates demand for institutional change by holding people account, by changing behaviour, and by supplying ideas for change from outside the community." ... "Developing country actors often face too little competition, often because of current institutional structures" (James Wolfenson in 2002).<sup>19</sup> Democracy and desirable economic reforms are about power, of course: "The effectiveness of institutional designs adopted by governments will be affected by the political distribution of power. ... Sometimes policymakers wishing to embark on reforms may have to create new institutions ... [I]neffective institutions may exist in part because there are no interest groups pressing for change – not because some interest groups oppose change."<sup>20</sup>

Against this background of World Bank descriptions of desirable approaches to governance – to reach the objective of reducing poverty by half to 2015 – there seems reason for the Bank and its owners to be clearly in favour of democracy from a governance point of view (if for no other reason).

It seems important to note, before leaving the governance argument, to point out that the above conclusion is not a claim that democracy itself necessarily fosters economic growth. There is a fairly large and inconclusive discussion of this different, but related, issue, e.g. Bhalla (1997), Przeworski and Limongi (1993, 1997), Stiglitz (1999) and a brief survey in UNDP (2002, Box 2.4, p.56.). Good arguments are put forward both for and against the suggestion that democracy is good for growth. However, in surveys, like UNDP (2002), the observation is made that "democracy

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<sup>17</sup> World Bank (1994).

<sup>18</sup> World Bank (2002), Foreword.

<sup>19</sup> World Bank (2002), Foreword.

<sup>20</sup> World Bank (2002), p.10.

appears to prevent the worst outcomes, even if it does not guarantee the best ones.” (p.56).

### **6.2. Acute poverty and democracy.**

An important example where democracy provides a channel for information and an “early warning system” is when there is a risk of famine. Amartya Sen and Jaques Drèze have focussed on this acute form of poverty: “No substantial famine has ever occurred in any independent country with a democratic form of government and a relatively free press. Famines have occurred in ancient kingdoms and contemporary authoritarian societies, in tribal communities and in modern technocratic dictatorships, in colonial economies run by imperialists from the north and newly independent countries of the south run by despotic national leaders or by intolerant single parties. But they have never materialised in any country that is independent, that goes to elections regularly, that has opposition parties to voice criticisms, and that permits newspapers to report freely and question the wisdom of governments policies without extensive censorship.”<sup>21</sup> An interpretation of this result is that the effect of democracy is to reduce variance of economic performance. “One can argue that regimes affect the variance of rates [of economic growth], and specifically, that democracies are less likely to generate both miracles and disasters than dictatorships”; Przeworski and Limongi (1997, p. 166).<sup>22</sup> Against this background, and since the IFIs have as their objective to reduce poverty by half by 2015, the IFIs should be in favour of democracy as an anti-famine method, if for no other reason.

### **6.3. The “democratic peace” argument and poverty reduction.**

A second important claim for democracy is that there have been no wars between democracies (“the democratic peace”). The argument does not apply to wars between democracies and non-democracies, it does not apply just to self-defence situations, and it does not apply to peace within democracies. The latter is important to note since a large part of today’s violence occurs in conflicts within states. The huge discussion in the international relations literature on ‘democratic peace’ has been summarised as: “Although some still argue that the hypothesised impact of democracy on peace is spurious, or that causality runs from peace to democracy rather than from democracy to peace [references], there is a growing consensus that the pacifying effects of joint democracy are real. While some say that it goes too far to claim that the absence of war between democracies ‘comes as close as anything we have to an empirical law in international relations’ (Levy, 1980, p. 270), no one has identified a stronger empirical regularity, and many make the law-like claim that joint democracy is a sufficient condition for peace [references].”<sup>23</sup>

The next question is *why* democracies do not wage war against each other. Here the agreement on the existence of the democratic peace ends. There are basically two lines of explanations. The first one is “ideological” and refers to a democratic “ethos” being developed meaning tolerance, moderation, basic inclination to seek peaceful

<sup>21</sup> Sen (1999), ch. 6, p.152, and references on this point in chs. 2 and 6, Oxford University Press, and Drèze and Sen (1989).

<sup>22</sup> The infant mortality rate is a measure of basic hygiene and health conditions, and thus has been used as a proxy measure of poverty. Bhalla (1997) arrived at the conclusion that increased democracy of a country result in a faster decline in the infant mortality rate.

<sup>23</sup> Levy (2002), pages 358-59. Other references on the democratic peace discussion are Brown, Lynn-Jones and Miller (1996), Russett (1993), Cederman (2001), Russett and Oneal (2001), Hegre, Ellingsen, Gates and Gleditsch (2001).

conflict resolution, etceteras. The other one is “structural”. A democratic structure implies that there is power sharing, public accountability, etc., and this makes it difficult for leaders to convince citizens to go to war. However, for the present purpose there is no need to have an answer to the debate on the causality.<sup>24</sup> It is enough to conclude that it has a significant value if countries are democracies since it prevents wars against other democracies, and reduce poverty that would otherwise have been a consequence of such conflicts. Had e.g. Africa’s nations been democracies after independence, some of the violence on the continent would not have occurred, and poverty and other disasters would have been less spread. However, the numerous and bloody civil wars e.g. in Angola, Rwanda and Burundi would not necessarily have been prevented. But – on the other hand - it may be that the drawn out and disastrous civil war in Angola would have been a brief and limited conflict had South Africa, Soviet Union and Cuba been democracies at the time. There are probably more examples of this kind.<sup>25</sup>

To summarise: Starting from the objective of the UN and the World Bank to reduce poverty – endorsed by the Bank’s owners – there are at least three arguments for the Bank to state that democracy is the preferred mode of government, viz. governance, elimination of famines and reduction in war. This does not mean that the Bank’s membership would be limited to democracies only, or that only democratic member countries would be allowed to borrow or receive technical assistance from the Bank. However, it would imply that the Bank – to enhance its own poverty-reduction-objective – should be crystal clear on the issue that the Bank prefers democracy to other modes of government. A link between democracy and poverty reduction, implies also that the Bank should support projects with the objective of enhancing democracy, like fostering and supporting independent media, technical assistance on the practicalities of democracy in the legal system, etc.

By analogy the IMF could consider the same policy on democracy as the preferred form of government.

#### **6.4. Openness and democracy.**

We now return to the globalisation theme. Taking democracy to be the preferred mode of government, and *if* openness – as a suggestion – would enhance democracy, then increased openness would be desirable as an instrument for enhanced democracy and – in the next step – reduced poverty.

What can be said about the relationship between economic openness and democracy?

Is there causality from democracy to openness, or vice versa? Milner and Kubota (2001) ask the question “whether democracy is conducive to trade liberalisation”. They find empirical evidence that democracy in general and democratisation have contributed to the lowering of trade barriers in a number of developing countries since the 1970s: i.e. they find a causality from democracy to increased openness. The model which they test defines democratisation as an expansion of the group of actors

<sup>24</sup> For a recent survey, see the quoted *Handbook of International Relations*, ch. 18, by Jack Levy.

<sup>25</sup> There seems to be a parallel to the ‘democratic peace’, viz. the ‘democratic trade liberalisation’: Democratic pairs of countries tend to be more likely to co-operate to lower trade barriers and to sign trade liberalising agreements than are autocratic ones; Mansfield, Milner and Rosendorff (1997) and (1998).

involved in government: “Democratisation means a movement toward majority rule with universal suffrage” and “the democratisation of the political system may open up new avenues of support for free trade ... *and reduce the ability of governments to use trade barriers [and rents] as a strategy for building political support*” (our italics). “Political leaders may have to compensate more voting consumers for the same level of protection [i.e. with the same amount of total rent], and may no longer be able to afford as much protection [rent per supporter]. ... Hence an increase in the size of the electorate and thus the winning coalition may change political leaders’ optimal policy in the direction of freer trade, ceteris paribus.” Using data for over 100 developing countries 1970-1999, the authors then provide empirical evidence for the hypothesis that more democratic countries have lower trade barriers and are more open economies. However, as the authors themselves acknowledge they regard democratisation as exogenous. “It might be that having a more open trade regime exerts an impact on the type of political regime. Although we lag all our independent variables [in the testing] this could be a longer term effect.”<sup>26</sup>

Two estimates undertaken by the present author suggest that openness and democracy go together. We do not claim to establish a direction of causality. (i) Since the early 1970s Freedom House (FH) has evaluated almost all countries’ status with regard to political rights and civil liberties in its annual surveys.<sup>27</sup> FH has constructed a democracy index, and its scale runs from 1 to 8. The lower the number, the more democratic the country. In the 2000-01 survey, the traditional developed countries, but also many other countries, take on values below 2.<sup>28</sup> To measure countries’ openness two proxies were used. The first one was countries’ simple mean tariff (from World Development Indicators 2001, Table 6.6). The hypothesis is that there would be a correlation between the level of the simple mean tariff at the end of the 1990s (mostly 1998-99), and the value of the democracy index of 2000-01. A standard (Pearson) correlation coefficient yields  $r^2=0,44$  for the tariff variable (significant at the 99,9 per cent level;  $n=91$ ). The hypothesis that openness – measured as a lower mean tariff – enhances democracy cannot be rejected.

As a second proxy for openness was used the relative *change* between 1989 and 1999 in trade as share of GNP; i.e.  $(X+M)/GNP$ , measured in PPP-terms and calculated from World Development Indicators 2001, Table 6.1. The hypothesis is that there is a negative correlation between a change in share of trade in GNP and the value of the democracy index (remember, the more democracy, the lower the index value). Again, a correlation calculation yields  $r^2= - 0,19$  which means that there is just about a significant correlation at the 90 per cent level between the FH measure of change in openness and democracy ( $n=75$ ). Again, the hypothesis that openness and democracy are positively correlated cannot be rejected.

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<sup>26</sup> Milner and Kubota (2001).

<sup>27</sup> The methodology, criteria, etc that have been developed over the years can be found on [www.freedomhouse.org](http://www.freedomhouse.org).

<sup>28</sup> E.g. Argentina, Belize, Bolivia, Cap Verde, Costa Rica, Mauritius, Panama, South Africa, Surinam, Taiwan, and Uruguay. Just above the value 2 one finds most Caribbean countries and also Benin, Botswana, Bulgaria, Dominican Rep., Ghana, Guyana, India, Jamaica, S Korea, Madagascar, Mali, Mexico, Mongolia, Namibia, P.N.G., Philippines and Thailand. The least democratic ones take on numbers at the other end of the scale, like Algeria, Angola, Belarus and most other CIS-countries, Bahrain, Brunei, Burma, Cameroon, China, Cuba, Egypt, Iran, Kenya, North Korea, Libya, Pakistan, Qatar, Saudi Arabia, Sudan, Swaziland, Syria, Tunisia, Uganda, U.A.E., Vietnam and Zimbabwe.

Finally, one may note one of the poll results of *Table 2*, viz. point 5. Respondents were asked about the perceived effect of globalisation on different aspects of life. Globalisation was regarded as much more positive than negative for “Human rights, individual freedom and democracy”.<sup>29</sup>

Summing up: It may be that the character of political regimes has a direct effect on trade policy, and – at the very least – it seems very plausible that openness and democracy go together. If so it has important implications for the present conflict over the value of globalisation. If the causality goes from openness to democracy, and anti-globalists’ demand for less openness and reduced world economic integration was satisfied, it would mean reduced prospects for democratic development. Accepting the positive effect of democracy on governance, famine prevention, and peace, less openness would be negative for poverty reduction, over and above the traditional arguments in favour of division of labour through international trade.

If – on the other hand – the causality goes from democracy to openness – e.g. in the developing countries as suggested by Milner and Kubota (2001) – the anti-globalists would have two channels for their argumentation: first to argue directly against international trade and investment and, second, to argue against the spread and enhancement of democratic rule in poor countries. Alternatively put, the Milner-Kubota result point to a choice that would have to be made with regard to developing countries between either (i) more democracy and more openness, or (ii) less democracy and less pressure for openness.

## **7. WTO and accountability.**

Anti-globalisers criticise WTO for working without proper democratic accountability and being dominated by a few countries leaving the others outside. Member governments have handled this criticism by improving transparency, public observation and openness to the press.<sup>30</sup>

Focussing on the European perspective, the EU Commissioner for External Trade, Pascal Lamy, in 2001 provided four suggestions to “democratise WTO”. First, Lamy suggested more transparency “at home” in member countries. Second, “a closer involvement of Parliaments in WTO matters, both in capitals and in Geneva”. Third, “a substantial reinforcement of the rights of the European Parliament [EP] in the formulation and control of trade policy”. Finally, Lamy thought, “there is merit in discussing the establishment of a WTO Parliamentary Consultative Assembly”.<sup>31</sup> While there seems to be little reason to oppose the first proposal, and to support the second (see below), there are important argument against the last one.

A Parliamentary Consultative Assembly of the WTO would cause constitutional confusion. First, the WTO is set up as late as in the mid 1990s as an intergovernmental organisation where governments are represented. In such a system there is no decision shaping or decision making role for a parliamentary body. However, the body will probably have difficulty in defining its role and can turn out to be just a costly and pseudo-democratic side-scene. The end result could be just the

<sup>29</sup> An aggregate view of the meaning of the other economic variables of Table 2 is hard to formulate since they seem rather contradictory.

<sup>30</sup> See Sampson (2001).

<sup>31</sup> Lamy (2001).

opposite one to the proclaimed one, viz. to discredit the WTO. Second, all delegates would not be elected (directly or indirectly) through a democratic procedure (China and Saudi Arabia, again are clear examples). Third, also “at home” – in the WTO’s democratic member states – a “Consultative Assembly” would cause constitutional confusion about the roles of the executive and legislative branches in the area of external trade policy.

Democratically elected parliamentarians and free media are two of the most important democratic control mechanism. Considering Lamy’s second suggestion, it may well be an advantage for the WTO and the domestic debates in member states, if a larger number of democratically accountable persons learned more about the world trading system, what the WTO can and *cannot* do. In any way, with enhanced globalisation WTO-related issues become increasingly domestic and more important in domestic politics. With regard to parliamentarians, e.g. 2-3 members of a country’s parliament could be attached to the task of following WTO-matters more closely. They could do this at home – through hearings and investigations in parliamentary committees – as well as through a regular *observer* participation in e.g. WTO-seminars on specific issues, key countries/country groups and systemic aspects of world trade. To achieve this enhancement of accountability, there is no need for any new international agreements or bodies but only national decisions by national parliaments to become more active in this area. (Some already have such arrangements.)

### **8. Concluding remarks. The globalisation paradox.**

Globalisation, in the sense used in this paper, through an enhanced global division of labour opens up *increased possibilities* for citizens as well as governments. Potentially all citizens can enjoy the fruits of increased specialisation e.g. in the form of higher incomes and a larger menu of goods and services to choose from. Governments can exploit a larger tax base and provide more public goods and services, as well as transfers. Globalisation is also likely to enhance democracy. However, globalisation at the same time *reduce governments’ room for manoeuvre* because of a more intensive international competition, and international rules, like those of WTO. This is a paradox of globalisation. Unfortunately the global anti-globalist movement seems unable to see but the latter part of this paradox in spite of being a typical product of the globalisation age.

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Table 1a

Poll on attitudes to globalisation, 25 countries, representative samples of 1000 citizens, Oct-Dec 2001.

Globalisation defined as increased trade between countries in goods and services, and investment.

Country	PPP GNP per capita	Percieved effects of globalisation on respondent and family			"Will the economy of our country get better or worse because of globalisation?"			"Will the number of jobs in our country get better or worse because of globalisation?"		
		1998	Negative	Positive	4 minus 3	Worse	Better	7 minus 6	Worse	Better
1	2	3	4	5	6	7	8	9	10	11
USA	29240	21	76	55	27	65	38	45	46	1
Canada	22814	22	74	52	34	59	25	45	47	2
France	21214	34	37	3	57	31	-26	72	17	-55
Germany	22026	20	77	57	37	59	22	70	28	-42
Italy	20365	22	61	39	21	62	41	29	48	19
UK/GB	20314	22	73	51	25	64	39	43	44	1
Netherlands	22325	13	87	74	26	75	49	41	59	18
Spain	15960	33	36	3	34	39	5	48	24	-24
Australia	21795	35	60	25	29	63	34	58	33	-25
Japan	23592	12	32	20	43	40	-3	76	10	-66
Qatar South	18871	11	78	67	11	88	77	21	75	54
Korea	13286	21	75	54	36	62	26	52	45	-7
<i>Avg. above</i>	<i>20984</i>	<i>22</i>	<i>64</i>	<i>42</i>	<i>32</i>	<i>59</i>	<i>27</i>	<i>50</i>	<i>40</i>	<i>-10</i>
Argentina	11728	48	39	-9	69	24	-45	73	22	-51
Brazil	6460	27	62	35	41	51	10	54	39	-15
Chile	8507	20	60	40	30	55	25	42	40	-2
China	3051	10	75	65	10	83	73	41	49	8
India	2060	15	79	64	26	69	43	50	43	-7
Indonesia	2407	16	74	58	57	40	-17	65	33	-32
Kazakhstan	4317	11	60	49	11	69	58	19	59	40
Mexico	7450	23	69	46	34	54	20	41	45	4
Nigeria	740	10	70	60	31	61	30	28	59	31

Russia	6180	13	32	19	17	46	29	26	33	7
South Africa	8296	18	61	43	46	42	-4	61	28	-33
Turkey	6594	61	27	-34	43	45	2	13	70	57
Venezuela	5706	13	87	74	30	65	35	39	55	16
Avg. above	5654	22	61	39	34	54	20	42	44	2

Colombia

Poland

Portugal

Taiwan

Note: "In each country, face-to-face or telephone interviews were conducted with representative samples of 1000 citizens (for a total of 25000). Each national poll is accurate to within +/- 3 percent, 19 times out of 20." The GNP of U.A.E. is taken as proxy for Qatar's GNP.

Source: Data from World Economic Forum, February 2002, World Development Indicators.

<b>Table 1b</b>							
<b>Poll on protection vs. free trade, 20 countries, representative samples (urban/quasinational samples in Argentina, Brazil, China, Mexico, S. Africa, Turkey)</b>							
Country	"Which of the following two broad approaches do you think would be the best way to improve the economic and employment situation in your country?"				"Nowadays, multi-national companies sell things such as soft drinks, television sets, computers, and cars in this country and world-wide. Do you think that being able to buy such multi-national products in this country is a good thing for people like yourself, not such a good thing, or it doesn't make a difference?"		
	"Protect our industries by restricting imports from other countries?"	"Remove import restrictions to increase international trade with other countries?"	13 minus 12		"Good thing"	"Not such a good thing"	"Doesn't make any difference"
1	12	13	14	15	16	17	18
USA	51	41	-10	51	11	36	40
Canada	43	49	6	48	13	38	35
France	51	40	-11	25	24	48	1
Germany	40	49	9	54	12	33	42
Italy	43	46	3	33	21	41	12
UK/GB	47	41	-6	56	12	31	44
Netherlands							
Spain	40	40		43	20	31	23
Australia	60	30	-30	44	21	32	23

								21
Japan	43	53	10	69	8	23		61
Qatar								
South Korea	36	58	22	47	28	20		19
<i>Avg. above</i>	45	45	-1	47	17	33		30
Argentina	77	18	-59	21	46	26		-25
Brazil	49	43	-6	45	17	37		28
Chile								
China	28	61	33	67	12	19		55
India								
Indonesia								
Kazakhstan								
Mexico	43	54	11	38	42	20		-4
Nigeria								
Russia								
South Africa	44	47	3	56	12	28		44
Turkey	37	48	11	36	29	21		7
Venezuela								
<i>Avg. above</i>	46	45	-1	44	26	25		18
Colombia	50	48	-2	38	26	36		12
Poland	56	34	-22	44	25	25		19
Portugal	49	40	-9	60	7	27		53
Taiwan	31	51	20	55	7	34		48

**Table 2. The perceived relationship between globalization and 15 statements, 25 countries, Oct-Dec 2001.**

Percentage saying "better" or "worse"

Statement	Worse	Better	Difference
1. Access to foreign markets	22	66	44
2. Availability of inexpensive products	25	63	38
3. Your family's quality of life	23	60	37
4. Natural cultural life	28	60	32
5. Human rights, individual freedom and democracy	28	57	29
6. National economy	33	56	23
7. Your income and buying power	27	54	27
8. Economic development in poor countries	36	51	15
9. Quality of jobs in country	39	48	9
10. World peace and stability	38	47	9
11. Workers' rights, working conditions and wages	40	47	7
12. Economic equality in the world	40	45	5
13. Number of jobs in country	46	42	-4
14. World poverty and homelessness	45	41	-4
15. Environmental quality in the world	47	41	-6

Source: Data from World Economic Forum, February 2002.