



Harvard Model Congress Europe 2010

GROUP OF EIGHT

Globalization and the Developed World: Update

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Introduction & Summary of the Problem

Since the 1950's, due in large part to advances in technology, globalization has caused the world to become more **interdependent** and **homogenous** than ever before. However, whether the net effect of this process of integration is positive or negative is still open to some debate; specifically, the economic aspect of globalization. The new economic scene has had the single greatest international effect. Consumers today in all countries benefit from lower prices and greater choice than ever before. Additionally, globalization has also meant the freer movement of people across borders because of better job opportunities, higher salaries, and more stable conditions. However, while globalization has had many positive effects on the world such as these, there is currently an anti-globalization movement which is concerned about the negative effects of globalization on the less developed and poorer countries around the world; specifically the negative effects that occur on the less productive domestic industries in these countries due to this opening of their borders to international trade.

The anti-globalization movement is a major concern for the G8 as we are regularly targeted as and criticized for being "too capitalistic." G8 nations are often criticized for giving our multinational corporations too much freedom to exploit the resources and labor of developing countries. And while many of the negative accusations against the G8 are baseless or outdated, the argument that rich countries should legislate for higher standards for multinationals does indeed hold some merit. Thus, the G8 must address concerns such as whether or not there should be limits placed on the subsidization of export industries (a serious concern of many developing nations) as well as if the G8 should encourage more international aid giving and more forgiveness of third world debt. It is in the best interest of the G8 to work towards dispelling these criticisms and myths, for halting globalization would be a detrimental move for all parties concerned. Although it does have some drawbacks, globalization has brought huge economic benefits to both the developed and many parts of the developing world. Expanded trade and investment has, on the whole, created jobs and led to higher incomes and levels of material wellbeing, as the **theory of comparative advantage** predicted.

interdependent – *reliance on each other, mutually dependent*

homogenous–*uniform, less diverse, the same*

theory of comparative advantage–*suggests that countries should specialize in the goods they can produce most efficiently rather than trying for self-sufficiency; argues strongly in favor of free international trade*

Focus of Debate

As mentioned above, it is in the best interest of the G8 to confront head-on the more legitimate and reasoned criticisms of our policy on globalization. For if they are not resolved and public opinion shifts against globalization and the G8, our authority will be undermined. Intensified anti-globalization and anti-G8 sentiment could lead to a number of serious negative consequences. And if the G8 loses credibility, politicians may be more hesitant to ratify proposed G8 policy, thus rendering us an ineffective institution. Policies such as trade and immigration barriers, the breaking up of multinationals, and the rise of nationalist economic and social policies could be implemented and this would work to un-do many of the economic and social gains that have been made. Thus, the focus of the debate will be on what policies the G8 nations can and are willing to change in order to make globalization more favorable and fair to the developing countries while still benefitting the developed nations of the world. An important topic to consider carefully is the issue of US and EU agricultural subsidies which cause overproduction by European and American farms, thus greatly depressing world food prices and forcing farmers in developing countries out of the market.

Recent Developments & Questions to Consider

The Doha Development Round & The Recovering Economy

The Doha Development Round of trade negotiations, hosted by the World Trade Organization, will continue on in 2010 hopefully moving past last year's deadlock. In fact, the first agriculture negotiations sessions of the year occurred on January 21st & 22nd. And while these discussions were largely regarding the technical work the needs to be done regarding **market access**, delegates prepared to take up more substantive issues in the first week of February. New Zealand Ambassador David Walker, who chairs the talks, laid out his plans for the negotiations scheduled to occur in February and March of this year. He told the press that while the focus is currently on the more technical issues of preparing blank tables and forms (called "templates")—in which member nations will be able to list their new commitments on opening markets or cutting tariffs or subsidies arising from the negotiations—and compiling data, once this process is completed the negotiations will really begin. In his summary of the December and January meetings, Mr. Walker discusses an EU presentation to the delegates on its Meursing Table and how this could be simplified. "The EU uses the Meursing Table to determine the customs tariffs for some processed agricultural products based on what they are made of. These products include confectionary, cakes and biscuits. Their tariffs are defined according to the level of milk fats and proteins, sugar and starch they contain. The table results in a possible 27,720 combinations of tariffs which the EU has offered to reduce to less than 300" (WTO).

market access – the conditions, tariff and non-tariff measures, agreed by members for the entry of specific goods into their markets

Hopefully this promised progress, coupled with the slow recovery of the American & World-wide economies, will lead to positive developments and prevent people and governments from using financial globalization as the **scapegoat** for the spread of economic turmoil and thus remove their desire to erect economic barriers—a practice which would reverse much of the progress made in recent decades. For while the implication that globalization helped spread the current economic crisis holds merit, there are other ways aside from erecting barriers to free-trade which the G8 nations ought to consider in order to limit this propensity for a downturn or financial crisis to spread globally so quickly. For example, greater regulations on global financial markets and capital flows may place some limits on globalization, but these could be beneficial in the long run if they decrease the risk of another deep global economic crisis. This slight increase in regulation will also help to satisfy the demands of the anti-globalization movement and other groups who consider the risks associated with free and unmonitored flows of capital to be too great. It is up to you to decide where the compromise between regulation and free-flow of capital, between the rich world's globalization agenda and the anti-globalization movement's social agenda, between capitalism and morality, should be struck.

scapegoat—*a person or group made to bear the blame for others or to suffer in their place.*

Conclusion

Globalization is a complex issue with many aspects – some positive and others negative. In recent decades, it is been a positive force for change overall. But although globalization has much more positive potential than negative, there are certain groups which are opposed to it. Due to the current world-climate, their voices are becoming stronger and are threatening this process, as well as the G8's effectiveness. It is important that you, as a leader of a G8+5 nation, to consider how to treat the varied concerns of the anti-globalization movement. Separating concerns that are legitimate from those that are based in blind ideology will require a keen judgment, and creating solutions to these negative consequences of globalization will require cooperation and creativity. Possible solutions range from increasing fair trade (i.e. removing trade barriers such as the subsidies used by the US & EU to help the developing nations compete) to strengthening international regulation (i.e. utilizing institutions such as the WTO and IMF as well as individual governments and corporations to ensure that freer and fairer trade is promoted via the elimination of things such as trade barriers and protectionist policies). I am confident that you are up to the task of determining which path is the best and ensuring that the G8 remains an efficacious institution.

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