

ECONOMIC GLOBALISATION

I want to do something a bit different and make many of the points I would want to make by looking at the world of bananas, something I have been writing about recently(!).

Bananas have become one of the basic foods that we all eat today: so basic that the banana is the world's most popular fruit, worth £5bn a year, and in the UK 95% of households buy them. We eat more bananas than we do apples and they are the most valuable food product in supermarkets, outsold only by petrol and lottery tickets.¹ Yet, my parents' generation almost never ate them, so what has happened in the world to make bananas such an ordinary part of life in the UK, rather than an exotic fruit that we rarely see?

Let us look at the story of the Banana War and forgive me if this is familiar stuff to most of you. Traditionally, Britain and the rest of the European Union have bought their bananas from their former colonies, particularly the Windward Islands in the Caribbean. Britain invested into the original plantations and Geest, the company that buys and sells most of the bananas, is a British company. The Lome Convention in 1975 formalised the EU's commitment to continue to import bananas from the Windward Islands. This commitment was crucial since the Windward Islands are almost totally reliant on their banana industry and are able to charge a better price for their bananas than producers elsewhere.

However, 80% of the bananas involved in international trade are controlled by the big three American companies: Chiquita, Dole and Del Monte. Not liking the EU protectionist policy on bananas, America complained to the World Trade Organisation (WTO) who ruled in favour of the USA. When the EU refused to back down the US struck back and put import tariffs, in the end worth \$191.4m, on EU exports (hitting companies such as Arran Aromatics in Scotland which found 40% of its turnover effected). It might come as no surprise that the American complaint to the WTO came just days after Chiquita donated \$500,000 to the Democratic Party and that the tariffs were enforced by the Republican-controlled Congress after Chiquita donated \$350,000 to them...

The Banana War is a good illustration of the way economic globalisation works in our world today. It is based on the principles of free-trade market capitalism and the rules for how this works are governed by the WTO, established in 1995. This system has produced enormous benefits, but it has also contributed to the global problems that we touched on in the first chapter. We will look at this in more depth in the chapter on Globalisation, but our main point for now is that Joseph Stiglitz, the former Chief Economist at the World Bank, has said that they take "privatisation and trade

¹ Fairtrade Foundation.

liberalisation as ends in themselves, rather than means to more sustainable, equitable and democratic growth".²

So let us return to our bananas. The situation that we have today is one where the overwhelming majority of the bananas that we consume today are produced in appalling circumstances. There are two main issues here. Firstly, the plantation workers live in poverty. In Ecuador, for example, the workers are paid just \$1 a day and some independent producers get only 3 pence per pound, which does not even cover costs. On average, the producer gets only 5% of the price of a banana: as with many other commodities exported to the North, 90% of the price stays in the North and is never seen by the producer.

Secondly, vast quantities of chemicals are used to treat the banana during its production. Plantations in Central America apply 30kg of active ingredients per hectare per year - this is more than ten times the average for intensive farming in industrialised countries. In Costa Rica, three-quarters of banana workers suffer from skin lesions and 20% of the male workers became sterile due to handling pesticides whilst entire communities suffer from indiscriminate aerial crop spraying.

The impact on the environment need hardly be stated, let alone the fact that massive deforestation has taken place to provide the land for the plantations. The effect that all these chemicals have on those of us who eat them is something we shall consider in a later chapter. It is interesting to note, however, the response of a banana worker in Guatemala on a Chiquita plantation on being asked if he ever ate the bananas he produced: " Good Lord, no!... People in places like this don't eat the fruit they cut. I guess we know better".

So is anything being done to counteract this situation? The answer, of course, is 'yes' to both and that answer is Fair Trade and campaigning. Fair Trade schemes work direct with cooperatives, cutting out the middlemen. They guarantee a fixed minimum price, however low world prices may fall, and if prices rise above this some schemes (such as Cafédirect) pay an extra 10% social premium. They often help beyond just the pay with business development programmes and other advice. Fair Trade schemes are incredibly beneficial to the producers. For example, despite the recent coffee crisis, those registered with the official Fair Trade scheme were able to escape its worse effects and still invest in other essential things such as healthcare and education. Similarly, when Hurrican Mitch swept across many countries in 1998, those under a Fair Trade scheme were able to recover.

Alongside Fair Trade, many NGOs are campaigning to see a change in how bananas are produced. On a broader level, in

² Cited in Oxfam Policy Paper on globalisation.

the UK there is currently running a Trade Justice Campaign, signed up to by virtually all the main NGOs involved in these issues, which is campaigning to see the global trading rules changed.³

From this look at bananas, what are the main points to highlight?:

- Economic globalisation is based on the principles of free-trade market capitalism (sorry to state the obvious!).
- The rules for how this works are governed by the WTO.
- The WTO and other main global financial institutions (the World Bank and International Monetary Fund) give free trade priority above all else and at the expense of important issues such as the environment and human rights.
- The prices of commodities are at the mercy of market forces, with huge amounts of money sloshing around the world every day.
- Economic globalisation is dominated by the huge TNCs; in this case by the three big banana companies. These companies are often larger, financially, than the countries in which they operate and hence can control how they do things.
- The majority of the TNCs are American, thus leading to the feeling that America rules economic globalisation.
- Those who do not have the resources to participate are left in poverty.
- Human rights and environmental concerns are not catered for in a world that races for that 'bottom dollar'.
- Not everyone is content with the current situation and there are those who will fight to see things change and will use their voice and their purse in that fight. It needs to be noted that those who come under the media-coined 'anti-globalisation movement' say clearly that they are not anti globalisation, but anti *economic* globalisation.

Few would seriously doubt that global capitalism is undoubtedly the best way of moving goods and services around and that many people and countries have benefitted from it. However, poverty and inequality seem to be so endemic to globalisation and a key debate centers around what causes that.

The debate splits, on the one hand, into those who think that markets are the way of creating wealth and that those who would stop markets acting efficiently (by making a special case for poor countries) will in the end destroy the wealth of those nations. In other words, it may be a tough option but in

³ See www.tradejusticecampaign.org.uk.

the long run joining world markets is the only way to create wealth. These people note the number of countries whose wealth has risen remarkably because they have become more open to markets. Such people also argue that many countries are held back, not by unfair terms of trade, but by internal corruption or by the lack of an economic infrastructure which would allow them to deliver the goods in world markets (eg education, communication systems, trained labour force etc.). This side of the debate wants markets to do all the work and no government interference.

On the other hand, the protesters are those who think in terms of power. They see the gap between rich and poor widening and blame the growth of global capitalism for that gap. They point out that the collapse of communism has led to a much more ruthless kind of capitalism. They see that way to change the operation of multinationals is by exposing their practices in the press and protesting publicly about their power. This side of the debate wants massive intervention to stop poverty caused by capitalism and partnership between nation-states, NGO's, Multinationals and Global Agencies to bring about reform.⁴

Coming from a Christian perspective there would, of course, be other factors that we would want to bring in. It could, for example, be claimed that the pro-Capitalists (such as Micklethwaite and Wooldridge in, A Future Perfect) are too optimistic about the basic goodness of human nature.

The events of September 11 bring many of these issues into sharp relief and cannot go ignored. Peter Hain has commented that these events, "have taught us that the investment we make in sustainable development worldwide is as much a part of our security as the investment we make in our armed forces". Similarly, it is interesting to note the CIA's warning before September 11 that, "the global economy will create many winners but... behind will face deepening economic stagnation, political instability and cultural alienation that will foster political, ethnic, ideological and religious extremism along with the violence which often accompanies it".⁵

How can we begin to formulate an answer? How can we be a part of that answer ourselves and encourage others to be so too? I look forward to learning off you all!

Ruth Valerio

⁴ My thanks to Roy McCloughry for clarifying these two sides for me.

⁵ Both quotes from Guardian article, 5.11.01.