



Part I: Global outlook



Chapter 1

Globalization: a historical and multidimensional perspective

In the past decade the concept of globalization has been employed widely in academic and political debate, but the meanings attributed to the term are far from consistent. In this document it is used to refer to the growing influence exerted at the local, national and regional levels by financial, economic, environmental, political, social and cultural processes that are global in scope. This definition of the term highlights the multidimensional nature of globalization. Indeed, although the economic facet of globalization is the most commonly referred to, it acts concomitantly with non-economic processes, which have their own momentum and therefore are not determined by economic factors. In addition, the tension that is generated between the different dimensions is a pivotal element of the process. In the economic sphere but also —and especially— in the broadest sense of the term, the current process of globalization is incomplete and asymmetric, and is marked by major shortcomings in the area of governance.

The dynamics of the globalization process are shaped, to a large extent, by the fact that the actors involved are on an unequal footing. Developed-country governments, together with transnational corporations, exert the strongest influence, while developing-country governments and civil society organizations hold much less sway. Moreover, these actors, particularly developed-country governments, reserve and exercise the right to take unilateral and bilateral action and to participate in regional processes, concurrently with their participation in debates and negotiations of global scope.

The meaning of the term “globalization” as used in this document is positively couched and is intended to serve the purposes of analysis. It does not embrace the normative use of the concept as referring to the only possible road to the full liberalization and integration of world markets, which is seen as the inevitable and desirable fate of all humankind.¹ The history of the twentieth century refutes such a view, as the period between the world wars was marked by a long and conflictive reversal of the internationalization process. The development of multilateral institutions which has accompanied this process over the last two centuries and the current debate on global governance show that there is not just one possible international order, nor is there a single way of dividing responsibilities among global, regional and national institutions and agencies. Moreover, the course of events in developed and developing countries has revealed that there are many ways to carve out a position in the global economy (ECLAC, 2000; Albert, 1991; Rodrik, 2001a). The differences are a reflection of each country’s history and its perception of the opportunities and risks involved in becoming integrated into the world economy.

This chapter presents an initial approach to the process of globalization as a whole. The first section gives a general description of the history and economic dimensions of the process, and the following section analyses the main non-economic factors (ethical, cultural and political principles). The chapter concludes with an analysis of the opportunities and risks inherent in globalization.

I. The globalization process

The contemporary process of internationalization dates back to the emergence of capitalism in Europe in the late Middle Ages, the new scientific and cultural thinking embodied by the Renaissance and the establishment of the great European nations and their empires. The expansion of capitalism is the only historical phenomenon to have been truly global, albeit incomplete, in scope. To a greater extent than other parts of the developing world, the history of Latin America and the Caribbean has been strongly influenced by this phenomenon ever since the late fifteenth century.

Modern historians distinguish a number of stages² in the last 130 years of globalization which, with a few adaptations, will be employed here. The first phase, from 1870 to 1913, was marked by great capital and labour mobility, together with a trade boom which was the result of dramatically reduced transport costs rather than of free trade. This phase of globalization was cut short by the First World War. As a result, in the 1920s it was impossible to resume the trend of previous years, and in the 1930s the globalization process was openly reversed.

After the Second World War, a new stage of global integration began. This period consisted of two entirely different phases. The watershed events of the early 1970s that marked the changeover from the first to the second included the disintegration of the macroeconomic regulation regime established in 1944 in Bretton Woods, the first oil crisis, the increasing mobility of private capital —intensified by the first two phenomena— and the end of the “golden age” of growth in the industrialized countries (Marglin and Schor, 1990). If the early 1970s are taken as the turning point, then an earlier phase of globalization can be identified, which lasted from 1945 to 1973. This period was characterized by a major effort to develop international institutions for financial and trade cooperation and by a significant expansion of trade in manufactures between developed countries. It was also marked by widely varying models of economic organization and limitations on the

¹ Helleiner (2000) presents a comparison of these two visions.

² See Maddison (1991, 1995 and 2001); O’Rourke and Williamson (1999); Dowrich and DeLong (2001); Lindert and Williamson (2001) and O’Rourke (2001). The starting point, set at around 1870, is somewhat arbitrary, but it reflects the incipient and still limited integration at the international level (and even at the domestic level, in large countries) of goods, capital and labour markets up to that time, as well as the restricted scope of the industrialization process in most of the countries that formed the nucleus of the world economy.

mobility of capital and labour. The final quarter of the twentieth century ushered in a third phase of globalization, with the gradual spread of free trade, the growing presence on the international scene of transnational corporations operating as integrated production systems, the expansion and notable mobility of capital and a shift towards the standardization of development models. At the same time, restrictions on the movement of labour persisted.

This long process has been fuelled by successive technological revolutions and —most of all— by advances that have cut the costs of transportation, information and communications.³ The shortening of distances, in the economic sense of the term, is a cumulative effect of cost reductions and of the development of new means of transport, in combination with the capacity for the “real time” transmission of information, starting with the invention of the telegraph and expanding with the telephone and the television. Access to information on a mass scale, however, became possible only with the development of information and communications technologies in recent years. These technologies have drastically reduced the cost of access to information, though not, obviously, the cost of processing it or, therefore, of making effective use of it.

Advances in transportation, information and communications are part of a wider range of technological innovations which have resulted in unprecedented leaps in productivity, economic expansion and increased international trade. In the European countries, the large capital cities have been engaged in international trade since inception of modern capitalism (Braudel, 1994). The internationalization of corporate production dates back to the late nineteenth century, when it emerged as a by-product of economic concentration in the industrialized countries. In fact, this is the phenomenon that marked the birth of transnational corporations. From the 1970s on, it became increasingly common for labour-intensive tasks, such as assembly or *maquila* activities, to be outsourced in other countries, in a trend facilitated by the reduction in transport costs and the trade regulations established by the industrialized countries. This was the first step towards the development of integrated production systems, in which production can be divided into various stages (“dismemberment of the value chain”). In such systems, the outsourcing plants or firms in different countries can then specialize in the production of certain components, in particular phases of production, or in the assembly of specific models.

These changes in the structure of production and trade have made major players of large corporations and business conglomerates. In fact, the development of integrated production systems and increased flows of trade and foreign direct investment go hand in hand with the growing influence of transnational corporations. The key factor has undoubtedly been the liberalization of trade, financial flows and investment in developing countries, whose pace has increased in the last two decades. These phenomena are partly to account for the huge wave of foreign investment and the marked concentration of production at the world level which were a hallmark of the final decade of the twentieth century.

As in the case of trade, international financial transactions originated in Europe at about the same time as modern capitalism (Kindleberger, 1984; Braudel, 1994). In the nineteenth century, London was the main international financial centre and presided over the consolidation of the gold standard as a system of international payments and macroeconomic regulation. Paris and —by the early twentieth century— New York were its closest competitors. The subscription of capital for large-scale projects, especially in infrastructure and natural resources, and the creation of an international market in public debt bonds were the predominant modalities of long-term international capital movements during the first phase of globalization. These developments were then joined by systems for financing international trade, with the emergence of an incipient

³ In fact, globalization could not have come about without the railway, the steamship and the telegraph in the nineteenth century; the construction of canals connecting oceans (Suez in 1869 and Panama in 1903); automobiles, aeroplanes, telephones and television in the twentieth century; and, of course, the revolution in information and communication technologies in the final decades of the twentieth century.

international banking network. Long-term financing arrangements were then hit by a series of crises, however, and nearly disappeared as a result of the worldwide depression of the 1930s, the collapse of the gold standard and the massive moratoriums that ensued. As a response to this situation, the Bretton Woods agreements were adopted in 1944 with a view to creating a multilateral system of macroeconomic regulation based on fixed but adjustable exchange rates and on financial support for countries threatened with balance-of-payments crises. Another response was the establishment of an official international banking system at both the national level (export and import banks) and the multilateral level (World Bank and, later, Inter-American Development Bank and other regional banks).

In the 1960s, long-term international private flows reappeared, thanks in part to a new phase of global economic stability, but also to other factors: the surplus of dollars that built up in the 1960s and of petrodollars in the 1970s; the abandonment of the Bretton Woods system of fixed rates and the flotation of the main currencies in the early 1970s; the rapid development of institutional saving in the 1980s, led by the United States and the United Kingdom; and the emergence of an increasingly large financial derivatives market in the last decade of the twentieth century, which made it possible to hedge the risks associated with different financial assets and liabilities.

Globalization has proceeded at a faster pace in the financial sphere than in trade and production, and it can reasonably be argued that we live in an era in which the financial sphere holds sway over the real sector of the economy (ECLAC, 2001a). Both processes are taking place within a framework of profound institutional restructuring at the global level. And the essence of that process has been the liberalization of international current and capital transactions. The design of new global economic rules continues to be inadequate, however, and clearly suffers from institutional gaps.

On the other hand, there has been no corresponding liberalization of labour flows, which are subject to strict regulation by national authorities (except among the member countries of the European Union). This is one of the major differences between the first and current phases of globalization. The first was marked by two major migration flows: of European labour to temperate zones and of largely Asian labour to tropical areas. Together, these two migrations encompassed around 10% of the world population of the time (World Bank, 2002a).

In addition, the regulation of migratory flows is biased against unskilled labour, which consequently tends to seek out irregular channels. This exposes immigrants to abusive practices by traffickers, heightens their defencelessness against the authorities and generates further downward pressure on wages for unskilled labour in the receiving countries. The existing modalities for regulating migration absorb the most highly qualified—and relatively scarce—human resources from developing countries. The segmentation of labour mobility therefore exacerbates income disparities between workers with different skill levels in both their home and their host countries.

A number of other factors that are closely associated with economic activity have taken on great importance at the world level. One of these is the extent of global environmental problems. In the past three decades it has become clear—and has been scientifically documented—that the planet is facing an unprecedented situation as a result of the increasing scale and cumulative effect of human activity. The impacts are worldwide and include global warming, the thinning of the ozone layer, the decline in biodiversity and the spread of desertification and drought, which have taken on the perverse dimension of “global public ills”. This has highlighted the increasing ecological interdependence among countries, which has made the current moment in history unique (ECLAC/UNEP, 2001). The need to reverse these processes has given rise to new imperatives and opportunities for international cooperation, and the threat they pose to the sustainability of economic growth has been debated widely and at length. The responses that have been developed thus far, however, are clearly inadequate given the magnitude of these problems.

Another variety of “global public ills”, also linked to economic activity, is the spread of international crime: the production, trade and consumption of narcotics, and their close linkage with terrorist financing, arms trafficking and the international circulation of illicit capital generated by drug trafficking and by the different forms of corruption that transcend national boundaries. The system has been slow to recognize need to control the circulation of illicit capital in both developing and developed countries as well as in offshore financial centres because special mechanisms to monitor the circulation of illicit funds require existing bank secrecy arrangements to be scaled back. Unfortunately, the systems that have been developed thus far do not include measures to combat corruption.

II. Non-economic dimensions

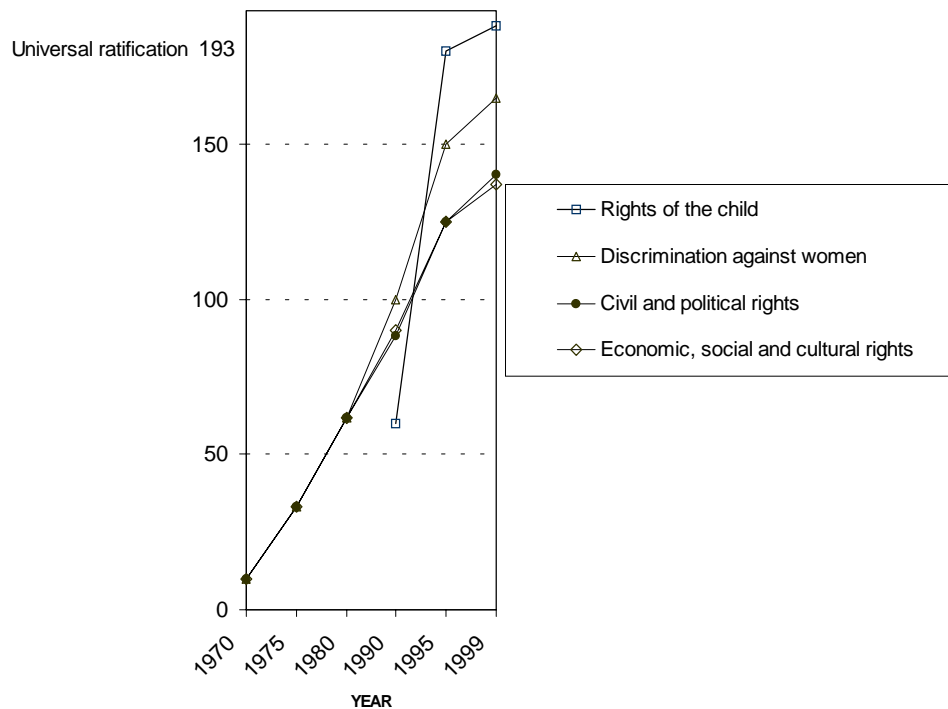
1. Ethical and cultural dimensions

Economic globalization is taking place alongside other processes that have a dynamic of their own. One of the most positive of these processes is what ECLAC has termed the “globalization of values”. This concept refers to the gradual spread of shared ethical principles (ECLAC, 2000a) and is manifested most clearly in declarations on human rights. The two main dimensions of concern here are: (i) civil and political rights, by virtue of which individuals have autonomy from the power of the State and are entitled to participate in public decision-making; and (ii) economic, social and cultural rights, which reflect the values of economic and social equality, solidarity and non-discrimination. This process has also found expression in the accession to United Nations human rights conventions by a growing number of governments (see figure 1.1). This phenomenon is reflected in the declarations issued by the participants in world summits held under United Nations auspices on the environment, social development, population, women and the rights of the child, among others. The Millennium Declaration (United Nations, 2000) is one of the most comprehensive expressions of the principles agreed upon at those summits.

It is important to note that, like economic globalization, this “globalization of values” has a long history linked to the aspirations of international civil society. Its most recent manifestation is the formation of a “global civil society” whose capacity for mobilization and the exchange of information has been multiplied by the new information and communications technologies. The history of this society dates back to the liberal internationalism that emerged in the wake of the American and French revolutions in the late eighteenth century, which was spelled out most clearly in the French revolution’s Declaration of the Rights of Man and of the Citizen. As is well known, these values strongly influenced the independence movements in Latin America and the Caribbean, which began when the Haitian revolution broke out in 1791 as a direct consequence of the French revolution.

Whereas the civil and political rights enshrined in the Universal Declaration of Human Rights adopted within the United Nations are rooted in the liberal movements of the late eighteenth century, the International Covenant on Economic, Social and Cultural Rights is a product of the social movements of the nineteenth and twentieth centuries; their chief political manifestation has been the International Socialist Organization in its successive forms. In addition, feminist internationalism had a decisive influence, throughout the twentieth century, on the recognition of women’s equal rights, while environmental internationalism has played a major role since the 1960s in incorporating sustainable development principles into national and international agendas (from Stockholm in 1972 to the United Nations Conference on Environment and Development, held in Rio de Janeiro in 1992, and the subsequent series of global environmental conventions). The emergence of ethnic internationalism in recent decades is the latest chapter in this long history of international civil society movements.

Figure 1.1
RATIFICATION OF HUMAN RIGHTS CONVENTIONS
(Total countries)



Source: United Nations, *Treaty Series. Cumulative Index*, No. 25, New York, 1999.

At the same time, it is important to note that this “globalization of values” sometimes comes into conflict with a diametrically opposed type of globalization that reflects the penetration of market-economy values into social relations (in the areas of production, culture and even the family). The tension generated between these shared ethical principles and the extension of market relations into the sphere of values, which is implicit in the concept of a “market society”, is another distinctive feature of the globalization process. This tension sometimes reaches the level of conflict because the international market lacks the mediation mechanisms which the political sphere has traditionally provided at the national level.

In recent years, the long history of social movements has taken on a new dimension: the effort to preserve the identity of peoples and social groups that feel threatened by the tendency towards cultural homogeneity imposed by globalization. This “right to be different” is interrelated in various ways with human rights in the traditional sense, which highlight the equality of citizens, both among themselves and with the State. Thus at the global level, equality and identity are interrelated in quite complex ways.

Globalization simultaneously undermines and fosters cultural diversity. Indeed, whole segments of the world population feel that their unique histories and the values that govern their communities are under threat. At the same time, however, globalization builds closer relationships among different cultural traditions and ways of life, and promotes a plurality of interpretations of the global order.

The speed of this process poses unprecedented challenges. On the one hand, it threatens to turn the enriching dialogue of cultures into a monologue. On the other, interaction opens up cultural opportunities, including those related to the mixture of different cultures, to new and varied groups

and individuals. This process of incorporation through participatory and exclusionary mechanisms has given rise to new forms of organization. New networks, including virtual ones, are replacing the traditional forms of organization of protest movements.

Box 1.1

INCLUSION AND IDENTITY: THE ISSUE OF ETHNICITY

Latin America and the Caribbean is a melting pot of cultures in which diversity and universality are mixed and blended. The region is home to over 400 indigenous peoples comprising 50 million individuals who have gradually been strengthening their ability to organize politically, to assert their ethnic identity and to defend their culture.—Five countries account for nearly 90% of the region's indigenous population: Peru (27%), Mexico (26%), Guatemala (15%), Bolivia (12%) and Ecuador (8%). The Afro-Latin and Afro-Caribbean population totals almost 150 million persons, most of whom live in Brazil (51%), Colombia (21%), the Caribbean subregion (16%) or Venezuela (12%).

At the start of this new millennium, the indigenous, Afro-Latin and Afro-Caribbean peoples of the region have the worst economic and social indicators, enjoy very little cultural recognition and lack access to public decision-making circles. Latin America and the Caribbean are faced with a formidable challenge in this respect. Social integration requires recognition and appreciation of cultural diversity, and this means that States, governments and societies must recognize the rights of the different ethnic groups, incorporate those rights into their legislation and provide the necessary means of exercising those rights. Development policy must also provide opportunities for these populations to develop their potentials and share in the basic codes of modern-day life without losing their identities.

The unprecedented development of the communications media has strongly influenced these processes and has also given rise to new problems. First, it has widened the gap between the cultural norms most broadly disseminated through global channels and the cultural and artistic roots of countries and regions. Second, control of the media, at the national and international levels, is concentrated in the hands of a few. This situation threatens the ideal of cultural diversity, since the control of symbolic exchanges affects identity-building and the formation of opinions and beliefs.⁴ Third, the development of audiovisual media has led to greatly heightened personal expectations. Access to information is not always in balance with opportunities for steady employment and incomes, and, accordingly, for well-being and consumption. Today, more than ever before, the demonstration effect cuts across national boundaries. Lastly, participation in or exclusion from the electronic exchange of information has become a crucial factor for the exercise of citizenship, thereby posing the basic problem of how to prevent the emergence of a gap between those with access to information technology and those who suffer from “electronic invisibility”.

2. The political dimension

International political relations have also undergone far-reaching changes in recent decades. The end of the cold war produced a dramatic change in the climate prevailing among sovereign States, while the exacerbation and increased visibility of a number of local conflicts generated international tensions of a very different nature than those seen before. While these trends had been in evidence since the 1970s, they became consolidated in the closing decade of the twentieth century, particularly as a result of the profound changes that took place after the fall of the Berlin Wall. The heightened predominance of the United States, European efforts to form a bloc capable

⁴ None of the world's 20 largest multimedia groups is Ibero-American, and four of the five largest conglomerates are from the Anglo-Saxon world. In 1999, just four agencies controlled the international flow of news in print. If there is a correlation between these figures and the degree of symbolic influence, it may well be wondered how audible and visible the Latin American and Caribbean region is in the world of today.

of playing a leading role in global economic and political life, the setbacks suffered by Japan, the increased prominence of China and India, and the sudden transition experienced in the former socialist countries were the most salient features of this period.

These sweeping political changes have placed representative democracy in a position of unparalleled predominance. Political discourse is being shaped by an acceptance of the principles of pluralism, alternation of power, division of the powers of the State, election of authorities as a basis for legitimacy and recognition of the majority and respect for minorities, and these principles have begun to be applied much more widely.

Nevertheless, the transformations now under way have raised questions with respect to the functioning of all democratic institutions in societies where information, “image” and the power of money play a fundamental role. These criticisms extend to political parties, legislatures, the relationship between voters and representatives, and even the very meaning of politics, especially, though not exclusively, in the parts of the developing world that suffer from exclusion and poverty. Although democracy is the choice of the majority, there is certainly no scarcity of negative views regarding its workings and its effectiveness in meeting the population’s needs. Since the peace dividend resulting from the end of the cold war has not yielded significant benefits, it has not yet been possible to cash in on the “democracy bonus”.

Despite these difficulties, it is recognized that democracy is the best means of setting a development agenda (Sen, 1999) and that good governance is characterized by a focus on improving the design, management and evaluation of public policy, understood as the analytical and operational unit of government (Lahera, 1999). Nonetheless, government authorities and political leaders are under pressure to win broad local support and, at the same time, to respect the rigid rules deriving from specific forms of globalization. In this connection, it may be categorically stated that the promotion of democracy as a universal value is meaningless if national processes to provide for representation and participation are not allowed to influence the definition of economic and social development strategies or to mediate the tensions inherent in the globalization process.

The reduced capacity of the State has a bearing on the role which the public sector can play in reducing the cost of the “creative destruction” associated with rapid structural change and may exacerbate the difficulties involved in the modernization of the State. However, it is less than realistic to sing the praises of both globalization and the disintegration of the State at one and the same time. The role of the social State as a generator of technological and institutional externalities is and will remain very important. In a world of global risks, the claim that economic forces can and should take the place of public policy and the State is less and less convincing. It is helpful, in this connection, to recall the categorical warning issued by Polanyi (1957) in his analysis of the collapse of the first phase of globalization: if the market seeks to take precedence over society, it will end up destroying its own foundations.

III. Opportunities and risks

In the area of access to new technologies, as in the area of trade, the globalization of markets offers developing countries ample opportunity to integrate themselves more fully into the world economy. The sustained growth of international trade and the strengthening of multilateral rules and dispute settlement mechanisms within the framework of the World Trade Organization (WTO) are promising signs in this regard, as is regionalism when understood in the positive sense of open regionalism proposed by ECLAC (1994). However, the inroads being made in these directions run up against the incomplete liberalization of developed-country economies. The partial nature of this process is itself a reflection of the protectionist practices that still predominate in the world today, as well as the oversupply of certain goods in international trade, particularly raw materials. In addition, the developing countries face the challenge of adapting their policies to the institutional

mechanisms required by WTO. This task has not been easy, and it may even have consequences that are more restrictive than desired. In fact, as will be shown later on in this study, global standards only generate greater disparities in the absence of genuine equality of opportunity at the international level.

The explosive pace of global financial development has created opportunities for financing and for hedging financial risk, but it has also revealed the enormous problems caused by the asymmetry existing between the strength of market forces and the weakness of the institutional frameworks that regulate them.⁵ The coexistence of financial globalization and national macroeconomic policies, which are still formulated on the basis of domestic interests and contexts, creates considerable tension for developing countries. Their governments are subject to the uncertainty generated by the macroeconomic policies of developed countries, which do not adequately internalize their effects on the rest of the world and lack coordination mechanisms to ensure global coherence. These difficulties are compounded by the problems inherent in the financial market, particularly those of volatility and contagion, which have strongly affected the Latin American and Caribbean countries in recent decades. These phenomena are related to the market's inability to distinguish properly between different groups of borrowers, which elicits herd behaviour in the financial market during both booms and busts. The developing countries are also threatened by the globalization of financial volatility, which can have adverse effects on economic growth and social equity (Ffrench-Davis and Ocampo, 2001; Rodrik, 2001b).

Financial instability is the clearest, but not the only, manifestation of the progressive asymmetry between the power of the market and the lack of adequate economic governance. Other manifestations include the considerable economic concentration in evidence throughout the world and the multiple distributive tensions caused by the globalization process both between and within countries.⁶ These phenomena reflect, among other factors, the stringent educational and knowledge requirements imposed by global technologies and markets, which threaten to marginalize those who are not fully prepared and to further confine the availability of these technologies and of new knowledge to just a few countries, social groups and enterprises. This process is part of a whole series of old and new threats to the economic and social security of the population, whose position is being made all the more precarious by a progressive weakening of the entire range of social safety nets, starting with those provided by the family and ending with those furnished by the State.

Globalization can also promote the emergence and appraisal of environmental comparative advantages, including the sustainable use of natural capital having economic value (forests, fisheries, tourist attractions), ecological value (natural sinks for the absorption of carbon and other pollutants) or aesthetic, historical or scientific value. This can give rise to countless policies on the development of ecotourism, research on new medicines, the use of empirical knowledge concerning natural resources management and the economic properties of local biological diversity, the use of the regional ecological supply (such as biomass and natural resources), the productive utilization of unique ecological niches and international negotiations on regional ecological services of global interest. At the national level, globalization can promote the improvement of public policies by raising the cost of implementing unsustainable strategies that adversely affect long-term development. One of the risks that arises in this connection, however, is the possibility that traditional comparative advantages may be lost without necessarily being replaced by new ones.

By definition, global environmental processes affect all countries, but small tropical countries, particularly island States, are especially vulnerable to global environmental changes, as is demonstrated by the increasing frequency and intensity of natural disasters. Indeed, unless specific national and international policies are adopted, the trend towards the overexploitation of certain

⁵ See United Nations (1999a), UNCTAD (1998, 2001a) and ECLAC (2001).

⁶ See UNCTAD (1997), UNDP (1999), Cornia (1999a), Rodrik (1997), Bourguignon and Morrison (2002) and chapter 3 of this report.

natural resources, the underutilization of others and the transfer of ecological costs from major polluting countries to the region can be expected to intensify.

Globalization also provides unprecedented opportunities in non-economic areas. As noted earlier, the spread of global values, the struggle for the right to be different and the establishment of international mechanisms to defend the exercise of citizenship are notable advances that are reflected in the consolidation, insufficient though it may be, of respect for human rights, democracy, gender equality and ethnic diversity. The breakdown of archaic structures of domination and the control of abuses of power at the country level are some of the advances of this new global era. Nonetheless, this has not done away with the tensions created by the lack of channels, in some cases, for the legitimization of international actions and the reduction of the enormous imbalances of power existing at the global level. The globalization of the communications media and their concentration in the hands of a few also pose new problems. One of these problems is the strong tensions this generates between homogeneity and cultural diversity. Another is the enormous distance between symbolic integration into the globalized world and the insufficient capacity for actual integration owing to the sharp inequalities that exist in today's world.

Many of these problems stem from the incomplete and asymmetrical nature of the policy agenda associated with the current phase of the globalization process. This is largely because of the disparities, in terms of power and organization, found among the international players influencing the formulation and implementation of that agenda. In the terms used in the financial debates of recent years, all of this underscores the need for a new "international architecture" for the era of globalization based on a wide-ranging agenda and a representative and pluralistic negotiation process.

Such a global agenda should encompass both the provision of global public goods and the correction of major international inequalities and asymmetries. The international structure reveals, first, a contrast between the rapid development of markets and the slow development of global governance, which has resulted in a suboptimal supply of global public goods (Kaul, Grunberg and Stern, 1999). A second category of problems has to do with the lack of effective international instruments for guaranteeing the achievement of the development goals that have been reiterated so often, most recently in the United Nations Millennium Declaration. A third category is related to the correction of the asymmetries faced by developing countries in the global order in the areas of production, technology, finance and macroeconomics as a result of the contrast between the high international mobility of capital and the tight restrictions imposed on the mobility of labour (Ocampo, 2001a).

In the first decades following the Second World War, the need to correct the asymmetries of the international economic system was expressly acknowledged. The commitments entered into in relation to official development assistance and preferential treatment for developing countries in international trade were some of the partial, albeit relatively unsatisfactory, results of this effort to build a "new international economic order". This vision has been radically eroded in recent decades and has been replaced with an alternative paradigm whereby the basic objective of changes in the international economic order should be to provide a "level playing field" for the efficient operation of free market forces. The evidence of a further exacerbation of inequalities over the past half century, which represents a continuation of more long-standing trends, shows that both approaches have fallen short.

The lack of global governance, which encompasses all these issues, reflects another deep-rooted conflict: the contrast between global problems and local political processes. This discrepancy basically means that there are no decision-making mechanisms at the global level to ensure that the interests of the least powerful countries and social sectors are adequately represented. Obviously, this situation gives rise to tensions because the exercise of citizenship and democracy remains confined to the national and local spheres.⁷ In fact, in today's world, this is still the most important meaning attached to the concept of a nation, although globalization has also heightened the tensions between the demands of citizenship, which have been increased by democracy, and the limitations which globalization has imposed on the ability of governments to take action.

⁷ Certainly, there are areas in which a form of "global citizenship" is emerging, as manifested in civil-society participation in United Nations world summits and in global debates on the environment and trade. This was demonstrated very clearly by the civil society event that took place in parallel with the Ministerial Meeting on Trade of the Summit of the Americas (Toronto, 1999) and by the clashes surrounding the WTO Ministerial Conference in Seattle (1999), the annual meeting of the International Monetary Fund and the World Bank in Prague (2000), the meeting of the Group of Eight in Genoa (2001) and the World Social Forum in Porto Alegre (2001 and 2002), among others.