

USAWC STRATEGY RESEARCH PROJECT

ACHIEVING U.S. NATIONAL OBJECTIVES IN THE AGE OF ECONOMIC GLOBALIZATION

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The views expressed in this academic research paper are those of the author and do not necessarily reflect the official policy or position of the U.S. Government, the Department of Defense, or any of its agencies.

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ABSTRACT

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Economic globalization continues to expand and is a force that significantly influences foreign policy. The escalation of information technology, coupled with the drive for developing potential markets, fuels the desire for free trade and causes national borders to become transparent in international markets.

With economic power, the U.S. can further national objectives overseas. By using economic power, fueled by economic globalization, developing nations can establish a firm economic framework. This will enable them to recognize the benefits of international trade, and achieve the associated by-products of a democratic nation that foster human rights, concern for the environment, and a desire for the betterment of all of its' citizens.

The National Security Strategy suggests that improving stability in emerging nations can best occur through regional initiatives, free trade agreements, and coordination through a global approach, including within the United Nations. The National Security Strategy does not address the negative aspects of punitive economic actions, such as trade and economic sanctions, embargoes, or trade barriers that significantly affect developing countries. It also does not go far enough in fully recognizing the effect of free trade practices on developing nations. Finally, it does not address how U.S. policymakers could better leverage multinational corporations and banks to support improvements in countries' conditions.

The intent of this paper is to identify potential policy initiatives that leverage the economic element of power by encouraging a healthy growth of developing nations while simultaneously striving for democratic freedom and basic human rights as outlined in the National Security Strategy.

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ACHIEVING U.S. NATIONAL OBJECTIVES IN THE AGE OF ECONOMIC GLOBALIZATION

“A strong world economy enhances our national security by advancing prosperity and freedom in the rest of the world. Economic growth supported by free trade and free markets creates new jobs and higher incomes. It allows people to lift their lives out of poverty, spurs economic and legal reform, and the fight against corruption, and it reinforces the habits of liberty.”

George Bush¹

Economic globalization continues to expand and appears to be here to stay. The escalation of information technology, coupled with the drive for developing potential markets, fuels the desire for free trade and causes national borders to become transparent in international markets. Opponents of economic globalization claim that free trade inhibits social reform in developing nations, and adversely affects improvements in human rights, infrastructure development, or relative gains in prosperity. However, others believe that free markets and trade serve as a means for meeting these challenges that developing nations face. With economic power, the U.S. can further its national objectives overseas. Through U.S. use of economic power, fueled by economic globalization, developing nations can establish a firm economic framework. This will enable them to recognize the benefits of international trade, and achieve the associated by-products of a democratic nation that foster human rights, concern for the environment, and a desire for the betterment of all of its' citizens.

Using international growth and market economies to promote prosperity in developing countries is not a new concept, but one not leveraged fully. Growth occurs through economic globalization, which is defined as “the irresistible expansion of global capitalism that is in the process of creating worldwide, interdependent markets operating with little regard for state boundaries or the traditional understanding of sovereignty.”²

Simply stated, as geographic and political borders become limited in their abilities to restrict the flow of information and capital moving from the private and public sectors of one country to another, nations can benefit from this additional wealth.

The National Security Strategy (NSS) suggests that improving stability in emerging nations can best occur through regional initiatives, free trade agreements, and coordination through international trade organizations and the United Nations (UN).³ It does not address the

negative impact of economic enforcers, such as, trade and economic sanctions and embargoes or trade barriers that significantly impact developing countries. In addition, the NSS does not go far enough in fully recognizing the linkage between free trade practices and the establishment of democratic principles in developing nations. Finally, it does not address how U.S. policymakers should leverage multinational corporations (MNCs) and banks to support improvement for the conditions of developing countries' citizens.

The intent of this paper is to identify potential policy initiatives that leverage the economic element of power by encouraging healthy economic and democratic growth in developing nations while simultaneously striving to accomplish democratic freedom and basic human rights as outlined in the National Security Strategy.

ECONOMIC GLOBALIZATION

Much is written on economic globalization, with a vast majority of it focusing on the negative impacts or consequences. Of the more than 31,000 internet references for economic globalization, most address its negative implications.⁴ Many of the more liberal organizations claim that governments have lost their ability to develop checks and balances on MNCs and banks to regulate actions.⁵ Others preach that as global enterprises continue to expand, profits go only to wealthy individuals, firms, and banks. These elite few gain control of an increasing proportion of available resources and income. These aspects of globalization challenge national and local governments to provide security, prosperity, and democracy for their citizens.⁶

Daily activities and events clearly demonstrate that an exponential increase in economic globalization is occurring. Statistics suggest that emerging nations face growing inequalities in standards of living, which place the sovereignty of states and integrity of cultures at risk, and challenges ecological and human rights advancements.⁷ Broad bases of opponents of economic globalization believe that developing countries' governments are incapable of adjusting to open economies. These adversaries of globalization believe that companies receive almost all of the benefits of globalization and leave developing countries with poverty, ecological problems, and increased socio-economic class disparity. Globalization foes state that transnational trade is a zero-sum game with self-interested, "me-first" MNC's gaining dollars while generating hostility, eroding human dignity, and inhibiting nations' development.⁸ Globalization opponents seldom address the responsibilities of political leaders to ensure the development of their fledgling nations with the infusion of MNC capital.

With an opposing viewpoint, the NSS states that in addition to enhancing internal prosperity, citizens in developed nations have the responsibility to assist developing nations with these very challenges by promoting international economic growth. Specifically, the NSS addresses how the United States will “ignite a new era of global economic growth through free markets and free trade,” through cooperation with other countries and the International Monetary Fund (IMF) to prevent financial crises.⁹ Further, the strategy calls for promoting the linkage of trade and the development of nations, again using the multilateral and regional organizations to aid in the development of emerging nations. However, there is little discussion of how the U.S., the strongest and greatest leader of democracy, will utilize economic policy to achieve these results.

U.S. policy does not address the responsibility of MNCs and international banks in globalization. Unquestionably, the MNC is a prominent player on the world stage. These organizations serve as a conduit for transferring goods and services from one nation to another, and provide increased transparency and information flow as a by-product. Limiting the interactions of MNCs with developing nations serves no one. First, the loss of transparency and information flow which aid in increased trust and reliance would be significant. Second, the monitoring of interstate actions would be prohibitively expensive and cumbersome. Finally, with open markets available another company would fill the void and trade with that nation. Libya, Iran, and Cuba are prime examples that illustrate the minimal success of limiting domestic MNC's actions. The MNC is here to stay.

The Securities and Exchange Commission monitors accounting practices and unethical activities within our national borders; however, in a foreign country unethical behavior or the lack of concern for the native population is more difficult to monitor. It is not clear whether corporate actions are furthering our nation's desire to strengthen the democratic and business norms of other nations. The National Security Strategy missed precisely this opportunity to ensure U.S. based MNCs working in these emerging nations to further those truths we hold dear. The question is how we can best promote democratic ideals in developing countries, yet still attain U.S. goals as a nation and ensure U.S. companies continue to operate with acceptable profit margins.

Currently, there are no viable alternatives to the multinational corporation. Consequently, the challenge is to ensure that the MNC serves as a positive role model in developing nations and demonstrates that development-friendly practices are, in the long term, in the best interests of the corporation. Only through establishing long term, stable relationships

with foreign companies and governments can an MNC meet responsibilities to developing nations and their stockholders.

MULTI-LAYERED APPROACH TO STRATEGY

One must consider potential policy initiatives designed to leverage economic globalization and promote free trade in the proper context. No single approach provides the optimal answer. What is essential is using all available economic resources to gain marginal, i.e. less costly, results from multiple available means. The challenge is to gain the most benefit through investment of minimal costs – using a cost-benefit analysis decision-making model. Goal achievement occurs by linking the ways and means available with the ends. The NSS clearly identifies the ends. Specifically, the desired ends are ‘ignit[ing] a new era of global economic growth through free markets and free trade’ and “expand[ing] the circle of development by opening societies and building the infrastructure of democracy.”¹⁰ In addition, other national objectives will receive the indirect benefits of increased transparency and flow of communications by strengthening alliances in defeating global terrorism. Also, defusing regional conflicts and improving human dignity in developing countries are natural by-products of achieving these other objectives. U.S. national objectives are interwoven, and consequently, success in one area may lead to success with other objectives. Unquestionably, the first two objectives, expanding free markets and democracy, realize the direct impact from economic globalization.

To accomplish these national objectives, we must identify what resources or “means” are currently available. These include bilateral and multilateral approaches which leverage economic globalization.

Finally, the “ways” are broad recommendations of how to best utilize means to achieve our ends. Of the potential “ways” identified, some concepts are more appropriate than others, and many are more effective if used in combination. Although there may not be a “best answer,” there are tools that are more appropriate and cost effective than others.

COERCIVE ECONOMIC ACTIONS

Using the negative or ‘punishment’ approach to economic power as a “means” of achieving our national objectives for furthering democracy, human rights, environmental concerns, and economic stability is challenging. There are numerous examples of economic

actions that result in retaliation, and later, war. The impact of the trade war of the 1930s, where countries constructed trade barriers in order to protect domestic producers and react to other nations' barriers, not only worsened the Great Depression, but played a significant role in the outbreak of World War II.

Trade and economic sanctions and varieties of trade barriers only create friction and do not reduce the undesirable impact economic globalization has on developing nations. They also have a detrimental effect on developed nations' economies and their ability to aid fledgling countries in establishing a strong economy. Below is an overview of 'coercive' economic tools available and potential ways to employ them.

TRADE SANCTIONS

Economic and trade sanctions and embargoes serve as the most negative reinforcement tools in the economic arsenal. Sanctions and embargoes serve a variety of purposes. The primary purpose is to punish a country or group for unacceptable behavior. Sanctions and embargoes may also be used to influence a behavior of a target audience, and could serve as a warning for future, harsher actions. Limiting a country's freedom of action or denying it particular resources or technologies provides rationale for instituting sanction actions. Finally, sanctions should provide a message to the country, group, and to members of the world community that specific actions will not be tolerated.¹¹

Both the U.S. and U.N. use trade sanctions. The Office of Foreign Assets Control (OFAC), a subsidiary of the Department of the Treasury, currently enforces over 20 different economic sanctions and embargoes. These actions affect "over 4,500 companies and individuals" in over 112 countries. These countries range from Cuba and Iraq to Switzerland and the United Kingdom.¹² The UN Security Council also imposes sanctions as an enforcement tool "when peace has been threatened and diplomatic efforts have failed."¹³ The range of sanctions and embargoes employed range from comprehensive measures to more specific actions, such as, "arms embargoes, travel bans, financial or diplomatic restrictions."¹⁴ The success of such sanctions and embargoes has been minimal at best. According to the Institute for International Economics, "87 percent of the unilateral sanctions imposed by the United States since 1970 have failed."¹⁵

Their limited success raises questions about the use of sanctions and embargoes. In fact, many times they produce unintended consequences. Seldom do sanctions and embargoes punish the intended party. Normally the bill payers for economic sanctions and

embargoes are the citizens of a nation and not the leaders or governments. In many cases, these targeted leaders or governments can use the sanction or embargo as an excuse for not providing appropriate support for their population. Also, fewer resources are available to the population, affecting potential factions of citizens working to gain democratic and human rights considerations in line with U.S. objectives. In addition, governments can use it as a media tool to turn popular opinion, both local and international, against the party directing the action. Finally, the establishment and enforcement of sanctions and embargoes are extremely expensive to execute. Better use of resources would occur through moving money into positive-oriented programs.

On the other hand, embargoes and sanctions are valid tools or “ways” of achieving results if used intelligently. For example, the Security Council Sanctions Committee believes using “smart sanctions” that focus pressure on regimes rather than the people of a nation attain greater effectiveness.¹⁶ The intent is to better aim the sanctions, while carefully incorporating humanitarian exemptions. This concept of targeting sanctions has considerable merit in concept, but may be difficult in execution and enforcement. The use of sanctions and embargoes should occur as a last resort, just short of armed conflict, to achieve policy aims.

TRADE BARRIERS

Another economic tool used by nations is trade barriers. Trade barriers, or protectionism, protect a particular economic sector against imports. They also serve as obstacles to free trade, which hinder economic growth and development in both developing and developed nations. Protectionism also causes damage to the global economy. Subsidies on exported goods and services and quotas on imported items create an artificial environment. Whether through taxes or added hidden costs, the consumer incurs the costs of trade barriers. The U.S. Trade Representative estimated “that trade protection costs U.S. consumers approximately \$70 billion per year.”¹⁷ However, the U.S. is not alone in these barriers to free trade. “James D. Wolfensohn, president of the World Bank, accused wealthy countries of squandering \$1 billion a day on farm subsidies that often have devastating effects on farmers in Latin America and Africa.”¹⁸

Besides making goods and services cost more, trade barriers also create other detrimental effects. First, protectionist measures taken by one country can lead to retaliation from other countries, creating added friction and mistrust. Also, associated with mistrust is potential loss of transparency and the desire to address mutually agreed upon economic issues.

Finally, protectionism employed by wealthy nations has a significantly disproportional effect on poorer nations, especially since the greatest barriers are those placed on agriculture produce and labor-intensive exports such as textiles.

It is extremely difficult to determine a viable “way” to leverage the use of trade barriers. One can argue that a company is a national asset and of strategic importance and required to remain operational. Strategic materials such as steel, oil, or critical technologies are examples where domestic capabilities are of greater importance than overseas competition. The argument can also be made for protecting certain industries, pressured by special interest groups (i.e. voters), in the best interests of the nation. But if the U.S. is to truly represent the ideals for developing nations, it should strive to set the example and allow laissez faire economics to work. Finally, it is worth noting that while the World Bank or International Monetary Fund may be able to pressure developing nations to drop their barriers, they lack leverage against the U.S. and other developed nations.

FREE TRADE

“If you can make something that others value, you should be able to sell it to them. If others make something that you value, you should be able to buy it. This is real freedom, the freedom for a person – or a nation – to make a living.”¹⁹ This is the essence of a free market economy. It represents a founding principle of the U.S., and is a policy it should encourage developing nations to follow. Free and open markets increase an individual's freedom to receive the rewards of his labor and talent. Successful free markets require democratic institutions to work.

Free trade also benefits society as a whole. Increased competition from foreign markets prevents industries from domination by only one or a few domestic companies, while also probably driving the prices for particular goods or services down. Increased production leads to lower average production costs, which can potentially drive prices lower. Free trade challenges an industry to develop diversity of products or encourages specialization leading to a greater comparative advantage. Free trade also promotes a more efficient use of resources and labor, bringing about greater effectiveness within organizations.

In addition, free trade with dramatically reduced barriers, fosters transparency and better government due to closer relations and increased interdependency. It also reduces the number of bureaucratic organizations and associated friction caused by subjective placement of barriers or incentives to special interests groups. Though there are exceptions, history supports the

concept that countries normally do not go to war with their trading partners if it is a lose-lose situation, where neither side can profit from such actions. Consequently, free trade between nations serves as a confidence building measure linking their political objectives.

Free trade is the positive use of economic power, focused on the buyer and seller receiving value from a transaction, with the added impact of furthering relations. Free trade is the model for continued growth of democracy, as well as economic wealth. The question remains as to how the U.S. can best use a free market economy to further its goals of "ignit[ing] a new era of global economic growth through free markets and free trade" and "expand[ing] the circle of development by opening societies and building the infrastructure of democracy."²⁰

Using a free market model in aiding developing nations is a positive approach. Using all resources available to the U.S. is also logical. These resources include U.S.-based MNCs. Government policy should encourage MNCs to assist in the mutually inclusive purpose of developing strong, reliable markets for goods and services, while considering the status of developing governments in the process. Incentives to corporations could include adopting a tax incentive package and developing a policy for recognizing MNCs that support the President's policy for encouraging the economic and democratic growth of developing nations. As the U.S. works bilaterally with developing countries to ensure solid relations, both economically and politically, it develops a trust that will allow us to work together in times of need. Finally, at the regional and global level, the U.S. and its MNCs should work multilaterally with other developed nations to realize our shared objectives and values of aiding developing nations.

MULTINATIONAL CORPORATION APPROACH

With free trade as the model best supporting economic and democratic development, the multinational corporation is a significant means to realizing political objectives. Working with MNCs may serve as one of the more viable means of leveraging resources in a win-win situation for the large multinational companies. Two ways of applying these significant means are available.

One option of leveraging the MNC is to recognize their successful contributions to emerging nations' economic and democratic growth and reward those taxed in the U.S. with a tax incentive. The government should offer tax incentives to MNCs taxed in the U.S. for actions taken to aid developing nations and populations in reform and development. This tax savings would not only re-pay corporations for potential additional costs, but also reward them for actions taken to aid developing nations in reform and development.

Even without monetary incentives, recognizing MNCs efforts to assist developing countries delivers desired notoriety. Such recognition would provide a significant public relations coup for MNCs by highlighting their concern for developing nations and their desire to promote the democratic and economic values that most developed nations hold with such high regard. Policy should challenge companies to improve corporate practices overseas with the expectation that greater dialogue, "transparency, advocacy and competition would occur."²¹

REGIONAL APPROACH

We must also work with our regional partners to improve economic relations, while improving the opportunities developing nations have to establish an economic foothold and to make improvements concerning human rights and environmental concerns. Two of the numerous regional initiatives in particular support not only free trade, but our overarching national objectives.

During the 1994 Summit of the Americas, the United States and 33 other Western Hemisphere democratic nations agreed to the establishment of the Free Trade Area of the Americas (FTAA) by the year 2005. The focus of the FTAA negotiations is to liberalize trade through market access reforms, develop rules covering trade and investment in the goods and services sectors, and develop trade facilitation measures (i.e. customs reforms, business visas, etc.). The FTAA serves in achieving U.S. national objectives in two ways.

First, a strong framework for economic growth and democratic stability will be established through encouraging governments to shore up legal and environmental reforms and improve working conditions and standards that will attract foreign investment. Second, "the prospect of improved trade relations can act as a magnet for attracting support among our hemispheric neighbors for other important U.S. political and foreign policy goals, including cooperation on drug interdiction, improving environmental and labor conditions, and reinforcing democratic reforms."²² Clearly, the promotion of economic growth goes hand-in-hand with political stability in the region.

The adoption of the FTAA would not only liberalize trade and reform business regulation, but provide a means of achieving U.S. national interests through economic growth and political stability in the region. Further achievement of our objectives will be realized through increased transparency and reduced barriers to communication and information.

Another example of regional economic partnership is the Asia-Pacific Economic Cooperation (APEC). Established in 1989, the APEC provides a means of achieving the

synergy and growing interdependence of the 21 member nations. While the focus of the organization is “to advance economic dynamism and sense of community within the Asia-Pacific region,” it has also sought to represent the rich diversity of the region while encouraging economic growth and development.²³ APEC’s promotion of transparency and partnership does not end with achieving economic growth, but recognizes the importance of a higher standard of living, educational standards, and sustaining the environment within the region.

APEC action plans establish priorities in six areas. Specifically, three of these priorities directly reinforce objectives within our National Security Strategy. These include developing human capital, promoting and sustaining environmental concern, and encouraging growth of small and medium-sized enterprises. APEC also focuses on strengthening social safety nets, placing the prosperity of individual citizens at the forefront and integrating gender issues into agenda topics.²⁴

APEC initiatives create greater opportunities for all strata of society. For example, one stated initiative is that “every APEC member economy have individual or community-based access to the information and services offered by the internet by 2010.”²⁵ Other APEC initiatives include focusing on education, labor, and social protection and promoting the sustainability of the marine environment within the APEC Region.

APEC represents a terrific example of a “way” for using regional organizations. While initially developed for economic purposes, it evolved into an organization linking economic growth and information access with democratic and human rights concerns for assisting developing members’ societies in establishing a solid infrastructure that supports continued social growth on a bedrock of democracy.

GLOBAL APPROACH

The regional approaches described above are effective, but the U.S., with the world’s largest economy and status as the world’s only super power, can best affect achievement of U.S. national objectives on the global scale. Using existing organizations, such as the Group of Eight (G8) and the U.N., allows the U.S. to not only serve as a true global leader, but provides it the most effective forum for furthering national objectives.

G8

With the collapse of the Bretton Woods monetary system and the oil crisis in the early 1970s, the Group of Eight (G8), then the G7, was established as a means for the major free-

market democracies to share in “deliberations and declarations [to] shape key decisions in the management of global political and economic affairs.”²⁶ The initial stated objective of the G8 was to strengthen all democratic societies by reforming the international financial architecture. This would occur through reforming capital flow for developing nations borrowing cash, increasing economic aid commitments to the UN, supporting commitment to the IMF and World Bank debt relief programs in eliminating bilateral and multilateral debt of the poorest countries, and commitment to substantial cuts in carbon emissions.²⁷

Critics of the G8 state that its members, as the world’s most powerful economic countries, are primarily concerned with adopting policies that promote financial growth of multinational companies and national wealth. They contend that G8 members are not focused on the broad development of the world’s poorest nations and are not concerned with the impact of economic globalization on their developing infrastructure. These antagonists also believe that the G8 lacks the proper representation and legitimacy for assuming an agenda-setting role for global economic governance, but are a wealthy club focused on maintaining their preeminence of political and economic dominance.

Yet, the G8 has made key progress toward its initially stated objectives. At the Genoa summit in 2001, the G8 recognized that open and democratic governments, reinforcing human rights and the rule of law, are foundations for sustainable development and growth. Further, in 2002, at the International Conference on Financing for Development in Monterrey, Mexico, the G8 stated that “sustained economic growth, poverty eradication, and sustainable development worldwide” requires good governance at all levels.²⁸

The above statements from the Genoa and Monterrey Summits support U.S. national objectives. The question is how the U.S. can better leverage this organization to serve national interests. The G8 must remain true to its initial objectives. First, it must focus on developing better trading partners by promoting establishment of a solid infrastructure for the long term. Second, the U.S. must work to broaden the membership of the G8 to include other developed nations who have substantial interests regionally to influence the original purpose of the G8. Critical to this selection is that candidate nations must embrace the rule of law, transparency, democracy, human rights, and free markets. Third, the U.S. can lobby to use the collective political and economic powers of the members of G8 within the U.N. to facilitate not only improvements within the developing nations, but to increase transparency and an international focus on global governance. Finally, although this group can set the agenda and, in many ways, dictate actions within the U.N., the G8 should continue to develop a holistic approach to furthering those actions required to support developing countries. Specifically, the U.S. and

other contributor nations must insist on linking the achievement of developmental goals of poorer nations with future debt reviews. To state it simply, the U.N. must hold developing nations to an established set of standards.

UNITED NATIONS

Globally, the U.N. offers the U.S. an effective forum for furthering national objectives for several reasons. First, the U.N.'s objectives of promoting respect for human rights and the environment are both compatible with U.S. goals. Also, the U.N. remains committed to the respect of social and cultural rights and that governments must continue to promote those rights, while emphasizing the need for free trade, and financial and investment reform. The U.N. also provides a forum where the combined efforts of all U.N. members, who share similar objectives, are able to gain the synergistic effects of their combined efforts. This results in additional funds provided by other nations in support of initiatives achieving U.S. objectives. Members of the U.N. also serve as models for establishing norms for what the world believes is the acceptable standard for human rights, the environment, democratic government, and economic foundations. The U.S. and other significant contributor nations have the opportunity to influence agendas that are set to meet agreed upon goals for developing nations. However, the key is to contribute sufficient monetary incentive for this leverage.

INTERNATIONAL MONETARY FUND AND WORLD BANK

The International Monetary Fund (IMF) and the United Nations' World Bank (WB) serve as other superb economic vehicles to achieve our national security objectives. Both organizations provide an opportunity for the U.S. to wisely invest resources aimed at nations' development.

In 1946, as part of the Bretton Woods United Nations Monetary and Financial Conference the IMF and WB came into existence to support reconstruction after World War II. Later, the IMF:

“was meant to provide a means to combat financial disruptions adversely impacting countries and people around the world. The IMF and WB organizations define the monetary policy shared by almost all nations that use capitalism as their economic strategy. It employ[s] negotiations and pressures to stabilize currencies and to help countries avoid economy disrupting financial machinations and confusions.”²⁹

The WB complements the IMF by facilitating long-term investments in underdeveloped countries by focusing on expanding and strengthening their economies.³⁰ However, the agendas of both organizations changed during the 1980s and emphasized stabilizing monetary exchange rates and assisting underdeveloped nations to protect themselves against financial fluctuations. The result of this change was a detrimental impact on fledgling economies that cleared the way for multinational companies to focus on profit-seeking ventures, with little regard to the needs of developing nations.

“Dozens of nations spend up to 60 percent of their budgets for interest on foreign debt that will never be retired – leaving little for the basic health care and education needed to reduce poverty.”³¹ Consequently, few resources are available for the solid foundations of government to provide for the poor or regulate the profits taken by the few. How can these countries dig themselves out of the debt hole and build toward a future? Many argue that only through debt forgiveness can this become a realization. The G8, and other developed nations in the world, cannot establish a wholesale relief plan that would be financially feasible and politically supportable. Also, in many cases, it would be pouring money into a situation that will only be a temporary fix, until the next borrowing spree occurs. Through both G8 and World Bank drafted initiatives, the IMF can focus debt relief considerations to individual countries who qualify. This is critical in achieving a well-balanced approach that provides financial support or debt forgiveness to those developing nations willing to make the hard decisions and help themselves.

The key step in achieving our national security objectives through the U.N. is to meet our pledged commitments to the U.N.’s financial organizations, while encouraging other developed nations to do the same. Simultaneously, these organizations would be encouraged to identify country-specific benchmarks and conduct closer monitoring and analysis of trends on the success of specific programs.³² However, where does the money come from? U.S. domestic economy is challenged and making further donations to the U.N. cuts into other domestic and foreign programs.

Also key, the IMF and WB must get back to the basics as established in the 1946 Bretton Woods Conference by stabilizing currencies and assisting countries in developing mechanisms for limiting financial crises and establishing strong economic systems based on sound fundamentals. Although the IMF has made strides since the 1998 Asian financial crisis, it must take on even a larger role in aiding member nations in developing economic reform programs with focus on the member’s economy, including the balance of payments, the availability of resources, and the ability to address social and environmental challenges.

The U.S. must support initiatives for the World Bank to build on retaining “a global competence and a global diagnostic capacity.”³³ The WB must be more discriminative and refine criteria for selecting developing nations to support and become more integrated with other international players, including nongovernmental organizations (NGOs), multinational companies and banks. The WB also should work with and through bilateral arrangements. Specifically, the WB must develop a working relationship with all players with the same agenda. Primary objectives are working in partnership with the development community on nations with the highest infant mortality rates, immature education programs, and shrinking environmental resources. Added effort in developing organizations that emphasize a “climate for investment, jobs, and sustainable growth, and empowering poor people to participate in development by investing in them, and through them” is essential.³⁴ Finally, the underlying point in supporting development is that the population must embrace it, and the government committed to using loans and investments not as charity, but as a means for people to pull themselves up.

The above measures lead us to the most crucial step, which is conditionality. Simply stated, this serves as a commitment to instituting agreed upon measures that U.N. members must meet to receive IMF and WB financial support.³⁵ Techniques of conditionality are flexible and tailored to meet each nation’s needs and requirements. Techniques include letters of intent spelling out the borrowing nation’s plan and period of the loan, specific plans for implementing financial policies, and objective criteria and performance measures that will occur at identified intervals. Conditionality provides the commitment of borrowing nations to repay their loans in a timely manner. This will resolve the balance of payment problems within the IMF and ensure a greater pool of resources available to other developing nations.

Another of the more popular options among non-governmental and international organizations such as the U.N. is the Tobin Tax. The idea behind this concept is to tax daily cash flow transactions. Approximately \$1.5 trillion moves throughout the world daily. The Tobin Tax advocates a nominal tax of 0.1 to 0.5 percent be placed on these transactions. The money would be set in a series of trust funds in the World Bank and used for environmental issues, human rights initiatives, and other worthy activities.³⁶ However, this concept is not supportable under the President’s guideline of no new taxes, although it would provide a tremendous means of achieving U.S. objectives. The U.S., other G8 members, and other developed nations should all incorporate the Tobin Tax concept in support of economic development. Adoption of this tax provides an outlet for dollars contributed from other sources, many supported by MNCs, and has the direct result of increasing the market base for the same corporations who stand to gain from greater wealth in developing nations.

WORLD TRADE ORGANIZATION

The World Trade Organization (WTO) serves as another means to achieve our national objectives in an international forum. Formed in 1995, it provides a means for reducing trade barriers among the UN member nations. In addition, it serves as a vehicle and forum for negotiations, administration, and enforcement of agreements for the reduction of tariffs and other trade barriers impacting the ability to conduct fair trade. “The Agreements establish rules for trade in manufactured goods, agricultural products, services, and intellectual property; reduce tariffs; limit the use of trade-distorting subsidies; promote the sustainable use of natural resources; and reduce unfair obstacles to trade embodied in product standards, customs procedures and other measures.”³⁷ The WTO has great utility for the U.S. by providing greater access to foreign markets and limiting subsidies and protectionist policies which give domestic economies unfair advantages. It reduces the ‘false wall’ preventing pure economic actions to bring out the most effective and efficient outcomes to global trade. Consequently, lowering trade barriers while maintaining an unbiased respect for a nation’s right to regulate safety, education, health, labor, and the environment is the cornerstone of WTO operations. “Virtually all decisions in the WTO are taken by consensus among all member countries” and ratified by their respective congresses or parliaments.³⁸ As a result of this approach, the WTO is an organization that increases international confidence and cooperation, assists in reducing friction in the free flow of trade, and provides a forum for dealing with disputes over international trade issues.

WTO Agreements already provide several initiatives or “ways” for achieving the shared objectives of the U.N. and the U.S. Reducing foreign tariffs by one-third on manufactured products aids industrialized nations in being more competitive. Similarly, developing agrarian nations are helped by the WTO to expand export opportunities by limiting agricultural trade through quotas, subsidies, and other regulations. Improving foreign market access provides more transparency and greatly increases the information flow between nations.³⁹ Finally, the WTO acts as an arbitrator for settling disputes based on an effective set of rules, standardized procedures, and import and export regulations. The WTO provides a common rulebook for making trade simpler and more efficient.

However, numerous opponents of the WTO believe that corporate profits take precedence over governments, and that economic transactions have greater consideration than human rights and the environment. These opponents also believe that this focus negatively

affects WTO core values of promoting open markets and fair trade practices. Whether the statements are true or not is not the pertinent question. The issue is whether the WTO is a vehicle we can use to achieve our national objectives with the same, limited resources. The following actions support using economic power to realize “global economic growth through free markets and free trade and “expand[ing] the circle of development by opening societies and building the infrastructure of democracy.”⁴⁰

The fundamental organization and agenda of the WTO supports U.S. national objectives. The following initiatives may serve to further democratic values, transparency, and environmental concerns while encouraging developing nations to stand on their own. The WTO must take on a greater role in setting developing nations up for success through support and assistance. Developing nations require WTO assistance in prioritizing national aims, then determining how best to integrate these priorities and unique cultural identity during development. Each developing nation must also determine how it will equitably develop its country and establish milestones used as a measure of determining success.

The U.S. could maximize the WTO as a policy tool by tying funding support to domestic policies and regulations. This action would emphasize solid growth in environmental areas, human rights issues, and other democratic norms. The WTO would assist developing nations with establishing viable plans where required, but use a standard benchmark of success to assess whether the nation is meeting its established goals. A viable plan must include ways of achieving a baseline foundation of domestic economic growth and development that, in turn, would ensure domestic programs gain financing. It must also include a plan for debt repayment in a timely manner.

The WTO will “promote trade that reduces the threat of financial volatility and meltdown; ... to reduce destabilizing short-term, cross-border financial flows and to provide pools of funds for investment in long-term; ... ; [and] sustainable development in poor communities and countries.”⁴¹ “Dozens of nations spend up to 60 percent of their budgets for interest on foreign debt that will never be retired – leaving little for the basic health care and education needed to reduce poverty.”⁴² The intent would be less of a nation’s gross domestic product (GDP) being spent on debt interest.

Finally, the WTO should take a broader approach toward investment and competition. Instead of spending a majority of the members’ time on specific trade policy issues and resolving conflict, their time could be better spent, in the short-term, exploring new rules and procedures incorporating the above recommendations. These actions do not detract from its

core mission of promoting open markets and free trade, but leverages these tenets in the age of globalization.

By focusing on the above, the WTO could better establish investment policies and review submitted country plans to ensure resources go to those who can best utilize them for future development. Also, more time could be used in coordinating the actions of developed nation members and multinational corporations. If the intent is to solely aid developing nations to help themselves, then each dollar must be coordinated, with the intent of getting the most from each dollar spent.

CONCLUSION

Economic globalization and ever increasing information flow is here to stay. The entire world must work in this condition. The U.S. National Security Strategy provides objectives that are measurable, attainable, and definable. It imparts a solid framework for advancing those democratic and economic values that free nations hold so dearly. Furthermore, they are essential for the world to move closer and cooperate for its betterment. We as a human race can only advance at the point of the slowest improvements of a developing nation.

Resources are scarce, but available. What is key is how to best leverage their use to get the most from each dollar invested. This requires an overarching approach to attack this problem at various levels. Encouraging multinational corporations and banks to become world citizens is crucial. Also lobbying other developed nations to work with their home-based companies is important. We must continue to use regional initiatives that ensure increased domestic economic growth, while focusing on promoting human rights and environmental concerns.

Most critical, however, is using our position as the world's global and economic hegemon to set the example. Reducing trade barriers, using economic sanctions only in extreme circumstances, and fully contributing funding to the U.N. are actions we must take. The result will be an ignition of economic growth, where societies are open, democratic values are the norm, open communications settle disputes, the environment is cleaner, and the U.S. remains the world leader.

Word Count = 6,718

ENDNOTES

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² Mackubin Thomas Owens, "The Political Economy of National Defense," (Course I Book)

³ Ibid., 18.

⁴ This comment is based on the author's observation on the internet under the phrase "economic globalization" in September 2002.

⁵ Martin McLaughlin, "National Governments and Economic Globalization," September 2002; available from <<http://www-personal.umich.edu/~russoj/debt/coc137a.htm>>; Internet; accessed 21 September 2002.

⁶ Michael Albert, "What Are We For?" Global Policy Forum 6 September 2002; available from <<http://www.globalpolicy.org/globaliz/econ/2001/0906gbz.htm>>; Internet; accessed 7 September 2002.

⁷ A.T. Kearney, "Can We Afford Not To Try?" Foreign Policy Magazine Globalization Index January/February 2001. [journal on-line]; available from <http://www.foreignpolicy.com/issue_janfeb_2001/atkearney.htm>; Internet; accessed 20 September 2001.

⁸ Albert, 1.

⁹ Bush, 17.

¹⁰ Bush. 1-2.

¹¹ Department of the Treasury, "U.S. Trade Sanctions and Embargoes," ITDS 12 March 2002; available from <<http://www.itds.treas.gov/sanctions.htm>>; Internet; accessed 29 November 2002.

¹² Ibid., 1.

¹³ United Nations Security Council, "Security Council Sanctions Committees: An Overview," Secretary-General's Reports to the Security Council 17 April 2000 [documents

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¹⁴ Ibid., 1.

¹⁵ Jerome F. Winzig, "It's Time to Lift Our Economic and Trade Sanctions," Northern City Journal 1 May 2000 [journal on-line]; available from <http://www.homestead.com/northerncityjournal/files/000501_sanctions.doc>; Internet; accessed 6 December 2002.

¹⁶ United Nations Security Council, 1.

¹⁷ Trade Representative, "America and the World Trade Organization," Homepage 1999 [homepage on-line]; available from <http://www.ustr.gov/html/wto_usa.htm>; Internet; accessed 29 November 2002.

¹⁸ Edmund L. Andrews, "Rich Nations Are Criticized for Enforcing Trade Barriers," New York Times 29 September 2002 [newspaper on-line]; available from <<http://www.globalpolicy.org/socecon/bwi-wto/wbank/2002/0929rich.htm>>; Internet; accessed 29 November 2002.

¹⁹ Bush, 18.

²⁰ Ibid., 1-2.

²¹ John G. Ruggie, "The Global Compact as Learning Network," unknown; available from <http://www.global_governance.net>; Internet; accessed 28 November 2001.

²² Jeffrey J. Schott, "The Free Trade Area of the Americas: US Interests and Objectives," Institute For International Economics July 1997 [journal on-line]; available from <<http://www.iie.com/papers/schott0797-1.htm>>; Internet; accessed 29 November 2002.

²³ Asia-Pacific Economic Cooperation, APEC Brochure 2001 2001 [brochure on-line]; available from <http://www.apecsec.org.sg/apec_organization/brochure2001.htm>; Internet; accessed 29 November 2002.

²⁴ Ibid., 2.

²⁵ Ibid., 8.

²⁶ Tom Barry and Martha Honey, "G8 and Global Governance," Foreign Policy – In Focus July 2001 [journal on-line]; available from <http://www.foreignpolicy-infocus.org/briefs/vol6/v6n27g8_body.html>; Internet; accessed 29 November 2002.

²⁷ Ibid., 6.

²⁸ Human Rights Watch, "Human Rights in Security and Development Recommendations for the G8 Summit, June 2002, including the G8's Action Plan for Africa," Backgrounders 5 June 2002 [journal on-line]; available from <<http://www.hrw.org/backgrounder/g8/g8mem0605.htm>>; Internet; accessed 29 November 2002.

²⁹ Albert, 2.

³⁰ Ibid., 2.

³¹ Edmund L. Andrews, "Rich Nations Are Criticized for Enforcing Trade Barriers," New York Times 29 September 2002 [newspaper on-line]; available from <<http://www.globalpolicy.org/socecon/bwi-wto/wbank/2002/0929rich.htm>>; Internet; accessed 29 November 2002.

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³³ James D. Wolfensohn, "The Challenges of Globalization: The Role of the World Bank," Public Discussion Forum April 2001 [journal on-line]; available from <<http://www.worldbank.org/html/extdr/extme/jdwsp040201a-en.htm>>; Internet; accessed 29 November 2002.

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³⁵ Hoover Institution, "Conditionality: Fostering Sustained Policy Implementation," 1998 IMF Survey Supplement on the Fund 1998; available from <<http://www.imf.org/conditonal/foster.htm>>; Internet; accessed 29 November 2002.

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³⁷ Trade Representative, 2.

³⁸ World Trade Organization, "The WTO in brief," World Trade Organization 2000 [brochure on-line]; available from <http://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr00_e.htm>; Internet; accessed 29 November 2002.

³⁹ USTR, 3.

⁴⁰ Bush, 21.

⁴¹ Albert, 4.

⁴² Hoover Institution, "IMF, Half-Measures for Poor Nations," Public Policy Inquiry – International Monetary Fund 9 June 1999 [journal on-line]; available from <<http://www.imf.org/mission/half.htm>>; Internet; accessed 29 November 2002.

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