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## **"Globalisation and Women",**

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***Dear Members of Unifem, Ladies and Gentlemen!***

I am pleased and honoured by the opportunity to speak in this seminar. Unifem has done a wonderful job in drawing attention to women's life and problems and to the fact that improving women's life at the same time provides better opportunities for their children. The slogan "when women are doing well, the whole society is doing well" is indeed a good guiding principle.

My topic today is "Globalisation and women". I will try to cover some aspects of this demanding title first by describing how I see globalisation and why free trade is an important issue also for women. In addition, I will discuss some aspects of the criticism of globalisation, in particular of the multilateral organisations linked with globalisation – the roles of the World Trade Organisation (WTO) and the International Monetary Fund (IMF). As a central banker, I should in my presentation also elaborate a little the role of financial markets. I will conclude my presentation by referring to some resent research findings on women in globalisation.

### ***Globalization – living in the global village***

At the fundamental level, there is nothing mysterious about globalisation. It is a historical process, the result of human innovation and technological progress. If you look at dictionaries for a definition of "globalisation", you will find that it is used as a general term for a complex series of economic, social, technological, cultural and political changes seen as increasing interdependence, integration and interaction between people and companies in disparate locations.

Marshal McLuhan, the media guru, coined already in the 1960s the term "global village", which in my view is a very good expression to describe globalisation and the related phenomena. McLuhan argued that world is changing in the first place because of the growing importance of the mass media. That was at the time before internet, so I wonder what he had written if he had seen today's possibilities of interactive mass communication!

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In the current discussion about globalisation economic factors are highlighted. Economic point of view is, however, rather superficial and may lead to too simple conclusions on what one should think of globalisation. The great benefit of McLuhan's concept of the global village is indeed in that it puts in the forefront the most important underlying drivers of globalisation: technological change and the concurrent cultural change.

From the perspective of the global village concept, the essence of globalisation is the general broadening of the possibilities for all kinds of human interaction as the result of new technology. Life gets globalised basically for two reasons: first, thanks to new technology telecommunication has become so efficient that cultural influences and market information are transmitted quickly and reach an increasingly large number of people. It is ever easier to find information – be it commercial, entertaining or cultural. And because technological development is irreversible – inventions cannot well be uninvented – also globalisation is irreversible.

Apart from technology, another force behind globalisation has been the political changes that have taken place during the past 15 years – the spreading of democracy. After the collapse of communism and of many right-wing dictatorships, there are now fewer governments than previously actively preventing international contacts of their citizens. These kinds of restrictions would also be very difficult to implement in the current environment of modern technology. It appears that technological development did not lead to the feared society controlled by the "big brother" as George Orwell predicted in his famous novel "1984". On the contrary: centralised control of media and of human behaviour has become increasingly difficult.

Economic globalisation is only an element of more general globalisation of life. Markets made of how modern people live: consume, work, save and travel. As inhabitants of the global village, the economic relations of people become globalised in the same way as their other relations. In the markets are then reflected their needs and know-how, and also their morals.

It is important to understand this broad context of globalisation, although in my presentation I will focus on economic aspects of globalisation, i.e. growing economic interdependence of countries (or peoples) worldwide through the increasing volume and variety of cross-border transactions in goods and services and the increasingly free international movement of capital.

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### ***Free trade and the WTO***

The 20th century saw unparalleled economic growth, with global GDP per capita increasing almost five-fold. But this growth was not steady — the strongest expansion came during the second half of the century, in a period of rapid expansion of international trade, supported by trade liberalization, and somewhat later, by financial liberalisation. In the inter-war era, by contrast, the world turned its back on internationalism and countries retreated to protectionism and pervasive capital controls — and ultimately war.

Also today, the countries participating in globalisation are seeing fastest growth and poverty reduction. Outward-oriented policies brought dynamism and greater prosperity to much of East Asia, transforming it from one of the poorest areas of the world 40 years ago to successfully industrialised countries as they are today. Or if you want another example of a successful globalisation strategy, Finland became a rich welfare state by adopting outward-oriented policies even earlier than the countries in East Asia, disproving the poet Johan Ludvig Runeberg's dire forecast – which we all know in Finland – that Finland would remain poor forever. In Finland as well as elsewhere, as living standards rose, it became possible to make progress on democracy and other issues such as the environment and work standards, largely thanks to our participation to the international division of labour.

The story of the 20th century was of remarkable average income growth, but the progress and the proceeds have not been evenly distributed. The gaps between rich and poor countries, and rich and poor people within countries, have grown. The richest quarter of the world's population saw its per capita GDP increase nearly six-fold during the last century, while the poorest quarter experienced less than a three-fold increase. Income inequality has increased.

However, this trend may have changed now when more and more countries have abandoned previous inward-oriented policies. In the 1980s and 1990s a major change took place in China, whose economy has been growing at an annual rate of about 10 per cent at for more than a decade, and more recently more outward-oriented policies have brought dynamism to the economy of India. Per capita incomes in Africa declined long relative to the industrial countries, but even there have been positive developments in last few years.

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Increased global trade is essential for the reduction of poverty, particularly in low-income countries. Thus, from the point of view of developing countries, free trade is essential. Developing countries need to get wider markets and better price for their export products. In order to better reap the benefit from rapid integration of world economy, poor countries should be allowed to bring their products to the markets of rich countries. This requires more liberal trade policies from the side of rich countries. This causes adjustment costs for some people in the rich countries, but both the developing countries and the majority of the population in rich economies will benefit – the first-mentioned because of better earnings, the latter because of cheaper consumer goods. Moreover, prosperity of developing countries creates new demand and markets for specialized products and services of developed countries.

Another key issue from the point of view of developing countries is the reduction of subsidies for the exports of developed countries. These subsidies keep world market prices of many products – such as agricultural products – artificially low and harm the development of production in those countries, who cannot afford to subsidize their own production. Subsidies are indeed harmful, the only beneficiaries being those who in the industrialised world are working in subsidized sectors. The Europeans are not innocent in this respect: the EU agricultural subsidies correspond roughly to the GDP of the whole Africa south of Sahara!

The latest trade negotiations within the WTO, the so-called Doha round of trade talks placed for the first time developing country interests at the centre of a multilateral round of trade negotiations. The trade framework that would result from the Doha round would, among other things, reduces agricultural subsidies in rich countries that harm exports from developing countries. The deadline for the negotiations was 1 January 2005 but no agreement has thus far reached. The stalling of the Doha round negotiations in end-July this year was a great disappointment. Hopefully, the suspension of trade talks is only temporary and all parties resume to talks as soon as possible. The success of Doha round is essential for women, since most – perhaps about 70 per cent – of the world's poor families earn their living from the agriculture.

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## ***Financial markets and the IMF***

One of the most debated challenges of globalisation is the development of global financial markets, and as central banker I would like to say a few words about it.

In the discussion on globalisation, much attention has been paid to the working of international financial system, and in particular the disturbances in its functioning. Of the various sectors of the economy, the financial markets are the most global, because money is particularly suited for electronic trading. In fact, it was the Asian financial crisis of 1997, which ignited the current extensive interest in globalisation. That crisis had very severe social consequences in the area, and its political repercussions are far-reaching. Major criticism against globalisation is indeed directed against social consequences of the instability of international capital flows.

Before going deeper to the issue on instability, I want to say that, like for any markets, also for financial markets their becoming truly global is a positive development. International investment is one of the strongest forces reducing poverty today, and opening economic opportunities in the poorer parts of the world. In today's world, poverty and the lack of opportunity are – unfortunately – not only general development issues, but women issues in particular. Therefore, financial globalization is also an issue for women.

More specifically, the transfer of capital and know-how through international investment is vital for the poorest countries which are in practice able to prosper only if they can get more capital from industrialised countries in the form of investments. On the other hand, countries where population is ageing need to save for the future, and these savings search for investment targets in global financial markets. Even though development aid from industrialised countries, or from the World Bank, or other such institutions is important, it cannot realistically be raised to the level that would be sufficient to solve the problem of scarce resources in the developing countries. Investment is a much stronger force.

Unfortunately, however, recurrent financial crises have demonstrated the fatal vulnerability of international financial system. This instability is at the root of the criticism which is currently directed against globalisation of financial markets. But instability and vulnerability have their specific causes. Markets can function properly only in the circumstances, where political system is stable and open, and where reliable and sufficient information is available equally to all parties, and where responsibilities of all

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market participants – investors and borrowers – are carefully and credibly defined in advance. Instability of the markets is a consequence of lack of these preconditions.

When causes of financial crises have been analysed, the conclusion has been that one particularly disturbing factor is the lack of reliable and relevant economic information on developing countries' markets. This has had the tendency to raise waves of trust and mistrust in the markets. This problem also relates to the poor transparency of economic and monetary policies of many countries, and the same problem concerns deeply governance issues of firms and banks. Openness of economic policies goes hand in hand with democracy and predictable policy measures – the so-called stability orientation.

Currently, enormous efforts are made by the International Monetary Fund and other international organisations to strengthen crisis prevention and to create a stronger "international financial architecture" as it is called. This is a huge and time-consuming programme, consisting of many sub-projects. It deals with issues I mentioned before: the transparency of economic policies is increased, the availability of economic information is improved; better standards and codes are created to financial supervision and infrastructure, and efforts are made to increase responsibilities of investors and coordination in cases of problems.

What about women? How do women in developing countries benefit from financial markets? Of course good financial infrastructure is necessary and beneficial to all citizens. But I believe that good governance and transparency of financial system with open and equal criteria for transactions are particularly supportive of women's access there.

A good example may be micro credits systems targeted to women in developing countries. The recent Nobel Peace Price for this year was delivered to Muhammed Yunus and Grameen Bank for their efforts to create economic and social development from below through these micro credits. I was very impressed by the words of Mr Yunus when he explained the mission of his Bank over three decades. I quote:"People come out of poverty every day. ... People can change their own lives, provided they have the right kind of institutional support. They're not asking for charity, charity is no solution to poverty. Bring opportunities - like everybody else has - also to the poor people, so that they can change their lives. That's all we are doing. We didn't do anything special; lend money to people – all we did was we lent it to the poor people, and that makes the trick. That makes the change."

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### **Concluding remarks – globalisation and women**

To summarise: As globalisation has progressed, living conditions (particularly when measured by broader indicators of well being) have improved significantly in virtually all countries. Strongest gains have been made in those countries which have most actively participated in the globalisation process, including developed and emerging market economy countries. As the UN Secretary General Kofi Annan said in 2000: *"The great losers in today's very unequal world are not those, who are influenced too heavily by globalisation but those, who are excluded from globalisation."*

Favourable economic and political developments in those countries can be contrasted with the developments in the 1970s and 1980s of many countries in Latin America and Africa which pursued inward-oriented policies, with their economies stagnating or declining, poverty increasing and high inflation becoming the norm.

That the income gap between high-income and low-income countries has grown wide is a matter for concern. And the number of the world's citizens in abject poverty is deeply disturbing. But it is wrong to jump to the conclusion that globalisation has caused the divergence, or that nothing can be done to improve the situation. Developments in countries which have remained poor were largely due to misplaced economic, monetary and other policies, even though in many cases, especially in Africa, adverse external developments have made the problems worse.

Failure to integrate with the global economy has been one of the policy failures. No country, least of all the poorest, can afford to remain isolated from the world economy. In recent years, many countries in these regions have changed their policies, and their incomes have begun to rise. An important transformation is underway. Encouraging this trend, not reversing it, is the best course for promoting growth, development and poverty reduction. The international community should endeavour - by strengthening the international financial system, through trade, and through aid - to help the poorest countries integrate into the world economy, grow more rapidly, and reduce poverty.

Women and globalisation? What about the existing economic disadvantages of women? The critics of globalisation have claimed that increased trade openness and foreign direct investment exacerbate these disadvantages of women and foster conditions for forced labour. But there seems to be no factual evidence of such tendencies. However, there is evidence that as countries become more open and

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competition between firms intensifies, discrimination against any group, including women, becomes more difficult to sustain and therefore is likely to recede. Democracy and economic openness seem to go hand in hand.

The same is argued with respect to forced labour. For example, in their recent (May 2006) research report, Eric Neumayer (London School of Economics) and Indra de Sousa (Norwegian University of Sciences and Technology, Dept. of Sociology and Political Science) conclude that "*countries that are more open to trade provide better economic rights to women and have lower incidence of forced labour. This effect holds in a global sample as well as in a developing country sub-sample and holds also when potential feedback effects are controlled. The extent of an economy's penetration by foreign direct investment by and large has no statistically significant impact. Globalisation might weaken the general bargaining position of labour such that outcome-related labour standards might suffer. However, being more open towards trade is likely to promote rather than hinder the realization of two labour rights considered as core or fundamental by the International Labour Organization, namely the elimination of economic discrimination and forced labour.*" These are precisely the labour issues that are closest to women's rights.

In my presentation, I have argued that globalisation causes economic growth and economic growth increases welfare. I am used to end my public speeches by saying "*The welfare state is a girl's best friend*". Since there cannot be any welfare state without economic growth, I dare to claim that, in the global perspective, *globalisation is a girl's best friend!*

So, what could we do to ensure the favourable future development of globalisation? I believe that in the western democracies at least, where women have economic independence and political rights, women could and should do a lot. First, as I have emphasized in several occasions and meetings, women should use their economic power for ethical purposes. Women should use so-called market based means – the power of the purse – to promote a more women-friendly economy. Buy ethically. Women could, for example, invest in shares of only those companies, who have an equality policy and women in their board of directors. There is no reason, why you could not to apply this idea also globally, not only locally.

Second, women could and should use their political rights. The public right to vote celebrated this year the 100 years anniversary. I am sure that the Finnish women in our first parliament would have been

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surprised by the fact that 100 years later, still only 37 percent of our parliamentarians are women. Even if that share is not especially bad in the international comparison, I think that Finnish women should be able to reach a better result in the next election. One of our first female parliament members, Mrs Hedvig Gebhard, the economic counsellor, gave an excellent piece of advice, which is still valid all over the world: "*If there is capable female candidate, every conscious woman should vote for her*".