

**THE BROOKINGS INSTITUTION**  
**THE INTERNATIONAL LABOR ORGANIZATION**  
**THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE**

**MAKING GLOBALIZATION WORK:  
EXPANDING THE BENEFITS OF GLOBALIZATION TO WORKING  
FAMILIES AND THE POOR**

**WELCOME AND OPENING REMARKS**

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JESSICA MATHEWS: Good afternoon. I'm Jessica Mathews, president of the Carnegie Endowment for International Peace. It is my privilege to welcome you on behalf of Carnegie, the Brookings Institution and the ILO to this conference on making globalization work for the poor – as well as for the rich. Our focus is not so much on poor and rich countries as it is on people: particularly on workers and their families, and on employment, working conditions, income and social protections. That focus in turn derives from a broader purpose of this conference, which comes from its connection to the ILO's High Level Commission on the Social Dimensions of Globalization. We want to introduce the Washington policy and research community to the work that is being undertaken by the commission and its ILO staff, and equally to make the commission and its staff aware of the latest research and policy analysis in Washington.

In this room there are, I expect, people who believe that globalization exacerbates unemployment, inequality and poverty. There are also, I would expect, those who believe the reverse, that globalization helps to reduce them. We can all of us, however, agree as a starting point, I hope, that whatever the record has been so far and whatever the net effect is to date, that the future can be different. That is, that globalization is not some kind of exogenous, inexorable process, but rather one that can be steered through policy choices. And those policy choices, that steering, are, I think—and the organizers of this event believe—one of the great policy challenges of our time. Because without those choices, the further integration of the world—economically, politically, and socially—cannot proceed.

It's clear that for globalization to be economically and politically sustainable, as we've seen from trade debates, street protests, and from economic trends, that it must contribute to reducing social and economic inequalities. How bizarre it must seem to some Martian political scientist looking down on us to see that the leaders of the world's freest societies and most economically successful countries, whenever they now meet, must do so in more and more remote sites behind more and more miles of guards and fences. You wonder how much longer it can go on in this shrinking world. I sometimes begin to wonder whether here at last is the otherwise impenetrable purpose of the space shuttle, and that ultimately we are going to find out what shuttle diplomacy really means. But clearly this trend of hidden summits is not one that can go on forever, and also clearly provides for us a clue that something is wrong.

One of the reasons of course is that expectations are an invisible free rider, piggy-backing on the accelerating flows of information across borders as part of globalization. If unmet, these expectations carry the very real risk of backlash, of abandoning what is good in economic integration along with what is not working. And even in pure economic terms, globalization may not produce the expected growth without these policy adjustments. If one has any doubt, I think, about these assertions, one has only to look at Latin America over the decade of the '90s. A year and a half ago Carnegie and the Inter-American Dialogue put out a wonderful study by Nancy Birdsall and Alexander Torre entitled "Washington Contentious."

In it, the authors took a look back at the 1990s, at a time when the whole continent wholeheartedly embraced the Washington consensus on macroeconomic policy: cut inflation to single digits almost everywhere; cut average budget deficits more than in half; lowered public external debt from 50 percent of GDP to less than 20 percent; brought average trade tariffs down from 40

percent to nearly 10 percent; dismantled direct credit controls; foreign exchange controls; capital account controls; aggressively reformed and liberalized; and privatized across the region. And the result in economic terms was very encouraging. Private capital inflows to the region in one decade increased six-fold, from \$14 billion to \$86 billion in 1997, before the downturn that was precipitated by the Asian crisis turned things around.

But in social terms the results were really very *discouraging*. After this solid decade of perhaps the most aggressive economic reform ever, unemployment in Latin America rose, poverty remained widespread, the continent entered the third millennium with more than a third of its population in poverty, with incomes of less than \$2 a day, and almost half of that number were living in extreme poverty on less than \$1 a day. And the continent still displayed the worst, or the most acute, inequality of income and assets in the world. The not unexpected consequence of that was that public surveys towards the end of the decade showed that citizens were discouraged with reform, felt that their quality of life was lower than that of previous generations, that poverty was higher than ever, and felt increased anxiety about jobs and income. Of course the consequence of that was the political reversal and the very discouraging trends that we've seen over the last few years. Politicians could hardly go to voters and point out that as bad as things might look or feel, they would have been worse without the reform. That is not a winning ticket, and indeed it proved not to be.

So, in a nutshell, our hopes for this meeting are first to have another go at trying to clarify what we know or think we know about the record: about trends with respect to wages, poverty, and inequality over the past years. In the House Budget Committee, some years ago, members used to have a favorite saying that if you tortured the numbers long enough they would confess to anything. We will scrutinize the numbers very closely, but I hope, at least, not torture them. We will then go on to issues of causality, a much trickier proposition, to try to ask the questions of what we know about where the arrows of causality point as between globalization, poverty, income distribution and employment.

Then we will look at the even trickier issues of fairness: what are we to understand about the images of sweatshops in developing countries that we see in the media, for example? Should we see these jobs as economic advancement for their workers, or as unacceptable exploitation? And then, finally, we will pose the really urgent questions, regarding policy choices. What can be done? What can be done differently by national governments, by international organizations, by the private sector, by trade unions, by NGOs? I hope that we will be able to address all of those.

Gandhi was asked by a British colonialist shortly before independence whether he thought that India would be able to reach British standards of living after independence. He said that since it had taken Britain half the resources of the planet to reach its current level, he wondered how many planets it would take for India to do the same. In that spirit, we have some pretty big challenges ahead. I do think that the program that the organizers have put together, with the great roster of speakers we have, does a superb job of getting at answers to Gandhi's question.

Before I turn the podium over to this first panel, I want to thank the team that put this meeting together: Sandra Polaski, senior associate in the Trade, Equity and Development Project here at Carnegie; Lael Brainard, the New Century Chair and Senior Fellow at the Brookings Institution;

and Karen Tramontano of the Global Fairness Initiative. This was, as always in these things, an enormous amount of work and I think they have succeeded superbly. So, I thank them, and all of you for coming, I look forward to our discussions, and let me turn it over to Lael.

(Applause)