

# **CORRECTING THE WRONGS**

**Overcoming the Downfalls of Globalization  
Through the Implementation of Sustainable  
Development Policies**

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## **Declaration of honour**

***“I declare on my word of honour that I have written this paper on my own and that I have not used any sources or resources other than stated and that I have marked those passages and/or ideas that were either verbally or textually extracted from sources. This also applies to drawings, sketches, graphic representations as well as to sources from the internet.***

***The paper has not been submitted in this or similar form for assessment at any other domestic or foreign post-secondary educational institution and has not been published elsewhere. The present paper complies with the version submitted electronically.”***

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**Signature**

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## **Abstract**

This paper investigates the relationship between globalization and sustainable development from the economic, social, and political perspective. In the past decades, there has been an intense public backlash against globalization on the grounds of human rights violations, environmental degradation, and economic exploitation. While there is certainly substantial merit to these claims, it is important to see globalization for what it is – a sign of human progress. Globalization is an incredibly broad and complex set of multidimensional processes and it would be surprising if all of them were socially and environmentally harmful. This paper concludes that aside from presenting challenges, such as rising inequality, increased consumption, higher levels of environmental degradation and more frequent economic crises, globalization also provides a number of pathways to sustainable transition. In order to overcome the pitfalls of globalization and set the current trend straight, cooperation at all levels and across sectors is necessary. Large-scale public and private investments in sustainable infrastructure need to be made, and complementary national policies must be implemented where market forces result in negative externalities.

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## List of Abbreviations

CFCs	Chlorofluorocarbons
EKC	Environmental Kuznets Curve
EST	Environmental Sound Technology
FAO	Food and Agriculture Organization of the United Nation
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
GHG	Greenhouse Gas
GJM	Global Justice Movement
IMF	International Monetary Fund
INGOs	International Nongovernmental Organisations
IPRs	Intellectual Property Rights
MDGs	Millennium Development Goals
MNE	Multinational Enterprises
NGOs	Nongovernmental Organisations
R&D	Research and Development
SDGs	Sustainable Development Goals
TNC	Transnational Corporations
UN	United Nations
UNGC	UN Global Compact
VSSs	Voluntary Sustainability Standards
WB	World Bank
WEF	World Economic Forum

WSF	World Social Forum
WTO	World Trade Organization
WW2	World War II

# 1 Introduction

## 1.1 Background

Globalization is an incredibly broad and complex subject. It encompasses economic, social, political, technological, cultural and environmental dimensions of human interactions at all the spatio-temporal scales imaginable (Rennen and Martens, 2003). The term itself first appeared in the writings of scholars in the late 19th and early 20th century. However, it was only in the 1980s when the term started to gain actual relevance. Today, expressions for globalization can be found in the vocabulary of virtually every language in the world (Neag & Bucata, 2015). It has become basically a household word, used most frequently by politicians and economists, and often decried by various activist groups and the so-called anti-globalists (Rennen and Martens, 2003; Sonnenfeld and Mol, 2002).

Despite such a wide-spread usage of the word, it is impossible to pin down any one definition of globalization as being universal. Depending on the interpretation followed and the criteria applied, one can quite easily arrive at a number of different historical starting points for globalisation, as well as different driving forces behind it. For instance, some globalization skeptics believe that the industrial revolution marks the beginning of globalization, whereas others associate the beginning of globalization with the period of European colonialism which started October 12, 1492 when Christopher Columbus discovered America (Rennen and Martens, 2003, p. 137). Hobson (2004) on the other hand, dates the beginning of globalisation to as early as 3500 BC.

Steger (2003) has compiled the information on the history of globalization and put it in chronological order, dividing globalization into five main periods, where each represents some substantial change in the social, cultural, political, technological and economic factors, ranging from 10000 BC. to 1970 and onward. He also produced the following definition of globalization, which will be used for the purposes of this paper: "Globalization refers to a multidimensional set of social processes that cre-

ate, multiply, stretch, and intensify worldwide social interdependencies and exchanges while at the same time fostering in people a growing awareness of deepening connections between the local and the distant” (Steger, 2003, p. 13).

The advocates of globalization argue that in a globalized world, every country has a chance to participate in the world economy and benefit from the increased exchange of knowledge, trade, and capital around the world, driven by the marvellous technological advancements of the twenty-first century (Thompson, 2007; Zollinger, 2007). Nobel-Prize winning economist, Amartya Sen claims that globalization “has enriched the world scientifically and culturally, and benefited many people economically as well” (as cited in C.R., 2013).

Not everybody, however, sees globalization in such a good light. The argument is raised that globalization has a negative effect on employment possibilities and the environment, and that it has widened the gap between the rich and the poor (Moyers, 2007; Mann, 2011). Famous economists like Joseph Stiglitz and Ha-Joon Chang oppose globalization and criticize it for deepening world inequality. This view was, after all, somewhat confirmed by the International Monetary Fund (IMF) in 2007 (C.R., 2013).

Globalization has first come under fire for its negative effects on the environment in November 1999 at the Ministerial meeting of the World Trade Organization (WTO), when a group of protesters launched the first of the big anti-globalization demonstrations. Since then, anti-globalization protests became a common sight at the meetings of many multi-national organizations. No other aspect of globalization is as displeasing to the critics as its impact on the environment (Frankel, 2008).

## **1.2 Problem Statement**

The United Nations Human Development Report (1999) states that “People’s lives around the globe are linked more deeply, more intensely, more immediately than ever before. This opens many opportunities, giving new power to good and bad” (p. 30). Like technology, globalization is simply another sign of progress that is neutral

in nature, intrinsically neither bad nor good. According to Zollinger (2007), the greatest challenge of globalization represents sustaining the increasing prosperity for all without over-exploiting the environment and natural resources. In order to curb the negative impacts on the environment and reduce humanity's carbon footprint, some environmental activists propose giving up some of the luxuries that progress has brought and return to the living conditions in the preindustrial times.

However, majority of people are of the opinion that both, cleaner environment and continued economic growth, is attainable and that the solution is in finding the right trade-off between the two. In fact, this idea lies at the heart of sustainable development (Frankel, 2008) The concept of sustainable development was first pronounced by Gro Harlem Brundtland, the Prime Minister of Norway in the Report of the World Commission on Environment and Development: Our Common Future (1987), where sustainable development was defined as “development that meets the needs of the present without compromising the ability of future generations to satisfy their own needs” (54).

Since then, the concept has evolved into more a holistic interpretation and its vision was redirected to focus more on economic and social development, and environmental protection for future generations (Shaker, 2015). Whereas before, the activists combatted the social and environmental problems mainly by strengthening the nation-state's regulatory capacity, now a variety of environmental nongovernmental organizations (ENGOS), trade unions, Third World and Fair Trade groups are taking an active participation in the promotion sustainable development on an international level (Sonnenfeld & Mol, 2002). In 2015 The UN General Assembly adopted the 2030 agenda for sustainable development, the most comprehensive framework for achieving sustainable development to date (WTO, 2018).

The aim of this research paper is to investigate the relationship between globalization – focusing mainly on economic, social and political aspects – and sustainable development, and to suggest complementary policies that would make globalization more sustainable. In the course of this paper the author asks the following questions:

1. How does globalization affect sustainable development?

2. How can globalization be reconciled with sustainable development?

### **1.3 Structure**

The first chapter deals with the economic side of globalization. It provides a brief overview of the historical process that led to the current trade regime and investigates how global economic integration affects sustainable development. The emphasis is laid on issues such as economic instability, poverty, inequality, employment, gender equality, multinational corporations, export processing zones, education, technology, energy security, privatisation of public services, trade in agriculture and environmental degradation.

The second chapter takes a closer look at how social interactions are influenced by globalization and what does this mean for a sustainable transition. First, a theoretical perspective is adopted to understand the motives behind some of the political and social movements and to clarify what is going on in the public discourse on globalisation. Then the attention is directed to how globalisation affects culture, lifestyle, and urbanisation, and why is this relevant for sustainable development.

The third chapter is focused on analysing how the changes in state sovereignty – resulting from the proliferation of multinational corporations, nongovernmental organizations, supranational organizations, regional organization, city networks, and strategic partnerships – impact global sustainability governance.

The last chapter of this paper takes a holistic approach in order to address the sustainability issues raised above and propose policies that would help overcome the pitfalls of globalisation with respect to sustainable development.

### **1.4 Research Methodology**

The methodology employed in this research paper was completely rooted in qualitative analysis of secondary and primary sources. In order to answer the research questions, the author conducted pure, qualitative research that was descriptive in nature. What concerns the secondary sources, the author conducted a broad and

thorough literature analysis based on relevant academic literature. Academic journals, articles, and books were employed heavily for the purposes of this paper. Occasionally, non-academic sources were utilised as well. The secondary sources employed dealt predominantly with topics in international trade, global governance, sustainable development, consumption, poverty, inequality, population dynamics, and culture. Some of these sources ought to be highlighted in order to express their immense contribution to this thesis. Steger's introduction to globalization was invaluable for providing definitions of core global processes. Reports by the UN, WB, IMF, WTO, OECD, and ASEAN have provided up-to-date information and well-founded statistics, that are at the centre of this research paper. An inspection into the primary sources is paramount for this research paper. The initiatives, treaties and action plans of international organizations were reviewed en mass in order to satisfactorily answer the proposed research questions.

## 2 Economic Dimension

Steger (2017) defines the economic dimension of globalisation as the “intensification and stretching of economic connections across the globe” (p. 38) This process began with the foundation of the Bretton Wood institutions – the IMF and the World Bank (WB) – at the end of the World War II (WW2). But it was not before the 1980s that – due to the groundbreaking advancements in information and communication technology, plummeting costs of transportation and trade liberalisation – the process really took off (Krugman, 1995).

At first the Bretton Woods system worked marvellously. It brought enormous social and economic benefits, such as rising wages, full employment and the expansion of social welfare programs, however, in 1970s the system collapsed. The following years were marked with high inflation rates, economic instability, rising unemployment and two major energy crises. In 1980s the UK minister Prime Minister Margaret Thatcher and the US president Ronald Reagan started pushing new neo-liberal policies that equated globalisation with the agenda for market deregulation (Steger, 2017).

The subsequent increase in capital mobility ramped up the international flow of goods and services, and the volume of global commerce soared to unprecedented highs. Economies around the world started forging new strategic partnerships, which solidified the already dominant position of the Bretton Woods institutions and created a flourishing environment where transnational corporations (TNCs) and multinational enterprises (MNEs) could become key players in the global economic order of the 21<sup>st</sup> century (Steger, 2017). For the purposes of this paper TNCs and MNCs are considered synonymous terms and will be used interchangeably.

The liberalisation of financial markets by removing credit controls, and privatising national banking institutions, has been another important element of the neoliberal policies that were adopted (Steger, 2017). The IMF has openly supported higher cross-border capital flows, advocating it as a positive development that would utilise

global savings in a more productive fashion, whilst providing the developing countries with the much-needed sources of finance. Be that as it may, the whole experience turned out quite differently than the IMF presumed (UN, 2013).

## **2.1 Instability**

Financial Globalization has deepened the interdependencies between countries and increased the level of volatility in the global economy. As a result, crises started to occur in much shorter intervals. Through international trade, foreign direct investment (FDI) and other economic linkages, these crises spread very quickly which may lead to substantial setbacks for sustainable development worldwide. After the global financial crisis of 2008, the world has experienced slow and painful recovery, during which unemployment rose and the rate of poverty reduction – which was truly quite remarkable at the time – slowed down dramatically (UN, 2013). Economic crises are typically associated with downward pressure on social welfare spending, which then translates into lower levels of citizen well-being. But economic crises can have even more tragic consequences. For example, Mickiewicz and Nikoloski (as cited in Rewilak, 2018) linked the currency crisis to higher death rates.

Crises are contagious and have far-reaching consequences that are sometimes difficult to ascertain. Jennifer Clapp (2009) found a connection between the high food price crisis of 2008 – generally deemed to be the result of political and environmental factors – and the economic crisis that followed the devaluation of US dollar.

With dollar dropping in value, investors started to speculate on a range of agricultural futures, driving up the prices of vital agricultural commodities. Because of that, food became more expensive and harder to get. People suffered from hunger and malnutrition, and riots have erupted throughout the global South. This difficult situation was exacerbated by the fact that, in the process of market liberalisation, developing countries grew increasingly dependent on food imports from the developed countries, which made them more vulnerable to economic and political shocks (Clapp, 2009).

Silver lining seems to be that the economic slowdown that results from economic crises, lowers the rate of environmental degradation and industrial pollution. But by the same token, less money is spent on research and development (R&D), environmental sound energy (EST) and environmental conservation, which cancels out the positive effect from lower industrial activity in the long run (Anbumozhi & Bauer, 2010). Geels (2013) concludes that while the financial-economic crisis provided certain pathways to sustainable development – such as the green financing incentives – they have not been taken advantage of, and the prospects for doing so are quickly fading away. Also, it drew the attention away from environmental concerns in the public discourse.

## **2.2 Poverty**

Economic growth has been described as one of the most important tools in the fight against poverty (DFID, 2008). Since the 1990s the gross domestic product (GDP) per capita was by degrees in the South and in 2000s there were already more than 80 developing countries that performed better than the developed countries in terms GDP per capita growth (Keeley, 2015). Generally, 1 percent increase in GDP per capita is associated with 1.7 percent decrease in poverty. (World Bank, 2005) International trade has been largely responsible for the impressive productivity growth which showcases how the global economic integration can benefit the poor. (Brambilla & Porto, 2017). The current international trade regime has helped to lift Millions of people out of poverty (Steger, 2017). The UN Millennium Development Goals Report (2015) indicates that the number of people living in extreme poverty – that is on less than 1.25\$ a day – went down from 1.9 billion in 1990 to 836 million in 2015. At the same time the working middle class – meaning people who live on more than 4\$ a day – was in 2015 almost three times larger than in 1991. In the developing world, this group now accounts for over 50 percent of the entire workforce.

Unfortunately, this remarkable progress was not felt everywhere with the same intensity. The largest number of people lifted out of poverty was in China – around 500 million people. Southeast Asia can be generally considered a wild success, but the rest of the developing countries and least developed countries did not achieve

nearly the same rate of poverty reduction (Keeley, 2015). In many parts of the world people still suffer from extreme poverty and the associated social and societal problems (Khor, 2011). The situation is the most tragic in the sub-Saharan African region, where between 1990 and 2013 the extreme poverty was on the rise (World Bank, 2016). Additionally, the worldwide rate of poverty reduction slowed down by half since 2013 (World Bank, 2019), and even though the absolute number of people living in extreme poverty is still falling, the same cannot be said of relative poverty, which is at best stagnating (Keeley, 2015).

### **2.3 Inequality**

Described as the "defining challenge of our time" by President Obama in 2013, global inequality has been rising with dazzling speed since the 1980s (Urata & Narjoko, 2017) (Piketty, 2014). Widening gap between the rich and the poor can be witnessed both among and within countries (Steger, 2017). In the US, for example, the wages of an average worker have stayed roughly the same for the last 40 years, while for the elites (the top 1 percent of earners) wages rose by staggering 154 percent (Tyson, 2014). There was an increase in inequality in the developing world as well. Even economies such as China or India – both are said to be exemplary cases of strong economic growth – are experiencing widening economic disparity (Urata & Narjoko, 2017). The influential World Inequality Report (2018) has revealed that since 1980 the income of the world top 1 percent of earners has increased twice as much as that of the bottom 50 percent. The report also highlighted the egregious fact that the 26 richest people on the planet own as much wealth as the bottom half of the population put together. Inclusive growth is crucial for maintaining the social order. Rising inequality can result in political turmoil which can jeopardize the economic stability of a nation or a whole region (Urata & Narjoko, 2017). What is more, the rate of poverty reduction worldwide is to a large extent determined by levels of within-country inequality, meaning that high inequality makes any progress on reducing poverty even more difficult (Alvaredo et al, 2018).

Despite the fact that the general trend of inequality in the last couple of decades has been upward-sloping (Alvaredo et al, 2018), Bourguignon (2016) brings up the confusion encompassing current debate on inequality and stresses the importance for defining which type of inequality is being discussed. He also maintains that inequality was not increasing everywhere in the world all the time and that in some countries it was flat or even went down a little. In addition to the levels of income inequality varying across countries, there is also considerable discrepancy in the pace at which inequality progressed – indicating the important role governments play in managing inequality (Alvaredo et al, 2018).

It is worth bearing in mind that growing inequality was not the only phenomenon that was underway in the recent decades. World has been also experiencing a period of intensifying economic interrelations, most notably through increased flows of goods, services, labour and investments (Pavcnik, 2011). Naturally, globalization has been repeatedly identified as the principal cause for the rising inequality. The empirical evidence is, however, not conclusive on this (Urata & Narjoko, 2017).

Several studies conducted on this issue tend to support the notion that globalization increases the intra-country inequality. Freeman (2010) found that increased financial flows and FDI in particular are responsible for growing income inequality in both developed and developing economies (as cited in Dabla-Norris et al., 2015). Similarly, Goldberg and Pavcnik (As cited in Pavcnik, 2011) claim that foreign-owned businesses are generally interested in highering more skilled and better educated workers, so they pay higher wages compared to the domestic employers, thus contributing to the rising wage inequality in the country. According to Alvaredo et al. (2007) the largest contributor to the wage inequality is technological progress and the subsequent transfer thereof. Interestingly enough, their study also suggests that trade has reduced inequality, while increased flows of capital across borders have increased it.

International trade can have both positive and negative effects on both inter- and intra-state inequality (Urata & Narjoko, 2017). Even though Goldberg and Pavcnik (2007) found little evidence that would support the notion that globalization works for the have-nots, they have also stressed the fact that the “mechanisms through

which globalization affected inequality are country-, time-, and case-specific, implying the difficulty in obtaining a general pattern.” (p. 78). After Brazil and Indonesia lowered tariffs and eliminated other trade barriers, the result was a decline in inequality, however for Mexico and China the regional inequality has risen with market liberalisation (Urata & Narjoko, 2017). In his book called *The Global Inequality*, Branko Milanovic (2016) writes about the emergence of global middle class, located predominantly in China and East Asia. People in this group are said to have gained the most from globalization, capturing income growth of around 80 percent. But he also brings up the stagnation of the lower and middle class in the developed world and the rise of global plutocracy, commonly known as the 1 percent. Alvaredo et al. (2018) estimated that if no measures are taken to adjust the workings of the current economic system, global income inequality will further increase.

## **2.4 Multinationals**

Biersteker (1978) defined transnational corporations as "formal business organizations that have spatially dispersed operations in at least two countries" (p. xii). TNCs have established themselves as the corner stones of the international political economy and their numbers rose from 7,000 in 1970 to 100,000 in 2015 (Steger, 2017). In terms of economic power, they are comparable to the whole nation-states. In fact, according to the rankings of *Global Justice Now* (2018), 69 out of the world's 100 largest economic entities are corporations – with Walmart finding its way to the top 10. TNCs are already responsible for over two thirds of the world trade in volume and the proportion is likely to increase in the future. Needless to say, that they exert an enormous amount of influence on how the world economy operates and how it is structured. TNCs play a decisive role in determining the political developments of individual countries (Steger, 2017).

### **2.4.1 Tax Evasion**

In the last two decades, TNCs have come under fire for not paying their fair share. The revelations of incriminating documents such as the “Panama Papers” or the “Paradise Papers” have shed light on the dishonest and elusive practices of these

corporate giants (ICRICT, 2019). Incidents, such as these, have also demonstrated that when dealing with multinational companies, the international tax system has been rendered largely ineffective. TNCs are able to systematically shift their profits away from the country of production and consumption to the so-called tax havens – countries with low corporate tax rates (Fried, 2018). It was estimated that up to 40 percent of TNCs' profits could have been shifted to the tax havens (ICRICT, 2019). Zucman et al. (2015) estimated that at least 8 percent of the global household wealth is stashed in tax havens.

Taxation policies of a single country can severely undermine the ability of other countries to raise taxes. When the TNCs recourse to tax avoiding practices, they are effectively stripping countries of the much-needed resources used to fight crime and poverty, and finance vital public services, such as education, healthcare, and social welfare programs. Tax avoidance also increases developing countries' dependence on foreign aid and harms taxpayers in general (ICRICT, 2015). OXFAM (2015) estimated that alone in 2010 Africa lost around \$6 billion due to corporate tax avoidance.

#### **2.4.2 Developing Countries**

Market liberalization allowed TNCs to relocate their production to the developing countries, where they could easily capitalise on the steady supply of resources and cheap labour (Steger, 2017). Keen on the prospect of new employment possibilities, technology and knowledge spillovers, capital build-up, lower poverty, and higher GDP growth, developing countries offer a number of financial and non-financial incentives to attract the FDI. These incentives include lower tax rates or tax exemptions, grants, reduced bureaucracy and so on. To the developing countries' dismay, TNCs often engage in “race to the bottom” practices which are ultimately harmful to the local population and the environment. Multinationals have been accused of human rights abuses and of pressuring the developing countries to relax their environmental standards.

The impact of FDI on developing countries is ambiguous. Studies conducted on this topic tend to conclude that the outcome is to a great extent determined by national

policies (Ferdausy & Rahman, 2009). TNCs can act as drivers for technological advancement and thus assist developing countries in catching up with the industrialised nations in the North. Through the increased competition and technological spillovers, companies in the developing world may strive to improve their productivity, thereby developing an entrepreneurial spirit within the country. Nevertheless, there is also the possibility that when presented with the superiority of the large multinationals, domestic companies will give up on innovation and start licensing their activities instead. FDI differs in its impact on growth and sustainable development depending on the kind of FDI, specific industry sector as well as the overall economic environment (Chudnovsky & Lopez, 2019).

### **2.4.3 Sustainable Action**

On the positive side, an increasing number of TNCs decided to take steps in the right direction and are readjusting their operations to become more sustainable (Ishak et al., 2017). Multinational corporations like Unilever, Patagonia, and Interface are taking their social and environmental impact very seriously and they might be setting a trend for the rest of corporate giants. For instance, Procter & Gamble – one of the leading producers of personal care and hygiene products – announced to cut their carbon footprint in half by 2030 (P&G, 2018). According to the GlobalScan/Sustainability Leaders Survey (2018) IKEA, Marks & Spencer, Tesla, Nestlé, Natura, Danone, Apple, and even Walmart are also engaging in some level of sustainable transition. In spite of that, there are doubts as to how impactful these actions really are, and whether they in fact deserve the public appraisal.

Nestlé vowed not to buy palm oil from uncertified providers – which might seem as a major positive development – but such promises do very little to stop the deforestation of the rainforests. The reality is that these minor actions, even though they are not negligible, are not going to achieve the desired result. Most of what TNCs are trying to do is to limit the damage they have already caused. In order to make a meaningful difference, their general business model would have to undergo a drastic transformation, which is a measure that most of TNCs still oppose (Krukowska, 2015).

## 2.5 Employment

Globalization has dramatically changed the way in which international trade and production operated. Altering industry structures and creating a highly competitive environment for businesses (Gereffi, 2011). The deregulation of world markets has had an enormous implication for employment world-wide and it seems that some of the most fundamental arguments advocating free trade are losing on credibility. One of them is the theory of comparative advantage devised by David Ricardo in 1817. It is built on the premise that every nation will ultimately benefit from trade if it specializes in producing goods and services in which it has comparative advantage. The positive effect on welfare is therefore deemed to be an obvious outcome of the free trade. Ricardo further assumes that all factors of production are interchangeable. Regarding employment, this means that workers should be able to move from one industry sector to another relatively easily. What often happens, however, is that different industries require different sets of skills. Unable to get an adequate job, workers from the dying industries usually end up unemployed or are forced to find an unstable and demeaning job (Fletcher, 2011).

The immobility of capital is another of Ricardo's assumptions. But this clearly holds true no longer. FDI to developing countries has been growing rapidly for a long time. Since the 1960s, companies in the US started shifting their production abroad so as to lower their operating expenses. First it was only the assembly of parts manufactured in the U.S., but subsequently, more and more manufacturing processes have been offshored (Dicken, 2011).

Between 1974 and 2005 the industrialized countries of the West lost 35 million jobs, while the developing countries gained 29 million jobs. As developing economies industrialised they first acquired the capacity to produce low-skill intensive goods, such as textile and garments. Afterwards, they started producing goods that demanded more of skilled labour, such as steel, ships, automobiles and electronics (Brown and Hardwood, 2014) In the process western countries deindustrialized and

services gradually made up an increasingly larger portion of the manufacturing activity in the developed world. What may be potentially dangerous is that technological innovations in communication and transportation make it possible to trade an ever-wider range of services. Such concerns are at the centre of the growing unrest within the populations of developed nations. However, In their influential work Rowthorn and Ramaswamy (1997) established that in spite of the popular opinion that emerging labour-intensive industries in the developing world are the main reason for the displacement of workers in the advanced economies, the North-South trade together with number of other factors actually constitutes just about 18 percent of the employment decline in manufacturing. Whereas the difference in productivity growth between manufacturing and services accounts for almost 60 percent of the overall decline in manufacturing employment.

It is also important to distinguish between the two forms of services that are outsourced by contractors in the developing countries. Namely, information intensive services, such as computer services, and location-intensive services, which is for example retailing. While the outsourcing of information-intensive services is most likely to have a negative effect on the employment at home, the impact of offshoring on employment due to the location motives seems to be, in spite of the prevalent public opinion, positive. The domestic growth in employment through location-intensive offshoring is caused by ownership advantages companies have in the home state (Driffield et al., 2017).

### **2.5.1 EPZs**

Since their reappearance in the 1950s export processing zones (EPZs) have become increasingly popular. In the 1970s only a small number of countries had deployed EPZs in their territory an OECD publication from 1996 records already 500 EPZs dispersed across 73 countries (as cited in Madani, 1999). EPZs are global development tools generally set up by the governments of low-income countries to promote trade, attract FDI, increase foreign currency earnings and create jobs. Countries provide foreign investors with benefits such as infrastructure, limited trade barriers, exemptions from production and trade-related taxes, elimination of labour laws and relaxations of environmental standards (Brown and Hardwood, 2014).

However, the impact of EPZs on economic development beyond the zone's limits is disputable (UNCTAD, 2015). EPZs can encourage environmental degradation, increase wage inequality and contribute to deteriorating working conditions. Additionally, because of the high competition among EPZs, investors can exploit the situation by bargaining for better terms – depressing the economic benefits for the host state even more (Brown and Hardwood, 2014). With respect to employment Ciera (2017) suggests that, while it is likely that EPZs create new jobs, there is no robust evidence that the employment created in the zones is additional, essentially meaning that replicate local jobs and with their better resources, they compete successfully at the expense of local businesses for the existing “best” workers (Brown and Hardwood, 2014).

The effect EPZs have on wages varies throughout the developing world but generally it can be said that wages in EPZs are higher than on the outside. The wage-gap between male and female workers persists but is not worse than in the rest of the country. Labour unions are banned in some of the EPZs and reports of labour rights abuses inside the zones have surfaced, however, the domestic institutions should also take the heat. Long working hours are a common sight in the EPZs and over-times are sometimes obligatory and unpaid but compared to the situation outside, the evidence cuts both ways (Ciera, 2017).

The good thing is that EPZs can be transformed. Some of the EPZs are reorienting themselves, trying to incorporate more of skilled labour into their operations. In India for example, EPZs specializing in finance or technology have been established. Some EPZs are responding to the shift in the public opinion as Increasing number of consumers demand TNCs to streamline their operations and get rid of human rights abuses throughout the supply chain. Nevertheless, a UNCTAD survey of 100 EPZs' public information undertaken as part of this report suggests that most EPZs are not promoting prominent environmental and social features (UNCTAD, 2015).

### **2.5.2 Formalization**

While considerable progress has been made in reducing the numbers of working poor, the effects of globalisation on informal employment are less clear (Vandenberg, 2017). Report by the UN (2015) states that in the period between 1991 and

2015 the global share of informal employment viz-a-viz the formal employment dropped from 55 percent to 45 percent. This means that there has been a proportional decrease even though informal employment stays very high in sub-Saharan Africa and South Asia and in absolute terms went up from 1.25 billion to 1.45 billion in the same period. Low level of income, job insecurity and inadequate social protection are characteristics of the informal economy (Bacchetta, 2009).

Arguably, trade openness gives companies a reason to formalize their operations. Greater formality is associated with better organization, which makes the company more competitive with respect to imports and eventually allows it to export its products to foreign markets. On the other hand, imports are putting downward pressure on firms' budget and force them to produce cheaper and faster – which leads to informal outsourcing (Vandenberg, 2017). Workers who lose their job as the result of increased import competition often search refuge in the informal sector. This contributes to the worsening of working conditions. At the same time, economies which are more open to trade, generally exhibit a lower degree of informal employment (Bacchetta, 2009). This leads to a conclusion that the impact of globalization on the level of informal employment is determined by the economic structure of the country (Vandenberg, 2017).

Child labour in connection to globalization has not been thoroughly investigated as of now (Vandenberg, 2017), Nevertheless, the available evidence seems to indicate that globalization tends to decrease rather than increase the degree of child labour in an economy (Cigno et al., 2002) Edmonds and Pavcnik (2004). Poverty is generally assumed to be the main cause of child labour, welfare gains from trade, by raising country income, may contribute to reducing child labor (as cited in Vandenberg, 2017). However, there are considerable regional differences in how globalization affects child labour. In Africa and Latin America greater integration is clearly linked to a decrease in child labour but the same cannot be said of Asia, where the level of child labour went up as the globalization progressed. This implies that national policies and the composition of industries play an important role in determining the effect of globalization on child labour. The relationship between globalization and modern slavery has not been properly explored to this point (Vandenberg, 2017).

### 2.5.3 WOMEN

Women are invaluable in cultivating social and economic progress. They also represent an integral part of the labor force, that is necessary for achieving equitable and sustainable growth. Generally, it can be said that globalization benefits women by increasing the number of jobs and positions available to them, but whether it also closes the existing gap between male and female workers is a different issue (Shepherd & Stone, 2017). One aspect of globalization is a higher competition caused by increased imports. Black and Brainerd (2004) argue that this increased competition makes employers less inclined to discriminate against women. However, in the Republic of Korea and Taipei, China globalization resulted in higher levels of age discrimination of women (Berik et al., 2003).

Balakrishnan (as cited in Gunter & Hoeven, 2004) claims that as the production dispersed around the world, women ended up working in more precarious positions in order to complement their unpaid household labour. The wage gap between men and women narrowed in East Asia and in the last two decades the world has witnessed an ever-larger number of women joined the labour force, which generally translates to better social status for women (Shepherd & Stone, 2017). Nevertheless, as Chambers (as cited in Gunter & Hoeven, 2004) presents the argument that, notwithstanding the higher participation of women in the labour force, they continue to be financially vulnerable. Busse and Speilmann found that a higher level of exports in the labour-intensive goods has a negative effect on the wage gap.

The real reason for the rise in female employment rates might very well just be the fact that women are more willing to accept lower wages than men (Gunter & Hoeven, 2004). Luckily, there is a structural change underway. As a result of increased manufacturing capacity and the offshoring of services, new jobs have been created that offer roughly the same level of employment opportunity to both male and female workers (Nordís 2003). Out of all the people employed in services in 2015, 60 percent were women (Shepherd & Stone, 2017).

Moghadam (as cited in Gunter & Hoeven, 2004) thinks that women have suffered economically at the hands of globalization, but he also concedes that a new generation of working women has evolved, that can eventually drive a more dramatic

change in the current patriarchal system. In short, the precise nature of the relationship between globalization and gender equality is difficult to ascertain. Women are affected by globalization in myriad ways, but to argue that the net result is either positive or negative is practically impossible, since the impacts vary with factors, such as national policies and industry sectors (Shepherd & Stone, 2017).

## **2.6 Education**

Globalization in education can act both as a positive and a negative force for achieving sustainable development. It certainly has the potential to provide inclusive and quality education, expand the educated workforce in developing countries, and thereby contribute to economic growth and better working conditions (Lim et al., 2017). However, there are lots of variables that influence the outcome. Broadly speaking, education is slowly approaching a single global model. This is desirable in the way that standardized educational systems allow for greater student and staff mobility, and mobility brings diversity into classrooms which creates a stimulating environment, where ideas flow more freely. But it can also encourage specialization and enhance global employability (Jackson, 2016).

Japan aims to have 300 000 foreign students studying in Japan by the year 2020 Burgess et al. (2010). Students that spend at least part of their studies abroad stand to gain the necessary international experience which will make them sought-after by employers in their domestic labour markets. However, international experience in education can also lead to a potentially dangerous situation, where students who went abroad for their studies decide to stay abroad and work there. This phenomenon is referred to as “brain drain” and can have seriously negative implications for home state’s economy (Lim et al., 2017). Brain drain affects all states, but it is a predominantly problem of developing countries and least developed countries. Zimny (2011) estimates that up to one-third of all the scientists and specialists from the developing countries stay in one of the rich economies in the global North.

Jackson (2016) believes that globalization has provided a great number of people from less unfortunate backgrounds with the opportunity to study and that characteristics such as nationality, social standing, race, and gender are nowadays less relevant for obtaining education. In the period between 1970 and 2009, the secondary gross enrolment ratio rose by 25 percent globally but with profound regional differences. Private sources of funding have also increased with globalization and now account for about 30 percent of tertiary education funding. In sub-Saharan Africa, for example, the number of privately funded tertiary institutions rose from 24 in 1990 to 468 in 2007, which was a steeper increase than in the case of tertiary public institutions (Lim et al., 2017). The increase in demand for higher education in developing countries has led to bigger FDI. Western universities invest in branch campuses or cooperate with local educational services in joint ventures. From only little over 80 international branch campuses (IBCs) in 2006 their presence in the developing world soared to 200 by 2011 (Lawton and Katsomitros, 2012). IBCs provide the local populace with the opportunity to obtain a recognized, high-quality tertiary education without the need of going abroad – thereby lowering the risk of brain drain.

Other positive externalities of IBCs include the enhancement of host country educational services and capacity building. Since the 1990s skilled labour is one of the necessary conditions for attracting FDI (Mughal and Vechiu 2009). Which is important since FDI brings in capital, technology, knowledge, employment, and contributes to local capacity building. Some developing countries were able to forge functioning educational systems and are now seen as centres of excellence in their respective regions, which attracts students from the neighboring developing countries (Lim et al., 2017).

Globalization has made information more readily available and now a virtually unlimited number of people from all over the world can join the massive open online courses (MOOCs), that offer a unique opportunity for obtaining higher education at a cost that is unmatched by traditional tertiary institutions. Nevertheless, substantial doubts remain regarding the true impact of these advancements. Skeptics claim that the broad population is still unable to access MOOCs or utilise the new technologies

effectively. Furthermore, it is plausible that, because of cultural differences, both the international students as well as the international faculty members become marginalised by their colleagues at the host institutions (Jackson, 2016).

## **2.7 Technology and Knowledge Transfer**

In the era of globalization, some of the developing countries were able to more or less catch up with the Western nations, but technological divergence still persists. Nowadays, technology transfer accounts for more than mere shipment of hardware, machinery and equipment. For the transferred technology to best fit the specific local requirements, it has to be comprised of an elaborate set of knowledge sharing and technology adaptation strategies (UNDESA, 2008). The usual channels for technology transfer include FDI, migration, trade of goods and services, and knowledge spill-overs (Hoekman et al. 2004).

The innovation-based competition has been intensified by globalisation which, among other things, also prompted growing concern for the environment. This brings along new challenges for the industrialisation of the developing economies but at the same time presents a great opportunity for addressing climate change and industrial pollution (UNDESA, 2008). Deploying energy efficient technologies on a global scale could massively curb the greenhouse gas (GHG) emissions and thereby help prevent some of the global warming's gravest consequences from manifesting (Maskus & Okediji).

It should be noted, however, that there is no shortage of cases when the transferred technology has had negative consequences for the environment. As Carrillo-Hermosilla and Chafra (2003) point out:

Impacts of this kind have occurred in a diverse range of areas of production, ranging from agriculture –pest control, cattle feed, weedkillers, etc.– to the high profile disasters caused by oil companies in the seventies in Latin American oil-producing countries such as Ecuador, Colombia, and Venezuela. (p. 4)

In addition, when states adopt technology that cannot be easily modified or upgraded, there is a risk of a techno-institutional lock-in that prevents the adoption of a more efficient type of technology in the future.

Technology transfer is generally associated with growing productivity and economic growth, but the effects on domestic innovation are determined by how the technology is transferred. Tee et al. (2018) found that imports of equipment and machinery bolster local innovation, whereas FDI limits it. The reason for that seems to be the lack of domestic technical and managerial capacity (UNDESA, 2008) It also needs to be pointed out that the current state of the intellectual property rights (IPRs) system is hindering the effective transfer of technology to the developing countries (Carrillo-Hermosilla & Chafla, 2003). IPRs were designed to foster innovation by ensuring that sufficient levels of investments are made in R&D, but in order for the developing countries to benefit from the IPRs, good industrial base and a certain level of economic development is crucial (Kim, 2003).

## **2.8 Food, Water and Energy Security**

Trade in agricultural products enhances productivity, which then raises real wages and lowers the relative price of food. People employed in agriculture are generally poor and as such, these developments can contribute to eradicating poverty-related hunger in the world (Loayza & Raddatz, 2010). There are enormous imbalances in agricultural capacities of individual countries. Trade can help level these imbalances and hedge against the risk of bad harvest (Martin, 2017). Notwithstanding that, many oppose the trade in agricultural products, claiming that liberalization of agriculture is an asymmetrical process that favours the developed nations at the expense of developing ones (Morrison & Sarris 2007). Given the persistent hunger and the spread of various other forms of malnutrition around the world, the criticism seems to be – at least partially – on point (Hawkes et al., 2009).

Globalization has led to an increase in privatisation of water services. Privatisation of public services, in general, has had a mix success and was often met with public backlash. Proponents point to cities like Guayaquil in Ecuador, Bucharest in Romania, where it has improved water accessibility and made the water management

more effective. The critics, on the other hand, bring up the higher costs, and the social and environmental risks associated with foreign investors assuming the responsibility for domestic water supply. The privatisations that occurred in Bolivia, Tanzania or Indonesia are seen as evident failures (Vidal, 2015). The case for large-scale water transfers as a solution to water scarcity in specific regions is even more controversial, receiving a lot of criticism based on their negative social and environmental impacts (Vernoy, 2017).

But there is one other, rather hidden aspect of how globalisation affects global water consumption. This aspect is referred to as virtual-water and is defined by Hoekstra and Chapagain (2007) as "the volume of freshwater used to produce the product, measured at the place where the product was actually produced" (p. 21). Hoekstra (2007) further estimated that the contents of virtual water in commodities traded internationally account on average for 1,625 billion cubic meters per year, with the largest proportion embedded in agricultural products. International trade is in this respect an excellent tool for limiting water consumption on world-wide. It was estimated that water savings from the trade amount to 10 percent of global water consumption (Vernoy, 2017).

Energy consumption patterns change with global integration. Generally, the lowering of trade barriers serves as a catalyst for economic growth which is related to higher level of energy consumption and consumption related pollution (Shahbaz et al., 2018). On the other hand, the transfer of ESTs and better know-how work towards energy consumption reduction in the long run. The current system also raises serious concerns for global energy security in the long run. Ever larger volumes of energy are traded across ever longer distances. The existence of chokepoints such as the Strain of Hormuz, along the main trading routes is compromising the integrity of energy supply. As the interdependence on these extensive energy supply chains increases, the system is becoming more fragile and a sudden meltdown could have dire consequences for billions of people around the world (Gault, 2006).

## 2.9 Environment

From \$61.81 billion in 1950, international exports soared to staggering 17 707.43 billion US \$ in 2017 (**Statista, n.d.a**). This meant that international shipment had to be massively scaled up, which was achieved through containerization, and an increase in ship quantity and capacity. In 2018 there were already more than 94 000 commercial vessels operating around the world (UNCTAD, 2018). Today, between 80 to 90 percent of international trade is moved by sea. Transporting such enormous amounts of material is an energy-intensive process. Ocean shipment is responsible for up to 4 percent of global fuel consumption and the figure is projected to grow by about 30 percent until 2020 (OECD, 2010). CO<sub>2</sub> emissions from ocean transport nearly tripled between 1925 and 2002 (Endresen, et al., 2007).

Even more dramatic increase in SO<sub>2</sub> and the discharge heavy metals and waste into the water create a range of environmental problems and environment-related illnesses along the coasts, ports and the main trading routes. Interesting is, that the net result of maritime emissions seems to be global cooling rather than global warming. However, this is only true for small areas in the ocean and does not compensate for the adverse effects that international transport has on the climate and environment. Road transport is relatively minor compared to the shipment by sea, but its share of global transport emissions is rising. Transport by air has become very popular in recent decades. Aviation now accounts for 40 percent of trade measured by value (OECD, 2010). It is also the most destructive means of commercial transportation when it comes to GHG emissions. The reason for this is twofold, it emits the highest level of pollution per mile and makes it possible to travel far greater distances (Clark, 2010).

Transport is not the only aspect of globalization that has an impact on the environment. As mentioned in the previous section, globalization is linked to productivity increase and overall economic growth, which translates to more intensive natural resource depletion and a higher level of environmental degradation. (Andrew, 2017). A report by the WB stated that environmental pollution and GHG emissions are increasingly damaging the natural ecosystems in the developing countries, which constitute around 40 percent of their total wealth. Also, a study by the OECD (as cited

in WTO, 2018) concluded that if economic growth continues along the same path as it did in the past, it will lead to lower levels of human well-being and ultimately slower economic growth in the future.

As a result of higher competition – induced by trade liberalization – some countries choose to engage in a race to the bottom and purposefully lower their environmental and social standards in order to be more competitive in the world market. There is some tangible evidence that certain countries decide to specialize in the kind of emission-intensive industries which are – for environmental reasons – losing their footing in the West. These countries are then referred to as “Pollution Havens”. Even though this phenomenon does not increase global pollution levels per se, it concentrates high levels of pollution in one place, which is generally in the developing countries (Frankel, 2009).

As Frankel (2009) puts it “Globalization is a complex trend, encompassing many forces and many effects. It would be surprising if all of them were always unfavorable to the environment” (p. 6). There is statistical evidence that more open economies have typically lower levels of SO<sub>2</sub> pollution. Some assume that because economic liberalization translates to higher income, households might be more inclined to spend money on environmental improvements, in that case higher levels of income coupled with more efficient technology could bring down local pollution (OECD, 2010). Transfer of sustainable technology and the expansion of environmental standards have a positive effect on the protection of the environment. TNCs operating in developing countries abide on average by stricter environmental regulations than required by the domestic policies. Therefore, it is believed that they can act as drivers for better environmental regulation (Frankel, 2008).

Probably the most widely used pro-globalization argument with respect to the environment deals with the income effect of globalization. As mentioned before, globalization leads to productivity growth and productivity growth raises income. Environmental Kuznets Curve (EKC) is a hypothesis that presumes high level of environmental degradation at the early stage of economic development, but as the economy develops and reaches a certain level of income per capita, there is a general

shift from manufacturing to services, which is a sector less harmful to the environment. At the same time, that country acquires the means to implement cleaner technologies, which will reduce the levels of environmental degradation in the future (Costantini & Martini, 2006). Nevertheless, critics argue that EKC fails to take into account the cumulative attributes of pollution and the fact, that some biodiversity loss can be permanent (Tisdell, 2001).

To summarize, globalization negatively impacts the environment by high traffic of international shipments. The liberalization of economies leads to economic growth which is associated with higher levels of environmental degradation and natural resource depletion. But through the income effect, positive action toward sustainable development and environmental protection may be taken. TNCs can strengthen environmental standards in host countries and technology transfer can reduce the levels of environmental degradation in the long run. However, Runge (1993) argues that these developments are usually not accompanied by the implementation of tighter regulations leading to negative externalities affecting the entire world. The lack of political will to bring about change is making any meaningful progress toward achieving sustainable development slow and cumbersome. Despite this being the case, globalization is not in itself an enemy to the environment (Andrew, 2017).

### **3 Social Dimension**

Although the economic dimension of globalisation may be the most evident to perceive, it is not the only dimension and it does not and in fact cannot operate in isolation. New technologies have brought people everywhere closer together and created a sense of unity and belonging together, that is not limited by national frontiers or continental boundaries (Steger, 2017). As a result of this convergence, culture is undergoing a rapid transformation in communities all around the world, which can have serious implication for sustainable development (Gulmez, 2017; WBCSD, 2008). Such changes in human psychology led to a kindled debate of whether globalisation is good or bad. In this debate three distinct schools of thought can be identified, each of them has a different outlook on how the future of globalisation ought to look like (Steger, 2017).

#### **3.1 Social Movements**

##### **3.1.1 Hyperglobalists**

This view certainly prevails in the global political economy of today. Hyper-Globalists see globalisation as an invaluable instrument for achieving world order and frequently connect the liberalization of global markets to the benefits of technological progress, rising standards of living, individualism, democracy and economic efficiency (Steger, 2017). They see globalization as breaking away from the nation-state system and do not suppose that this trend can be reversed. Hyperglobalists aim for greater integration of economic, political, security and legal systems. They argue that the answer to current global problems is a deeply interconnected system of global governance as opposed to decentralized politics of nation-states (Gulmez, 2017). But when these arguments are put under the microscope inconsistencies start to appear.

The reasoning that globalization spreads democracy around the world is based on a neoliberal concept that assumes democracy to be synonymous to free market

economy. The inequalities that take place in the largely deregulated economic system are caused by the unfair distribution of profits with an increasing percentage of wealth going to the top. Elites are prioritized over the majority and despite the rise of China as the global economic powerhouse, the world's largest TNCs are still headquartered in the US, which means that the US still sets the course. In this sense, the hyperglobalists' political agenda is designed to reinforce the existing power relations with the US as the dominant power. That is why they are often criticized for not seeing or being willing to acknowledge that globalization can also cause a lot of misery in the form of exploitation, conflict and inequality (Steger, 2017).

### **3.1.2 Antiglobalists**

Although globalization and international trade are in the end beneficial to the nation as a whole, for some people it means displacement and unemployment (Mankiw and Swegel, 2006). Coupled with growing degree of automation and difficult transferability of workers from the manufacturing sector to services, it brings about a feeling of insecurity within the population and gives rise to a wave of anti-globalisation movements. The Anti-globalisation movement is the exact opposite of what the Hyper-Globalists stand for. This protectionist ideology rejects globalization as being merely a capitalist expansion that exacerbates inequality and feeds conflict. Anti-globalists blame globalization for aggravating the rate of environmental degradation, facilitating the spread of deadly diseases and causing a range of economic and social problems, such as the rapid spread of economic crisis, the replacement of indigenous cultures and the rising inequality (Gulmez, 2017).

Compared to the Hyper-globalists, who consist mainly of economic elites, the anti-globalisation movements draw their strength primarily from the support of ordinary people such as, nurses, manual workers, civil servants, teachers, and students who organize mass protests against market liberalization. The discontent with globalization is present at both ends of the political spectrum. Radical leftists organize mass protests while nationalists and conservative parties stir public backlash. Antiglobalist sympathies have been brewing as the manufacturing plants moved abroad and the

inflow of migrants to the global North increased. The result was a globalization backlash spurred by the right-wing political parties and demagogues (Ameida & Chase-Dunn, 2018).

In fact, empirical evidence exists that integrated trade relations between Germany and low-income countries influence the voting behaviour of the population, driving the extreme right's vote share up when there is an increase in import competition (Dippel et al., 2016). In the U.S. media, outsourcing became a synonym to job loss and was widely discussed in politics. recent political manifestations of anti-globalisation, protectionism and populism were very prominent in both the UK and the US, with the UK taking a vote to leave the EU and the US electing Donald J. Trump. But signs of the anti-globalisation sympathies and nationalistic movements were seen in many developed economies around the world France, Austria, Hungary to name a few (Moeller, 2017). Antiglobalists often face criticism for not taking into account the positive aspects of globalisation, such as the diffusion of NGO networks (Gulmez, 2017).

### **3.1.3 Alterglobalists**

Alter-globalists are neither the proponents of unregulated global economic integration, nor do they see the way forward in cutting one's ties with the rest of the world. It is an alternative to the Hyper and Anti-Globalist movements, and it has set out to replace the current, neo-liberal model of globalisation with one that is based on the principles of social and environmental justice (Gulmez, 2017).

Alter-globalists blame neoliberal globalisation for rising inequality, conflict and all sorts of social problems (Steger, 2017). They argue for tighter regulations that would alleviate these negative impacts and maximize the benefits that stem from increased interconnectedness (Gulmez, 2017). They call for partial forgiveness of third world country debts, the establishment of an international tax system that would benefit the emerging economies, action against tax havens, tighter global environmental rules, and a more equitable global development agenda.

On a mass scale, alter-globalist views are most commonly represented by the so-called global justice movement (GJM). This movement first appeared in the 1990s

as a network of international nongovernmental organizations (INGOs), otherwise known as the global civil society (Steger, 2017). Under the motto “Another World Is Possible” GJM strives for a new global order that does not marginalize or exploit the vulnerable. It is devoted to building a more even-handed relationship between the developed world and the global South, raising awareness for the environment, promoting human rights, indigenous cultures, individual freedoms, and social economic and environmental justice (Gulmez, 2017). It applies pressure on states and global elites to adopt more sustainable.

The movement gained momentum at the close of the millennium when large-scale protests erupted in the capitals around the world. What came to be known as the Battle of Seattle was a massive protest at the WTO in Seattle counting at least 40 000 people who consisted of students, feminists, environmentalists and frankly all kinds of other activists that decided to express their disagreement with the neoliberal interpretation of globalisation (Steger, 2003). Afterwards, protests took place in Washington DC, Prague, Davos, Quebec City. The World Social Forum (WSF) now constitutes the ideological centre of GJM. It invites a multitude of civil society actors to take part in the formulation of proposals that seek to change the current global order. The WSF intends to rival the neo-liberal World Economic Forum (WEF) held in Davos, Switzerland (Steger, 2003). However, even alterglobalists face criticism. The civil society has been many times accused of not dealing with the social, economic and political inequalities between states, regions, and societies (Gulmez, 2017).

## **3.2 Social Demographics**

### **3.2.1 Culture**

Steger (2017) defines cultural globalization as “the intensification and expansion of cultural flows across the globe” (p. 80). Cultural interdependencies are deepening and thanks to the advancements in information and communication technologies the dominant western capitalist values, such as individualism and consumerism can

spread more easily. Cultures all over the world have been undergoing rapid transformations as the result of globalization but this process is especially prominent in the developing countries (Rahman, 2014). Berger (2002) recognizes the global influence of Western culture on the rest of the world on both elite and popular levels.

Globalization is commonly perceived as having a negative influence on indigenous cultures. In his book *The McDonaldization of Society*, George Ritzer explains how cultural globalization penetrates different societies by spreading uniform consumerist values (as cited in Gulmez, 2017). Barber wrote a book in 2007 entitled *Consumed* where he talks about the unethical ways of international marketing. He brings up the supply of identical products across regions treating the world as a single market and discusses how the capitalist system is turning children everywhere into young consumers through infantile advertisement (as cited in Steger, 2017). Global media like television and the internet play ever-larger role in shaping the cultural habits of young people around the world, at the same time the influence of family and state as the traditional conveyors of cultural values is weakening (Choudhary, 2007).

Outside the global North, globalisation is largely seen as a tool of Western neo-colonialism that benefits the rich at the expense of the poor. This profound discontent is manifesting itself at the cultural level as well and the anti-western sentiment can sometimes become pathological. The rise of the Islamic State in the Middle East is but one of the most disturbing examples of cultural confrontation (Sen, 2002). However, not everyone sees the diffusion of Western culture as all-out negative. There are those that herald Westernization as spreading democracy and liberal values. After all, West was where the Enlightenment, and the Industrial Revolution came about, and globalisation, therefore, constitutes instrument through which these historical achievements are shared with the rest of the world (Sen, 2002). In 1980 Robertson coined the term “glocalization” to describe the process of local cultures interacting with global forces. This interaction should, in the end, stimulate the local cultures and not replace it with Western identity (Steger, 2017)

Amartya Sen (2002) urges to take a historical perspective on how globalization influences culture. She claims that cultural globalization is not one directional and that

throughout history the East has had a similar influence on the West. It is ill-informed to perceive globalisation as a synonym of Westernisation and such a viewpoint is devaluating any potential benefits that globalisation has to offer. She concludes by emphasizing that globalization is in itself not the issue but that the uneven distribution of benefits is truly problematic.

### **3.2.2 Lifestyle**

Globalization leads to higher levels of consumption and faster depletion of Earth's natural resources (Chintha & George, 2012). Market liberalization is associated with rising income, which affects consumer buying power. This means that as developing countries industrialize the population will consume increasingly more resources, which generates a lot of waste and has a devastating impact on the environment. The top 20 percent of the world population – in terms of income – accounts for 86 percent of the yearly global consumption, meaning that this group of consumers generates massive amounts of waste and environmental pollution (WBCSD, 2008). But the cultural causes for higher consumption may have even direr implication for the environment.

Capitalism is the key driver of consumer culture. Companies are expanding production and spend billions on advertisement in order to maximize their profits. World markets are converging, resulting in a larger array of products becoming more easily available to people everywhere (Seita, 1997). In a consumer society one's social status is to a great extent determined by their material possessions. People spend money on unnecessary and extravagant objects in order to impress their fellow human beings. In this sense, Rahman (2014) claims that "Consumerism is regarded as the principal form of self-expression and the major source of demonstrating one's indent" (p. 3).

The appetite for meat is rising globally. Growing population and rising incomes are the two main reasons for the increase in meat consumption (Godfray, et al., 2018). But other factors are causing the incline as well, one of them is the growing rate of urbanisation (Regmi & Dyck, 2001). Pingali (2007) postulates that the Asian diet is

increasingly consisting of meat, dairy products, and kinds of wheat, which is traditionally consumed in the West. He claims that apart from the income growth and urbanization, dietary changes are also caused by the increasing global interconnectedness and the rise of global supermarket chains and the fast food industry.

Global production of meat was 330.51 million metric tons in 2018 (Statista, n.d.b). Agriculture puts a lot of stress on fresh-water reservoirs and out of all forms of agricultural food products, meat and beef, in particular, absorb on average the largest amount of water per kilogram (Mekonnen & Hoekstra, 2010). The amount of water consumed in the agricultural sector accounts for a staggering 92 percent of humanity's water usage, with the largest share going to animal agriculture (Gerbens-Leenes et al., 2013). Furthermore, the Food and Agriculture Organization of the United Nations (FAO) claims that animal agriculture has a dire effect on water quality (As cited in Zee, 2018).

However, there is a positive change in consumer awareness regarding the environmental and social costs of agricultural production. The overwhelming majority of Europeans find it important to protect the environment (Mekonnen & Hoekstra, 2010). A survey by BBC World News and Synovate (as cited in WBCSD, 2008) found that in almost every country in the world, consumers are becoming more aware of the environment and might even take some positive action in order to prevent further degradation. In the US, the percentage of people concerned with the environment rose from 57 percent in 2007 to 80 percent in 2008. Increase in awareness was evident in China as well, and the 2008 survey by the National Geographic Society and GlobScan arrived at a similar conclusion (as cited in WBCSD, 2018). Nevertheless, consumers are not yet willing to take a adopt sustainable habits of consumption (WBCSD, 2018).

### **3.2.3 Urbanization**

According to UN World Population Prospects (2015), the world population is expected to reach 9.7 billion in 2050 and the majority of this growth is going to take place in some of the poorest countries in the world. This puts further stress on the Planet's capacity to feed the human population. Not only that the overall number of

people is growing, but the population density is increasing as well. More and more people choose to live in the city. In 1900, 10 percent of the world population lived in urban areas, in 1950 it was 30 percent and in 2014 urban population reached 54 percent. This trend is expected to continue, and it was estimated that by the year 2050 66 percent of people will live in cities (Babalola, 2006). The number of cities with over 1 million inhabitants rose from only 16 in the 1900s to 449 in 2010. At the same time, the composition changed. While before, most of these cities were located in the industrialized world, today they are situated primarily in the developing countries (UN, 2013).

Globalization accelerates the rate of urbanization by lowering the transaction costs which leads to clustering of economic activities (Zhang & Wan, 2017). Cities have become so prominent that they now must compete with one another. Financial incentives, as well as better public services like transport, education, and healthcare, are offered to investors in order to attract capital. However, this competition has generally not been concerned with improving conditions for the poor. While there are poor in almost every city, the situation is especially serious in the developing and least developed countries, where 36 percent of urban households live in poverty. Globally there are over one billion people residing in urban regions who live in poverty and without access to basic services (UN, 2001). UN (2013) predicts that if no reasonable measures are taken, the number of people living in slums might triple by 2050.

The migration of people from the countryside to the city creates imbalances within the country's population distribution, which can translate into profound social and societal problems. The surplus in the supply of labour in the urban regions results in the high unemployment rate, rise in criminal offenses, poverty, malnutrition and due to the lack of adequate housing, more people living on the streets. Young and healthy leave the rural areas in order to earn a higher salary in the city, forsaking the old and feeble to take care of the agricultural sector. This leads to lower food production and rising prices of basic agricultural commodities, resulting in malnutrition. (Babalola, 2006). Such a trend cannot be sustained in the future.

Urbanization has a positive effect on job creation and poverty reduction, but it also increases and concentrates the demand for water, energy, and land, which puts additional pressure on the environment. Agriculture is no longer the only land-intensive activity, urbanization is consuming land on a large scale, thereby contributing to biodiversity loss and changes in regional climatic conditions. In combination with global climate change, the effects on land and water resources might be irreparable. The urban communities in developing countries are amongst the most vulnerable group of people with respect to the effects of climate change (UN, 2013).

## 4 Political Dimension of Globalisation

“The economic and political aspects of globalization are profoundly interconnected” (Steger, 2017, p. 67) Globalization is deepening the interdependencies between individual states, thus increasing the need for global cooperation (French, 2002). Steger (2017) sees political globalization as expanding and intensifying political interrelations around the world, which is evident from the formulations of numerous multilateral trade agreements and regional and international organizations (IOs). In the previous subchapter, the author pointed out the increasing prominence of cities on the global stage. Not only that cities are competing against each other in terms of attracting capital investment, but they are also cooperating and forming global networks, such as the World Association of Major Metropolises, to arrive at solutions to common problems. Provinces, federal states and other subnational entities are connecting and developing their own policy initiatives. It seems as if the old world order based on the Westphalian system of nation-states is deteriorating and some commentators equate these developments to the actual demise of the nation-state (Dasgupta, 2018) French (2002) claims that state “is losing its inherent superiority amongst global entities and becoming just another actor on the international stage” (p. 140).

If this is true, then questions regarding sovereignty, power, governance, migration and environmental protection need to be considered. The potential implications for sustainable development are great (Steger, 2017). Abbot (2014) highlights the changes that are taking place in the world politics with respect to sustainability and claims that the current international order, with a large number of transnational organizations, partnerships and networks offers significant opportunity for citizen participation. He went as far as to call it the “golden age for sustainability governance” (p. 12). but he also admits that the diversity of actors and complexity of social interconnections leads to a chaotic and disorganized system that precludes sustainability governance from reaching its full potential.

## 4.1 States

States continue to be the primary units of the global economic system. No other economic entity encompasses so many aspects of social interaction as the state does. French (2002) claims that the reasons for states' enduring prominence can be found in the combination of specific social and cultural structures, such as culture and socio-economic welfare. However, the worrying fact is that states are usually not willing to take the necessary steps to drive social and environmental change. Economic growth remains their principal goal, which means that the depletion of natural resources and the rate of environmental pollution is likely to continue. Few states set up sustainability policies voluntarily, because of the fear that it might jeopardize their economic development and competitiveness vis-à-vis other states. By contrast, the international community has generally a much higher commitment to addressing the sustainability challenges. (Drexhage et al., 2010)

Governments sometimes do need to respond to the community pressure and adjust their domestic practices to be compatible with the overarching international agenda, such as was the case with limiting the usage of Chlorofluorocarbons (CFCs) and halons that were responsible for the ozone layer depletion in the 1970s (Beder, 1994). The Montreal Protocol which dealt with the use of these substances entered into force in 1989 and since then, it was hailed as one of the greatest multilateral agreements in the history. Kofi Annan, the former United Nations Secretary-General went as far as saying that "Perhaps the single most successful international agreement to date has been the Montreal Protocol" (as cited in Un.org, n.d.a).

This example demonstrates how influential governmental authority can be in making progress in sustainable development. Governments have the power to influence citizen behaviours, co-ordinate public efforts, regulate economic activities and pass laws and legislations that will make any harmful products or activities illegal. When Ireland introduced the "plastax" in 2002 the outcome was a 90 percent reduction in the use of plastic bags. Governments can give priority to the good of the public over the good of an individual (Strange & Bayley, 2008). Stern asserts that only state is capable of mediating the relationship between the forces of global economic integration and its population (as cited in French, 2002). Scoones (2016) presents the

argument that states are indispensable in driving sustainable change. He points to the achievements of states in promoting renewable energy and low-carbon energy systems. China has invested heavily in renewable technology and Germany is phasing out its nuclear powerplants. Scoones also sees the state as having a crucial role in regulating market forces and claims that no market-led initiative that is focused on public good can be executed without some form of state intervention.

However, the reality is that states are falling behind and are not able to manage the increasingly complicated web of social interconnections and interdependencies (Steger, 2017). French (2002) argues that states need to reflect on what role are they going to play in the global political system in the future. The slow withering-away of the principle of state sovereignty is apparent (Redclif, 2005). French (2002) sees the reduced role of the state as having substantial implications for the safeguarding of economic and social rights. Even though the global environmental agenda is built around shared responsibility and common interest, there is a doubt whether effective environmental protection can be achieved without the use of direct state intervention (Scoones, 2016).

## **4.2 International Organizations**

Two World Wars were fought in the last century alone. Millions of people have lost their lives and other hundreds of millions of lives were ruined. World leaders recognized the need for global cooperation and even though the League of Nations failed, the world has united once again under the auspices of the United Nations (UN) (Daste, 2015). Since the WW2 number of other IOs came into existence. With respect to IOs' impact on sustainable development, the evidence is mixed. The distrusts towards IOs is caused largely by the past actions of the Bretton Woods institutions. The Bretton Woods institutions were established after the WW2 and originally comprised the WB and the IMF. IMF and WB are also referred to as the Bretton Woods twins or the Bretton Woods sisters. Later joined the WTO, which evolved from the General Agreement on Tariffs and Trade (GATT) in 1994. The original purpose of the Bretton Woods twins was to oversee free trade, manage exchange

rates, and assist countries in reaching full employment (Babb and Kentikelenis, 2017).

With the abolishment of the golden standard in the 1970s the IMF and WB changed their development agendas by adopting the Washington Consensus, which was a set of standardized neo-liberal principles imposed on the developing countries in the form of structural adjustment programmes as a condition for receiving loans from the WB and the IMF (Williamson, 2004). These policies included extensive privatisation, deregulation, currency devaluations and austerity (Stiglitz, 2002). The idea was to foster economic growth, but this approach received a lot of criticism for negatively impacting the environment, culture, social structure and political organization of the host country. Additionally, the one-size-fits-all policy was blind to any country-specific circumstances (Cavanagh & Mander, 2004).

First the loans were used to finance projects and activities that national budget could not cover, but in the end, new loans had to be taken out so that the debt on previous loans could be repaid (Cavanagh & Mander, 2004). When the WTO superseded the GATT in 1994 it was fitted out with an elaborate dispute settlement mechanism – one of the primary reasons reason for the criticism directed against the WTO. Critics claim that the dispute settlement body serves the interests of the big American corporations over the interests of the developing nations and that since its creation it has overruled a number of national laws for environmental protection when the corporate interest was at play (Cavanagh & Mander, 2004).

Although some of the practices performed by the Bretton Woods Institutions may be reproachable the UN principles have always stood for equity and sustainability. Written in the UN charter one of its purposes is:

To achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion. (art.1, para.3)

The UN was at the forefront of international development efforts since the 1940s. Until the 1990s, however, the development agenda was not as well coordinated as it is today (Kumar et al., 2016). The most important UN undertakings aimed at achieving sustainable and equitable growth include the 1972 Stockholm Declaration on the Human development, the 1986 UN Declaration on the Right to Development – which established development as a human right and addressed the social, economic and environmental aspects of development (Hofbauer & Moffatt, 2019). In 1983 the UN established a Commission on Environment and Development to conduct a thorough inspection of environmental issues, which led to the formulation of the landmark Brundtland Report (Kunugi, 1992). In 1992 the Conference on Environment and Development took place and more than 178 countries adopted the Agenda 21, which was a global cooperation initiative for sustainable development (Un.org, n.d.b).

In the year 2000, The Millennium Declaration and Millennium Development Goals (MDGs) unified the development efforts of various UN bodies and provided a more people-centred focus. Since the MDGs entered into effect they have sparked public interest, helped establish new partnerships, contributed substantially to poverty reduction, empowerment of women, environmental protection and hunger eradication (Kumar et al., 2016). The 2002 World Summit on Sustainable Development in Johannesburg, South Africa reiterated the intentions of environmental protection and poverty reduction. It also expanded on Agenda 21 and the Millennium Declaration by stressing the importance of multi-stakeholder partnerships. At the United Nations Conference on Sustainable Development (Rio+20) in 2012, states adopted document called "The Future We Want" which was the initial impulse for formulating the Sustainable Development Goals (SDGs) (Un.org, n.d.b). The SDGs were adopted in 2015 and represent the most comprehensive and unified framework on sustainable development to-date (Kumar et al., 2016). There are 17 SDGs with 169 and 232 indicators addressing issues in the economic, social and environmental spheres (Un.org, n.d.b).

IOs have also helped establish important transnational institutions, such as the Global Reporting Initiative and Principles for Responsible Investment Furthermore,

the UN Global Compact (UNGC) is a voluntary initiative that promotes corporate social responsibility and respect for human rights based on 10 core principles. The UNGC is an extensive network of business, UN agencies and various other stakeholder that has over 12 000 parties. Nevertheless, there is still space for greater involvement of the IOs in strengthening partnerships and promoting cooperation with the transnational institutions (Abbot, 2014).

### **4.3 Civil Society**

Nowadays, modern media can broadcast news or report on happening in the farthest corners of the world. This global interconnectedness caused the proliferation of an increasingly prominent type of social institution. Non-governmental organizations (NGOs) are participating in various programmes and forming partnerships that take place across national borders in order to promote sustainable development (Kunugi, 1992). This transnational association of NGOs, activists, and volunteers is referred to as the global “civil society” and they are reshaping the structure of global sustainability governance. NGOs contribute to sustainable development by They can contribute to sustainable development by exchanging information, formulating policy proposals, implementing voluntary sustainability standards (VSSs), monitoring private and public organs, financing sustainable projects or undertaking operations themselves (Abbot, 2014). NGOs have formed a powerful network of international actors working for sustainable cause alongside the public and private sectors. At present, no sensible progress can be attained without the cooperation of the civil society (Baghai et al., 2013).

International non-governmental organizations (INGOs) are defending the interests of a broader segment of the population who disagree with the decisions made by their governments or the IOs. INGOs are crucial actors when it comes to dealing with complex global emergencies. Oftentimes they are even better prepared and faster to react than the local and national authorities. In West Africa, it was to a large degree the courage and determination of the Doctors Without Borders NGO

that prevented the Ebola outbreak from becoming a catastrophe of global proportions (Steger, 2017).

Another way in which the global civil society contributes towards sustainable change is through the development of private voluntary sustainability standards (VSSs). United Nations Forum on Sustainability Standards (2013) defines VSSs as:

Voluntary sustainability standards are standards specifying requirements that producers, traders, manufacturers, retailers or service providers may be asked to meet, relating to a wide range of sustainability metrics, including respect for basic human rights, worker health and safety, environmental impacts, community relations, land-use planning and others. (p. 4)

After the 1992 Conference in Rio, the VSSs really took off. Currently, they are most often used with respect to agricultural commodities, such as coffee, timber or palm oil. Coffee had the highest compliance rate with about 24 percent of the global production in 2015 being in line with the VSSs, for cocoa it was some 16 percent and for palm oil 14 percent (ITC, 2017). The unprecedented rise in the use of VSSs has led some skeptics to believe that the social and environment benefits of the VSSs may not be as far-reaching. There were allegations of unfair practices, cheating and even corruption among the certifying agencies (Andrew, 2017). Farmers in the developing countries are disappointed by the low demand for sustainable, certified agricultural products. The surplus is then sold as not VSS-compliant commodity, which results in lower profitability. After a while, the farmers are lacking the means and the willingness to invest in sustainable production (Potts and Sanctuary 2010). Furthermore, the sheer amount of VSSs has created a competitive environment. Conflicts and overlaps between individual certifying schemes are evident, which impairs their appeal and effectiveness (UNFSS, 2015).

## 5 Course of Action

From what has been presented in the previous chapters, it is obvious that globalization encompasses an incredibly broad, complex and set of economic, social, cultural, political and environmental processes – the consequences of which are to a large degree determined by market structures and political decisions and power-relations. In the era of globalization, policies of a single country can have an effect on the rest of the world. Unfortunately, these interconnections are not taken seriously enough (UN, 2013).

Apart from introducing new challenges, globalization has also opened up new channels for worldwide cooperation for the sake of sustainable development. Information flows cross national borders faster and at a larger scale than ever before. This can influence public opinion and raise awareness for social and environmental justice. Transfer of knowledge and technology is a crucial component in moving towards more sustainable and less polluting industrial capacity. However, it is important that cities and municipalities and subnational entities get involved in the discussion and start addressing sustainability challenges at a local level (Islar, 2016). In order to achieve a measurable progress, national and local strategies need to be carefully coordinated (UN, 2013).

As of today, nation-states remain the most powerful actors in the global political economy, but they need to acknowledge the changing character of state sovereignty (French, 2002). Unilateral action continues to be very relevant, nevertheless, global problems require global solutions and regional or multilateral cooperation offers far greater opportunity to make a more lasting and meaningful difference (Frankel, 2016). The need for greater cooperation and strategic partnership between the civil society, private actors and public entities is central for the sustainable transformation, but at the same time, very difficult to attain. Streamlining conflicting interests is the key towards functional, cross-sectoral partnerships (Kolk et al., 2017). Ritvala et al. (2014) identified three mechanisms that can facilitate the integration of NGOs, governmental and multinational corporations. These mechanisms include social and ideational mechanisms, resource mechanisms, and organizing mechanisms, and

are aimed at combining and complementing the resources, networks, and competencies of different sectors. It is important to note, however, that sustainable development does not have to go against the free trade logic or the WTO principles (Frankel, 2009). Economic and environmental goals need to be reconciled in order to achieve a sustainable transition. International trade institutions and environmental organizations need to engage in a dialogue to find common ground on how to address global challenges (Islar, 2016).

Economic crises occur more frequently in times of globalization and can have far-reaching economic, social and environmental consequences. But crises can also serve as an opportunity for economic and social restructuring towards a more sustainable model. (Anbumozhi & Bauer, 2010). Some progress has already been made. For example, Geels (2013) argues that the early years of the 2008 financial crisis have led to major investments in green stimulus programmes. But he also concedes that the overall effect of the financial crisis on sustainability has been negative and that the opportunities to rectify the situation are quickly disappearing. Zenghelis (2012) suggests that governments should try to make green financing more appealing to investors using a set of incentives such as pricing and institutional reform (as cited in Geels, 2013).

Another way to drive sustainable change is through policies at the municipal level. Helm (as cited in Geels, 2013) claims that urban infrastructure could be a good option for investors to diversify. The investment could be made in water pipes, electricity grids, communication networks, and public transport. Such investments if incorporated to broader long-term design could have a profound impact on urban and sustainable development (Geels, 2013). Investments by both public and private sector will be desperately needed in order to address some of the most critical sustainability challenges associated with outdated public infrastructure and energy systems. There is plenty of state-of-the-art technology already on the market to build energy-efficient houses, low-carbon infrastructure, power plants, etc. When designing new sustainable infrastructure, attention must be paid to the risks associated with climate change. The inadequacy of the present-day urban architecture can already be felt in some parts of the world (Anbumozhi & Bauer, 2010).

Even though there is a clear empirical evidence that globalization has contributed to the reduction in the number of people living in extreme poverty, large pockets of poverty-stricken people remain. On top of that, relative poverty has been rising basically everywhere. Poverty reduction cannot rely solely on free market mechanisms. The fact is that local poverty is best dealt with by complementary policies such, taxes and social safety nets, that redistribute the gains from trade more fairly throughout the society (WB, 2018). Poverty reduction efforts should be above all focused on Sub-Saharan Africa, where the worst forms of poverty are concentrated. Aside from that, a better definition of poverty and new ways of measuring it is necessary. WB (2018) report notes:

Having enough money is critical to living a life free of poverty, but it is not all that matters. To truly end poverty, we need to better monitor people's progress in achieving nonmonetary aspects of well-being, such as safe drinking water and access to education. (p. 4)

Overall, more and better data, as well as, deeper understanding of poverty-related consequences for individuals and communities is necessary, in order to devise well-functioning social safety net schemes (WB, 2018). Economic globalization could be a powerful tool for reducing poverty. Well-designed trade liberalization policies and thorough institutional framework would limit the negative effects of trade while amplifying the benefits (Brambilla & Porto, 2017).

Redistribution ought to be carried out even where countries are concerned. States that prospered the most from globalization should strive for a more egalitarian world. Development Co-operation Report from OECD (2016) acknowledges the importance of official development programs to the least developed countries and countries torn by war but it also states that private investments are even more impactful when it comes to reducing poverty and accelerating economic growth. The report then lists SGSs action plan aimed at eliminating poverty and promoting inclusive growth. The plan includes actions like building up developing countries exports,

preferential treatment for the developing and least developed countries, fair play conditions in world agricultural markets and increasing aid-for-trade support.

While the primary goal should still be the eradication of regional poverty, no substantial progress in poverty reduction can be achieved without addressing the increasing inequality within countries (Alvaredo et al. 2018). Some commentators believe that lowering the levels of within-country inequality is even more instrumental for reducing poverty than the level of economic development in the country as a whole (OECD, 2015). Although globalization effects on inequality vary substantially among countries, some proven measures exist that can help reduce the levels of inequality. One such measure is progressive taxation of wealth and inheritances, which can lower the rising income of the top earners and better redistribute their wealth to the poor. Another tool that could help reduce the levels of inequality worldwide would be a global financial register. Nowadays, large proportions of household wealth are hidden in financial instrument around the world. A global financial register would allow for greater transparency in financial recording, hence lowering the risk of tax evasion and money laundering. Increasing the levels of public wealth is also important for the reduction in inequality (Alvaredo et al. 2018). Specific public policies are also instrumental in lowering inequality. Urata and Narjoko (2017) argue that “Social safety nets, including income compensation, education, and training, would not only reduce the negative impacts on the workers, but also limit worsening inequalities” (199).

As shown in the previous chapters, during the period of increasing global integration, multinational companies have managed to accumulate enormous amounts of wealth and position themselves as the key players in the global economy. TNCs have the power to pressure national governments for both financial and non-financial concessions, which contributes to higher inequality, environmental degradation, and human and labour rights abuses. It is, therefore, necessary that in today's largely deregulated markets with freely flowing capital, there is a mechanism that can control the actions of TNCs (Birgsten, n.d.). Effective taxation is an important element for improving the conditions of the current economic system. However, the

difficulty of enforcing a global tax policy that could preclude tax avoidance means that there is not going to be a global tax policy any time soon. Measures that can be taken in the meantime include bolstering-up antiavoidance rules, initiating comprehensive reporting systems and establishing public centralised registers. (Henn, 2013)

As mentioned before, governments provide various forms of incentives in order to attract FDI. There are surely very legitimate reasons for them to do this, but the interstate competition increases the bargaining power of TNCs that are then able to obtain ever larger concessions from the host governments. This ultimately leads to a series of negative outcomes for the local population and the environment. In order to move towards a more sustainable economic regime, Oman (1998) suggests that developing countries should instead of engaging in incentive-based competition focus on "rules-based" competition. This shift in state mentality would result in tightening the environmental and labour standards, stabilizing the economy and increasing transparency. Local capacity-building ought to be high on the agenda for attracting FDI.

EPZs should also be made more sustainable. TNCs are increasingly expected to ensure good labour and environmental standards along the whole of their value chains. EPZs should, therefore, take the initiative to provide training, improved infrastructure, and better health, safety, and waste management. Moreover, the concept of a circular economy can also be incorporated in the process of restructuring EPZs to achieve greater material efficiency. Aside from improving environmental and labour standards, EPZs should spread economic development throughout the host country as a whole. UNCTAD (2015) states that "The potential for EPZs to contribute to the new 'Global Goals' is not only through achieving higher standards of social and environmental performance themselves but also in demonstrating what is possible to the rest of a country" (p. 24). At the same time, multinational corporations should take a more proactive stance to minimize any harmful and unsustainable processes they might be conducting.

The problems that many developing countries face with respect to employment have been described in the first chapter. People employed in the informal sector are underserved in terms of income, labour standards and social security. Formalization would, therefore, help improve working conditions for a large segment of the population in the developing world. Well managed economic integration could work towards formalization improving the workers' living standards and additionally stabilizing the economy, making the country more attractive for FDI. Nevertheless, in order to gain the most from market liberalization, formalization and trade policies need to be harmonized. For example, labour standards can be included in international trade agreements. Both employers and employees should be motivated to enter the formal sector. This can be achieved by offering certain benefits such as lower costs for companies and social protection for workers. Public discourse is necessary to ensure an inclusive manner of sustainable transition (Bacchetta, 2009).

It is crucial to make globalization work for the most vulnerable members of society. The best course of action for ending child labour is promoting child education. Education should be more accessible. Offering educational subsidies, grants and other benefits can tip the scales in favour of education. Developed countries can help finance these policies (Cigno et al., 2002). Women constitute another vulnerable group of people, that globalization can make better off. Since the 1990s substantial progress in addressing discrimination against women has already been made but far more remains to be done – family support and formalization of female-dominated sectors belong to the most noticeable achievements. Due to the fact, that the effects of globalization on gender equality are heterogenous, complementary national-level policies need to be well formulated in order to ensure that women do not suffer at the hands of increasing global economic integration (Shepherd & Stone, 2017). If these policies are carefully planned and thoroughly implemented, the whole society will benefit (ILO, 2017)

Globalization in education can be in line with sustainable development paradigms, but in order to maximize the positive effects and minimize the negative ones, complementary policy measures need to be put in place. These do not have to go against the market liberalisation but should provide greater transparency and better

surveillance safeguards, which could be arranged by including such conditions to the trade agreements. The bottom line is that trade in educational services must benefit the broad population. Complementary policies should, therefore, mitigate the risk for international providers but most importantly provide the local population with quality and more accessible education (Lim et al., 2017).

Globalization has facilitated the transfer of technology through increased flow of goods and services, FDI, migration, and knowledge spill-overs. However, the effect of these channels on closing the technology gap between the North and the South is still very limited. Existing mechanisms should be improved to speed up, deepen and broaden technology cooperation between countries. More effective technology transfer would result in better standards of living, rising productivity for local businesses, lower environmental footprint and overall stronger economy (UNDESA, 2008). Centres for technology development would make it possible to transfer clean technology to the developing countries without the use of IPR and increase the involvement of developing countries in international R&D projects. To make the ESTs more available while maintaining a desirable level of private investment in R&D a well-balanced mix of policy incentives and IPRs is necessary (Maskus & Okediji, 2010). Higher emphasis should be placed on local capacity building and the technical assistance for the developing countries should be ramped up (UN.org, n.d.c). Tee et al. (2018) suggests that limiting technology transfer to machinery, hardware and equipment only, would have a positive effect on human capital and innovative capacity in the developing countries and Rawthorn (1992) found that the level of educated people in an economy is an important factor in reducing the gap between developed and developing countries.

While the diffusion of clean technology is certainly a positive development in limiting the ecological footprint, changes in consumption patterns will be necessary as well. Human consumption needs to be made less resource intensive and more equitable. Use more of natural and biodegradable materials and shift from predominantly private mode of consumption to more of a public mode of consumption. Sustainable consumption with appropriate economic restructuring and better redistribution of

productivity gains can result in equitable growth and better quality of life for all (UN, 2013).

The highest consumption per capita takes place in the industrialised nations, so as the developed countries implement more sustainable consumption policies, the developing countries can focus on human capacity building and environmental protection (UN, 2013). Businesses play a crucial role in educating consumers about the social and environmental impacts of the products they purchase, therefore businesses throughout the whole value chain need to be involved in discussions to address sustainable consumption. Because of the consumer reluctance to walk the extra mile for sustainable product, it is up to the private sector to deliver products that are competitive in price and performance, but which have a positive social or environmental impact. Governments, civil society, and private sector need to cooperate to facilitate the sustainable transition in consumer behaviour (WBCSD, 2008).

International trade accounts for about 10 percent in fresh-water savings worldwide. A better managed and more open international economic system could help solve some of the water-related issues, such as lack or substandard quality of water infrastructure, backward technologies and little knowledge in the field. In the first chapter the concept of virtual water has been described. Scarcity of water can be at least partly remedied by organizing the manufacturing processes around products of the highest value in a certain country or a region (Vernoy, 2017). With respect to the wave of privatization that has risen after the market liberalization, governments, the private sector and the public in general need to make sure that everybody stands to gain from private providers entering the market. It is important to ensure a multilateral approach to formulating any privatization agreements on water supply (Foshee et al., 2009).

When the financial crisis hit, the repercussions were felt across sectors, including the agricultural and energy sectors. The dangers of food and energy crises are reinforced by the climate change. There is, therefore, a need for better orchestrated and coordinated security policies (UN, 2013). Prices of agricultural commodities need to be closely monitored. Agricultural assistance as part of humanitarian aid programs

needs to be more equitable and not foster the status-quo. Trade in agricultural commodities needs to be accompanied by domestic policies that secure that a reasonable part of the profits goes to the local population. Consumers in the developed world can also help improve the living standards and working conditions for farmers in the South by buying fair trade products (Messer & Cohen, 2007).

Global networks of energy supply can be potentially threatening to each country's energy security. However, governments can introduce protective measures to make the energy sector more reliable and sustainable in the future. Proposed actions include keeping strategic reserves of petroleum, preventing the use of energy interruptions as a means for achieving political ends. Another way to minimize the risks of energy shortage is by vertical integration of the supply chain. If every agent throughout the supply chain suffers in the event of energy interruption, greater vigilance on the supply side is to be expected (GCSP, 2008). If clean energy is to be delivered to people everywhere in the world, a complete overhaul of the present energy system is necessary. Energy-efficient technologies need to be introduced to limit the GHG emissions. In order to achieve global food security, clean and accessible water, sustainable production and so on, tremendous investments by both private and public sectors are crucial (UN, 2013). Once again, the cooperation between national governments, municipalities and private entities presents itself as the backbone of sustainable development.

The WTO can try to push for allowing climate-friendly and energy-efficient technologies and products to be traded in a deregulated market (Mani, 2007). WB study found that trade liberalization in the 18 largest polluters from the ranks of the developing countries would result in 63 percent increase for energy-efficient lighting, 23 percent for wind power technology and 14 percent for solar power, atop of that the expanding market for environmental products could become a business opportunity for entrepreneurs from developing countries (WTO, 2018). Indeed, the transition towards sustainable development requires the reconciliation of environmental and economic agendas (Islar, 2016). OECD (2016) "Balancing economic growth with environmental sustainability is not only feasible – it is fundamental" (p. 16). So far, developing countries with few exceptions have largely disassociated themselves

from enforcing strong environmental regulations but John Whalley (2009) suggests that the WTO could become a place for bargaining on trade and environment, whereby the developed countries could obtain environmental commitments from the developing countries.

Rapidly growing urban population presents an enormous challenge in achieving sustainable development, but if managed well enough it could contribute to robust socio-economic progress with lower environmental footprint. Enormous investments will be necessary to achieve sustainable transition.

In order to set the current trend straight, coordinated effort from local, national and international actors is necessary. Investments in renewable and safe energy, energy and water infrastructure, urban planning, transportation, and waste management are paramount for building sustainable cities. Nevertheless, rural development is probably just as important for reducing poverty and improving human well-being. Better access to basic public services needs to be provided. Not only would it reduce inequality between rural and urban areas, but it would also limit the negative consequences of floods, earthquakes, and other natural disasters and improve food security across the nation (UN, 2013).

## 6 Conclusion and Discussion

Globalization encompasses an enormously broad set of multi-dimensional and multi-scalar processes that operate in interconnected ways across the whole spectrum of human interaction. It is therefore beyond the scope of this paper to provide a complete explanation as to how every aspect of globalization relates to sustainable development. The author of this paper decided to focus on three main areas which hold a special significance in the study of globalization and sustainable development.

The economic dimension of globalization refers to the deepening economic linkages between international economic entities. The current trade regime has helped reduce poverty, spread environmental safety technology, create formal employment, provide people with access to quality education, level imbalances in terms of agricultural capacity, reduce water consumption and to a certain degree close the gender gap. But it has also widened inequality, increased the level of environmental degradation, compromised energy security and fostered economic instability. The relocation of manufacturing processes to the emerging economies has also led to more frequent human and labour rights violations.

In the social dimension, the growing global interconnection facilitated by technology and media has resulted in a heated public discourse that revolves around the fundamental question of whether globalization is good or bad. The hyperglobalists are represented mainly by economic elites who were the main beneficiaries of the neoliberal political economy, therefore they want the existing power-relations to persist. However, if hyper-globalist are the winners of globalization, anti-globalist are the losers. They might have been displaced, dislocated or become unemployed because of the global integration and that is why they seek a way out through nationalist movements and protectionist politics. Alter-globalist, on the other hand, see globalisation as having the potential to make people's lives better everywhere by promoting social and environmental justice. They form global networks to pressure corporations and national authorities for institutional change.

Culture is undergoing a rapid transformation as well. Many equate globalization with Americanisation and McDonaldisation, claiming that Western values are overriding other cultures and installing consumer society in the South. The growing affluence of consumers in the developing world is contributing to higher levels of consumption but global capitalism is the key driver of consumer culture. Others claim that globalization is in fact reinvigorating domestic cultures and spreads democracy and the respect for human rights. Additionally, when one takes a historical perspective, the East has had overall about the same level of influence on the West.

Globalisation contributes to higher levels of urbanization, which creates more jobs and reduces poverty, but also increases and concentrates the demand for meat, water, energy, and land – thereby putting a strain on the environment.

The intensification of political interrelations and the proliferation of regional organizations, transnational institutions, MNCs, NGOs and other forms of partnerships on the global political stage is changing the structure of global governance. Many perceive these changes as having positive implications for sustainable development. However, the growing multiplicity and complexity of social interactions is slowing down the progress.

In order to overcome the pitfalls of globalisation and maximize the benefits, cooperation between governmental institutions, the private sector, and civil society is paramount. Given the heterogenous nature of globalisation on individual economies, negative externalities of global market forces need to be addressed by implementing sound policies on a national level. Progressive taxation, social safety nets, and welfare programs are instrumental in this respect. It is also important to acknowledge the role of subnational entities in driving the sustainable transition. National and municipal strategies need to be, therefore, well coordinated. Limiting the power of TNCs is another vital step for reducing inequality. Better monitoring and financial recording systems, greater transparency and more effective taxation could be employed to achieve it. The dissemination of ESTs could reduce the rate of GHG emissions quite dramatically. It is therefore necessary to lower trade barriers in ESTs and to

design international trade agreements in a way that is supportive of sustainable development. Last but not least, large-scale public and private investments will be needed in order to achieve sustainable transition.

The limitations encountered throughout the course of this research were mainly in the limited accessibility of quality secondary sources, the selective bias of some of the sources and the lack of literature on specific issues. Future research should focus on how to design and implement national policies that would limit the negative externalities of globalization.

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