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The Seamy Side of the Global Economy

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Abstract

Revolutionary developments in technology and the deregulation of borders and economies have enhanced efficiency, stimulated growth, and expanded opportunities for four to five billion people around the world to join the market-oriented global economy over the last generation. But the global economy also has a seamy underside often neglected in academic discussions. This article offers a brief introduction to some of the problems that challenge governance and social stability in the generation ahead. It examines how globalization has multiplied opportunities for organized crime and terrorists; increased human trafficking, as well as forced and child labor; benefited sweatshops; expanded the flow of unsafe food and products; and contributed to environmental hazards. Because of the many complex and controversial issues involved, and the limited data publicly available, the author seeks only to survey current conditions, to identify relevant sources, and to encourage future scholarly research.

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Over the last 30 years a series of revolutionary developments transformed the global economy. Technological advances in communications, information-processing, and transportation removed once formidable barriers of time and distance separating economies. The end of the Cold War, the disintegration of the Soviet bloc in Eastern Europe, and the integration of China into the global market altered economic relationships, enabling some four to five billion people to join the market-oriented global economy. Making use of the new technologies and marketing opportunities, highly-efficient global supply chains emerged to serve the world's consumers. They employed a substantial portion of the half billion new workers who entered the world's labor force to produce goods for export in the fifteen years from 1990 to 2005. Over that period flows of goods and services, money, people, and information expanded rapidly.

While government and business leaders, and indeed many scholars, often celebrate the phenomenal spread of globalization and capitalism in the last generation, they sometimes overlook the seamy and unsavory dimensions. Arguably, these offset some of the gains and present systemic dangers. For with the relaxation of border barriers and improvements in transportation and communications has come an expansion of human trafficking, forced and child labor, sweatshops, organized criminal activity and terrorism, unsafe products, and environmental problems. All involve contentious issues with the potential to disrupt governance and social stability in the generation ahead. This article offers a brief introduction to the frequently overlooked, underside of the contemporary global economy.¹

Accelerating International Migration

A good place to begin is with accelerating international migration, increasingly, but certainly not principally, associated with illegal activity and criminal gangs. In the contemporary age people move across borders nearly as easily as goods, money, and information do. Many relocate in search of better economic opportunities, as they did in previous centuries. Others, such as students, overstay educational visas and remain in the host country. The flow of migrants accelerated during the period from 1980 to 2010. In 1980, nearly 100 million people lived outside their country of birth, thirty years later 215 million (3.1 percent of the world's population) did.²

¹ Eckes, Alfred, Jr., *The Contemporary Global Economy: A History Since 1980* (Oxford, England: Wiley-Blackwell, 2011), viii, 239.

² United Nations Department of Economic and Social Affairs (UNDESA) *World Economic and Social Survey 2004: International Migration* (New York: UN, 2004), vii-viii; UNDESA, *World Population Prospects: The 2008 Revision Population Database*, <http://esa.un.org/unpp>; U. S. Department of State (USDoS), *Trafficking in Persons Report 2011* (Washington, DC: USDoS,

In the present phase of globalization, residents of developing and former non-market economies in Asia, Eastern Europe, and Africa have become more mobile, and determined to cross borders legally or illegally. Irregular or illegal migration is perceived to be the fastest rising form of migration and may account for 15 or 20 percent of world migration. The United Nations Office on Drugs and Crime (UNODC) estimated in 2010 that there were 50 million irregular international migrants in the world. Nearly half of 7.9 million immigrants entering the U.S. from 2000 to 2005 were thought to be illegal. Professional smugglers assisted the vast majority (90 percent) crossing the south-west border of the U.S. MigrationWatch UK, a British nongovernmental organization, estimates that 1.1 million people have overstayed visas or entered the United Kingdom illegally (about 1.8 percent of 62.3 million). Increasingly aware of disparities in living conditions and income levels among the world's nations and regions, people in poor countries have opted to move to enhance their own economic opportunities. Many of these recent migrants are of diverse races, cultures and religions. While many are unskilled workers, some have advanced educational and professional skills.³

Political events have also influenced migration patterns since the 1990s. Among the most significant factors were the reunification of Germany, the collapse of the Soviet Union and satellite regimes in Eastern Europe, conflicts in the Balkans, and the opening up of China. During the 1990s a united Germany accepted 3.6 million immigrants, nearly double the 1.85 million who arrived in the 1980s. After the Soviet Union disintegrated, Russia absorbed 4.4 million immigrants, more than double the previous decade. Regional conflicts in the Balkans and the Middle East led to another surge in asylum seekers and refugees. From 1980 to the present the foreign-born Chinese population quadrupled in the U.S. from 363,277 to 1,570,999, as thousands of Chinese students entered the U.S. to complete college degrees. Many married, and brought over family members. Some applied for political asylum.

annual), 28; Moch, Leslie Page, *Moving Europeans* (2nd ed, Bloomington, IN: Indiana University Press, 2003), 147-60, 161-97; Panayi, Panikos, "Postwar Europe: A Continent Built on Migration," in *A Companion to Europe since 1945*, ed. Klaus Larres (Oxford, UK: Blackwell, 2009), 433-49.

³ International Labour Organization (ILO), *Towards a Fair Deal for Migrant Workers in the Global Economy* (Geneva: ILO, 2004), 8-9; Camarota, Steven A., "Immigrants at Mid-Decade: A Snapshot of America's Foreign-Born Population in 2005," (Washington, DC: Center for Immigration Studies, 2005); U.N. Office on Drugs and Crime (UNODC), *The Globalization of Crime* (Vienna: UNODC, 2010), 55, <http://www.unodc.org>; Papademetriou, Demetrios G., "The Global Struggle with Illegal Migration: No End in Sight," *Migration Information Source* (September 2005); "The Illegal Migrant Population in the UK," Migration Watch UK (April 22, 2010), <http://www.migrationwatchuk.com/>.

But, generally, it was the high-income areas of North America and Europe that experienced the greatest immigration growth over the last two decades. Many of the newcomers were unskilled or low-skilled workers from developing countries in search of better economic opportunities. 10.3 million Mexicans crossed America's southern border, 3.5 million residents of Bangladesh migrated to India, 2.7 million Turks entered Germany, and 2.2 million Indians arrived in the United Arab Emirates. Large numbers of workers seeking temporary labor moved from South and Southeast Asia to countries in the Middle East. Thousands of Indonesians crossed into Malaysia in search of jobs, as did thousands of Burmese to Thailand, and large numbers of Filipinos to Singapore, Hong Kong, and Japan. With increased flows of migrants, as well as the emergence of an international recruiting industry for labor, it is not surprising that migrants encountered many abuses.⁴

These included kidnapping, forced labor, and sex trafficking. In 2011 large numbers of Central American migrants bound for the U.S. ran a gauntlet of organized criminal gangs on their way northward through Mexico. Captured by gangs, the migrants were ransomed to relatives, sold into prostitution, or subjected to forced labor. One newspaper account estimated that gangs kidnapped tens of thousands of illegal immigrants annually. In Europe criminal gangs are also actively preying on migrants. According to Europol, the European Police Office, the gangs exploit Roma children to beg and steal across the continent, Chinese victims in textile sweatshops, South Americans in the sex industry, and East Europeans in agriculture.⁵

Trafficking and Forced Labor

One of the most repugnant aspects of contemporary migration involves forced labor and human trafficking. In ancient times slavery was widespread; Greeks, Romans, and others kept slaves—many of them captured in war. The slave trade flourished in the Atlantic region from the early sixteenth to the mid-nineteenth centuries. Slave traders brought some 11 million Africans to North and South America, until the mid-nineteenth century when abolitionists persuaded governments to ban the slave trade. In the contemporary global economy, forced labor and slavery have revived. More porous borders, improvements in

⁴ Pylynskyi, Yaroslav, "Migration Processes in the Contemporary World," *Problems of Economic Transition* 52:7 (November 2009), 83; USDoS, *Trafficking 2011*, 28.

⁵ Casey, Nicholas, "Migrants Fall Prey to Mexican Gangs on Way to the U.S.," *Wall Street Journal* (July 19, 2011), A11; Sheridan, Peter, "War of the Drug Lords," *Express* (London) (June 25, 2011), 34-35; Europol, *EU Organized Crime Threat Assessment* (April 2011), <http://www.europol.europa.eu>

transportation and communication, and the lack of economic opportunities in the world's poorest countries have given impetus to its resurgence. The International Labor Organization (ILO) has estimated that perhaps 12.3 million people worldwide are trapped in circumstances of forced labor, involving debt bondage, physical duress, or threats of violence, imprisonment and deportation.⁶

Of the 12.3 million people thought to be trapped in forced labor or bondage situations, the ILO concluded that some 9.8 million were exploited by private agents. That number included 2.4 million persons subjected to forced labor as the result of human trafficking. Of those in bondage or forced labor, the ILO stated that some 9.4 million were in Asia and 1.3 million in Latin America and the Caribbean. At least 360,000 forced laborers worked in industrialized countries. Females constituted the majority (56 percent) of persons in forced labor. The ILO estimated annual profits from human trafficking equaled or exceeded \$32 billion. Of this amount profits outside the sex industry approached \$10.4 billion. According to UNODC, trafficking is "a truly global phenomenon," with victims detected from at least 127 countries.⁷

The circumstances of forced labor vary. Forced labor can arise from clandestine smuggling and trafficking. Persons often employ smugglers as travel agents to facilitate a border crossing. Those illegals successfully reaching high-income destinations often remain deeply in debt to the smugglers to pay off their obligations. Chinese from coastal Fujian province have paid smugglers as much as \$50,000 to be smuggled into the U.S. or Western Europe. In June 2000, a group of 58 Chinese suffocated in an air-tight cargo container in Dover, England. Seven years earlier in June 1993, ten Chinese had died swimming to shore after a dilapidated steamer named the *Golden Venture* ran aground off the coast of New York. It brought 286 illegal Chinese immigrants on a long voyage from Thailand. They had paid Chinese gangsters for transportation to America.⁸

In some countries forced labor is a product of domestic conditions. Some governments require forced labor for economic or military purposes, as in Burma, or North Korea. In sub-Saharan Africa, where forced labor has received relatively little attention, forced labor is frequently linked to poverty and discrimination. In Niger traditions of slavery have resulted in patterns of continuing dependency between descendants of slaves and former masters. In the Central African Republic, Congo, Gabon, and Cameroon pygmies are subjected to forced labor.

⁶ ILO, *The Costs of Coercion* (Geneva: ILO, 2009), 1.

⁷ ILO, *Costs of Coercion*, 30; UNODC, *Globalization of Crime*, 3.

⁸ Liu, Melinda, "The New Slave Trade," *Newsweek* (June 21, 1993), 34; Gladwell, Malcolm, "U.S. Policy Seen Encouraging Wave of Chinese Immigration," *Washington Post* (June 13, 1993), A25; Reid, Tim, "58 Die in Lorry Ride to Hope," *The Times* (London) (June 20, 2000).

But in other circumstances forced labor is clearly related to the global economy. The ILO has warned that with the deregulation of labor markets, outsourcing, and complex forms of subcontracting, forced labor abuse has penetrated the supply chains of large transnational companies. The U.S. Department of State's 2011 report on trafficking in persons states ". . . the demand for cheap goods in a globalized economy sustains slavery today in fields and firms."⁹ International mining companies have obtained minerals, such as coltran, produced by child and forced labor in the war-torn Congo. A key component of cell phones and computer chips, coltran is a shortened version of Columbite-tantalite, one of the world's most prized materials. In the Congo, rebel groups have used forced labor involving children to extract this valuable resource, and then financed their warfare with profits from sales to the big mining companies.¹⁰

In some African countries, among them Mozambique and Uganda, human trafficking of children and adults involves the forcible removal of body parts. Witch doctors utilize body parts of live victims for medical concoctions (muti) to heal illness or hurt enemies.¹¹ In advanced countries surgeons often transplant organs, obtained from a flourishing black market that profits from organ donors in developing countries. The kidney transplant business is especially lucrative for criminals because demand for kidneys far exceeds supply. While full data is lacking, anecdotal evidence indicates a flourishing trade, much of it illegal. According to press accounts, a thriving criminal transplant business has long existed in Kosovo. Young people from Moldova, Kazakhstan, Belarus, Russia and Turkey are lured to Kosovo where their organs are removed and transplanted to wealthy men from Israel and North America. Over the years Western journalists have produced numerous exposes of criminals recruiting the poor for organ donations. In 2010 CBS correspondent Dan Rather reported on how desperate villagers from Moldova sold their kidneys for \$3,000 in a market where impatient buyers spend up to \$200,000 for a kidney. Much of the difference goes to corrupt officials, criminal brokers, and rogue surgeons. In China, prisoners are sometimes the involuntary donors of body parts. All of this has provoked a lively ethical debate among physicians, and awakened the interest of international police, medical, and labor authorities.¹²

⁹ ILO, *Costs of Coercion*, 11; USDoS, *Trafficking 2011*, 23.

¹⁰ USDoS, *Trafficking 2010*; USDoS, *Trafficking 2011*; ILO, *Costs of Coercion*, 15-16; Essick, Kristi, "Guns, Money and Cell Phones," *Industry Standard Magazine* (June 2001), 11.

¹¹ USDoS, *Trafficking 2010*, 244, 333; South Africa, National Prosecuting Authority, *Tsireledzani: Understanding the Dimensions of Human Trafficking in Southern Africa* (March 2010), accessed online 06/2010 at <http://www.hsrc.ac.za/Document-3562.phtml>.

¹² Friedlaender, Michael M., "The Right to Sell or Buy a Kidney: Are We Failing Our Patients?" *Lancet* (Mar. 16, 2002), 971-3; Caesar, Ed, "Kosovo's Bitter Harvest," *Sunday Times (London)* (June 12, 2011), 44; Interlandi, Jeneen, "Not Just Urban Legend," *Newsweek* (January 19, 2009),

A number of countries in Southeast Asia take a tolerant view of forced labor. A Bangkok garment factory reportedly locked up 60 migrants from Myanmar and forced them to work 8 a.m. to midnight for less than \$7 a month. The owners claimed the employees had to reimburse a \$500 recruitment fee to smugglers. Another country tolerant of forced labor is Malaysia. Numbers of foreign workers come there from nearby, impoverished countries, and face conditions of involuntary servitude. In a 2008 report *Newsweek* found workers trapped in conditions resembling slavery. Job brokers lured guest workers from Bangladesh and other countries with false promises of high wages, and then charged high placement fees (as much as \$3,600), for assembly-line jobs that yielded little income. The workers subsequently found themselves in a foreign country with a large debt burden where they could not speak the language and had no identification documents.¹³

In Latin America debt bondage is also common in some countries. In Brazil and Peru temporary workers are sometimes paid advances and then forced to pay off inflated charges. According to the ILO, Bolivian men are sometimes trafficked to rural garment factories in Argentina. The workers are locked in factories, their identify cards removed, and then forced to work up to 17 hours per day.¹⁴

Forced and Child Labor

How widespread is the use of forced and child labor in the global economy? The practices are ubiquitous, according to reports of the U.S. Department of Labor (USDOL) intended to heighten public awareness of the problem. At the request of Congress, USDOL prepares an annual report on the incidence of child and forced labor used to produce goods. Reports issued in 2009 and 2010 identified 128 goods from 70 countries believed to be produced with forced or child labor. The countries spanned all regions of the world and various stages of development. The products involved were agricultural (cotton, sugarcane, tobacco, coffee, and cattle), mining (gold, diamonds, coal), and manufactured (bricks, garments, carpets, and footwear). The reports do not exempt the U.S. and other high-income countries from critical comment. It is estimated that approximately half of the U.S. children and adolescents under age 20 living on farms performed farm

41; Rather, Dan, "Kidney Pirates," Dan Rather Reports (April 27, 2010), accessed 06/2010 via LexisNexis Academic.

¹³ USDOL *Trafficking 2009*, 197-99; Ehrlich, Richard S., "Migrants' Poverty and desperation Supply Fodder for Modern-Day Slavery," *Washington Times* (May 2, 2011), 1; Wehrfritz, George, Erika Kinetz and Jonathan Kent, "Lured into Bondage," *Newsweek* (March 24, 2008), 113.

¹⁴ ILO, *Costs of Coercion*, 20.

work that could jeopardize health and safety. But, the Labor Department reports need to be used cautiously. For one thing, all reports from U.S. Executive Branch agencies tend to reflect to White House policy perspectives. However, the Labor Department findings appear compatible with those of the ILO, an international agency with a similar pro-worker mission. Another reason for caution is that the Labor Department was unable to study working conditions in some countries—including many African countries and Vietnam, where information may be unavailable or suppressed.¹⁵

Another unpleasant reality of the contemporary global economy is the widespread involvement of children in hazardous work, usually to help support their families. The largest number of children in hazardous work is in Asia (854 thousand) but the highest incidence is in sub-Saharan Africa (15.1 percent). According to the ILO, more than half (53 percent) of the world's estimated 215 million child laborers do hazardous work and the percentage is increasing among older children, aged 15 to 17. Some 60 percent of child laborers are involved in agriculture—many of them working on family farms. Employment of children in agricultural work has become more dangerous as subsistence farmers adopt the chemicals used by large plantations and employ more mechanized equipment. When working with chemicals and machinery, children who lack experience and judgment tend to take higher risks than older workers.

Manufacturing, mining, and fishing can also be hazardous to children. About 7 percent – or 14 million – child workers around the world are in manufacturing. According to the ILO, the most hazardous conditions are not in factories affiliated with multinational corporations but in small-scale operations supplying suppliers or serving local markets. A BBC investigation of sweatshops in Bangladesh revealed children working in conditions so dangerous that the foreman used a broomstick to turn on lights. The children used powerful cutting equipment in poorly-lit premises for 12 hours per day, six days a week, for about \$2 per day. Some of the most “horrific” examples of child labor and the most dangerous working conditions for children are in mining and quarrying operations. In gold-mining, mercury is often used. A high level of mercury exposure often leads to kidney failure and death. The fishing industry is also extremely dangerous to children. One study in East Asia showing that 70 percent of children working the fishing sector had been injured or sick within the previous six months.¹⁶

¹⁵ U.S. Department of Labor (USDOL), *2010 List of Goods Produced by Child Labor or Forced Labor*, xiii, 9, 25, 33.

¹⁶ ILO, *Children in Hazardous Work* (Geneva: ILO, 2011), 8-34; “BBC Investigates Bangladesh Sweatshops and UN Millennium Development Goals,” May 11, 2010, <http://www.nosweatuk.org/>

Within countries, human trafficking is also widespread—notably in the world's most populous countries, China and India. In China, a Chinese newspaper reported in 2008 that a forced labor network took thousands of children as young as nine years from rural provinces to work in factories in the Pearl River Delta. Sold to factory owners, the children worked 10 hours per day, seven days a week. Nongovernmental organizations say that tens of millions of Indians are subjected to forced and bonded labor, with children compelled to labor as factory workers.¹⁷

Policy Initiatives

There are no quick and easy solutions for the trafficking and forced labor problems discussed above, because some developing-world governments find it advantageous to turn a blind eye to conditions and to enforcement of laws. Nonetheless, international organizations and non-governmental organizations attempt to publicize conditions, improve data collection and research, and share knowledge about conditions. In shaping world opinion, the U.N. and its affiliate agencies have taken an active role. In 2000, the U.N. adopted the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children. It defined trafficking in persons and encouraged a convergence of national approaches. In addition, the UNODC in 2007 sponsored a U.N. Global Initiative to Fight Human Trafficking. With financial support from Abu Dhabi, the UNODC and several other agencies work with governments, business, academics and others to combat human trafficking and assist the victims. The U.N. initiative also encourages national governments to strengthen laws and enforcement procedures, promote cooperation between sender and destination countries, and strengthen workers' and business alliances against forced labor and trafficking. In the case of child labor, some countries choose not to enforce child labor laws so as to gain a competitive advantage and to help support low-income families. The ILO has taken an active role in promoting efforts to eliminate the worst forms of child labour.¹⁸

In the U.S. Congress passed the Trafficking Victims Protection Act of 2000, which requires annual reports ranking countries on government efforts to prevent trafficking, enforce laws and protect victims. Countries with the worst records are placed in Tier 3. In 2011 this list included Algeria, Burma, Central African Republic, the Democratic Republic of the Congo, Cuba, Equatorial

¹⁷ USDoS, *Trafficking 2009*, 104-105; Reeves, Phil, "Scandal of Silk Industry Where Child Slaves' Work Seven Days a Week," *The Independent* (London) (January 24, 2003).

¹⁸ UNODC, *The Global Report on Trafficking in Persons* (Vienna: UNODC, 2009), <http://www.unodc.org/>; ILO, "International Program on the Elimination of Child Labor," <http://www.ilo.org/ipec/>

Guinea, Eritrea, Guinea-Bissau, Iran, Kuwait, Lebanon, Libya, Madagascar, Mauritania, Micronesia, North Korea, Papua New Guinea, Saudi Arabia, Sudan, Turkmenistan, Yemen, and Zimbabwe. Countries on the Tier 3 list are subject to U.S. sanctions, including the loss of certain foreign assistance. The United Nations, and its affiliate organizations, particularly the World Health Organization (WHO), the ILO, the International Organization for Migration, the Global Commission on International Migration, and the UNODC have assigned priority to the issue.¹⁹

Organized Crime

For criminals, the fall of the Berlin Wall and the collapse of the Soviet Union were the most important economic developments of modern times, creating new opportunities for gangs to exploit. Like legitimate businesses, criminals source from one continent, move products across others, and market in third continents. Using established banking, trade, and communications networks (including financial centers, shipping containers, and the Internet) the underworld smuggles people and products vast distances to their destinations. In past generations organized crime often involved a hierarchical gang determined to control criminal activity in an area—such as bootlegging in Chicago during Prohibition. In the twenty-first century these continue to exist but organized crime may also be a loosely structured, flexible organization. In it three or more persons work in concert over a period of time to profit and conduct serious illegal activities.

According to the UN, most transnational organized crime begins on one continent, may involve a second, and ends on a third. Among the most egregious activities (and the estimated value of the annual activities to end users) are trafficking in persons for sexual exploitation (\$3 billion) and the smuggling migrants from Latin America to North America or from Africa to Europe (\$6 billion). The most profitable activity for organized crime is drug smuggling. Trafficking in cocaine from the Andes region of South America to North America and Europe is valued at \$72 billion. Trafficking in heroin from Afghanistan to Russia and Europe is estimated at \$33 billion. Other illicit activities include trading in counterfeit goods from Asia to Europe (\$8.2 billion), and identity theft (\$1 billion). International criminal activity also involves child pornography, gun smuggling, maritime piracy, and environmental resource trafficking—including poaching of large species, such as rhinos, and illegally harvested timber in Southeast Asia.²⁰

¹⁹ USDoS 2010, 49.

²⁰ UNODC, *Globalization of Crime* 2010; Interpol, *2008 Annual Report* (Paris: Interpol, 2009).

Officials with governments and international agencies have expressed fears that drug money could destabilize the world economy, providing vast sums of money to promote jihadist terrorism and insurgencies. Cocaine drug trafficking poses a considerable threat to domestic stability in the northern triangle of Central America and in Mexico, as well as some areas of West Africa, where cocaine cartels battle to control border crossings and transportation routes. Heroin trafficking threatens the stability of Afghanistan, Pakistan, and Tajikistan, as well as to some areas of Southeast Europe, according to UNODC.

Nonetheless, during the 2007-2010 financial crisis drug money may have been a stabilizing factor. According to Antonio Maria Costa, the head of UNODC, banks on the verge of collapse obtained funds from organized crime—one of the only sources of liquid capital—to keep operating. A majority of \$352 billion in drug profits were absorbed into the banking system, helping to stabilize it. Wachovia, one of the largest U.S. banks, was later censured by U.S. regulatory authorities for transferring \$378.4 billion obtained from Mexican currency exchanges over a three-year period from May 2004 to May 2007.²¹

Another increasingly lucrative area for organized crime involves product counterfeiting. Organized crime reportedly dominates the trade in fake, or counterfeit, goods, such as Gucci sun glasses, Prada handbags, Rolex watches and many other items. Product counterfeiting is widespread. Comprehensive data is lacking, but some estimates claim it accounts for 2 to 7 percent of world trade. Most of the fake goods flow from China or Southeast Asia to high-income markets in Europe and North America. The outsourcing trend, where those who design products often live on one continent and contract with manufacturers in China and East Asia to produce the goods, encourages counterfeiting among unscrupulous suppliers. These counterfeiters frequently cut corners, using substandard materials, sweatshop labor, and unsound manufacturing processes to produce imitations of established brands. Residents of Taiwan, China, or Hong Kong fund the traffickers, but other criminal and terrorist elements are involved. Fake Viagra has been traced to Hezbollah, a militant group in Lebanon, while former IRA paramilitaries reportedly dominate trade in counterfeit goods in Ireland. Often the smugglers force illegal immigrants to distribute counterfeit goods to pay off debts.²²

As a result of these developments, police and law enforcement agencies, like Interpol, have given renewed attention to cooperating on international aspects

²¹ Vulliamy, Ed, "The Dirty Billions, the U.S. Bank, and a Bloody Drugs War," *The Observer* (April 3, 2011), 29; Mazur, Robert, "Follow the Dirty Money," *New York* (September 13, 2010), 31.

²² Malone, Andrew, "The True Cost of Faking It," *Daily Mail* (London) (July 30, 2007), 22; UNODC, *Globalization of Crime*, 173-181.

of organized crime. As Interpol says: “In a world of porous borders, easy air travel, and no limits to criminal ingenuity, police data must reach officers in all countries in an instant.”²³

Sweatshops in the Global Economy

Sweatshops have long attracted media attention. They are facilities where workers toil long hours for miserly wages in uncomfortable or unsafe facilities. While sweatshops have been around for centuries, the globalization of supply chains has enhanced opportunities for low-cost operations serving the international market. These operations often involve forced labor, slavery, debt bondage, and sometimes organized crime. They typically are found in textiles, apparel, footwear, toy and electronics industries. In those sectors employers need large numbers of low-skilled workers for sewing or assembly-line operations. Because of the intense competition, obtaining a contract often depends on a seller cutting a few pennies of cost per unit. As a result, businesses often attempt to save money on air conditioning, or safety equipment, and require long hours and unpaid overtime from workers. Instances of abuse occur on all continents, even in the largest cities of high-income countries.

Clandestine workshops have been discovered in the U.S. and a number of European countries employing immigrants in sub-standard conditions. The media have exposed garment makers in New York City and Los Angeles for operating sweatshops. In 2008 New York authorities uncovered a factory in Queens where 100 Chinese immigrants worked seven days a week at wages far below the state’s minimum wage. State officials found the factory paid sweatshop wages, kept fake records, and told workers to lie about wages and working conditions. In Saipan, a U.S. commonwealth, the media found in 1998 more than 50,000 female immigrants from China, the Philippines, Bangladesh and Thailand. They labored in slavery-like conditions, working 15 hours a day, seven days a week, to repay exorbitant hiring fees. They worked in garment factories, owned by Chinese and Koreans that ignored U.S. laws and enjoyed political support from U.S. lawmakers. The latter received substantial political contributions from lobbyist Jack Abramoff, who subsequently served jail time for corrupting public officials. The garments contained “Made in U.S.A.” labels, and sold under Calvin Klein, Ralph Lauren, J.C. Penny, and Tommy Hilfiger brand names. Eventually, improved federal enforcement of immigration laws, and class-action law suits,

²³ Interpol, *2010 Annual Report* (Paris: Interpol, 2011), 22.

alleging labor violations, brought down the garment factories and forced them to move elsewhere.²⁴

Sweatshops are widespread in the global economy, despite vigorous regulatory efforts. In labor-intensive industries with low profit margins, ethically-challenged entrepreneurs constantly scour the world for cheap labor and lax regulations. Clandestine sweatshops have been discovered in Belgium, the Chinese quarter of Paris, the Netherlands, Southern Italy, and the United Kingdom. Specializing in the rapid turnover of small orders, illegal immigrants in these high-income areas copied and pirated well-known brand names. In London, immigration officials raided a sweatshop making clothes for a High Street chain with illegal workers from China, Turkey, and Vietnam. Activists have also uncovered sweatshop type activities involving immigrants in Australia and Canada, who operate as home workers. Australian and New Zealand businesses ran garment sweatshops in nearby Fiji in the South Pacific. In South Africa, a Chinese-owned factory making mascots for the World Cup 2010 competition shut down production amidst allegations of sweatshop conditions involving teenage workers on 13-hour shifts.²⁵

Some of the world's worst factory conditions are in low-income developing countries in South and Southeast Asia. In Bangladesh, there have been 33 major factory fires killing more than 400 workers since 1990. Some 5,000 workers have been injured in 2000 factory fires over this period. Critics blame lack of health and safety inspections, inadequate fire protection, and the practice of locking factory exits. They demand reforms as well as a \$72 per month living wage, and more effective enforcement of laws relating to labor, health, and safety. To quell unrest in export-processing zones, the government has used police and security forces to break up worker protests.²⁶

²⁴ ILO, *Labor Practices in the Footwear, Leather, Textiles and Clothing Industries* (Geneva: ILO, 2000); Lin, Jennifer, "Your Pricey Clothing Is Their Low-Pay Work," *Philadelphia Enquirer* (February 8, 1998), A1; Wang, Chun Yu, and Walt F. J. Goodridge, *Chicken Feathers and Garlic Skin: Diary of a Chinese Garment factory Girl on Saipan* (New York: Passion Profit Company, 2009).

²⁵ Greenhouse, Steven, "Apparel Factory Workers Were Cheated, State Says," *New York Times* (July 24, 2008), 2; *Economist* (March 6, 2004); "Swoop on Sweatshop," *Scottish Daily Record* (September 19, 2009); ILO, *Labor Practices 2000*; White, Nancy J. "Home Sweat Home," *Toronto Star* (September 1, 1996), F1; "Sweatshops Close to Home," *New Zealand Herald* (July 29, 2005); "'Sweatshop' Claim Halts World Cup Toy Production," *New Zealand Herald* (March 10, 2010).

²⁶ "Bangladesh: Why Must We Live with Fire Hazards?" *Right Vision News* (March 10, 2010); ICFTU, "Internationally-Recognized Core Labor Standards in Bangladesh," (September 2006); "Dozens Injured in Bangladesh Riots," *Aljazeera.net* (August 1, 2010), accessed 07/2011 at LexisNexis Academic.

Disputes over low wages and working conditions have also produced periodic clashes between management and labor unions in Cambodia. Gunmen have killed several labor leaders attempting to organize garment workers. Union organizers complain about complicity among police, courts, and management to break strikes, dismiss union organizers, and disperse worker protests.²⁷

Low wages have enabled Vietnam to attract foreign investment and factories in the garment and footwear industries from Taiwan, Korea and China. By the mid-1990s Taiwanese and Japanese investors were swarming into Vietnam, attracted by wage costs 35 percent below Chinese levels and six-day work weeks. One of the first U.S. firms to enter Vietnam was footwear maker Nike. Media accounts of that initial undertaking generated much adverse publicity. CBS claimed that Nike's subcontractors in Vietnam employed sweatshop labor practices, including a boot-camp assembly system in which workers were physically abused and humiliated for mistakes. Nike's contract employees reportedly earned less than Vietnam's minimum wage, and worked 500 or more hours of overtime per year, far above the 200 hours authorized in Vietnam's labor law.²⁸

Pressure from the international media and the force of public opinion compelled Nike to demonstrate social responsibility. It established a monitoring system that graded each supplier. In 2005, Nike admitted that employees worked more than 60 hours per week in more than half of its factories, and that 25 percent of its factories paid wages below the legal minimum. Many of its Asian factories restricted access to toilets and drinking water during the day. Four years later Nike reported some improvement. It said that 365 of its 618 factories in 46 countries were compliant with standards, but that 25 percent of rated facilities did not comply with Nike's monitoring criteria. Blaming the global recession for having a "devastating impact" on worker welfare, Nike acknowledged that many of its contract employees had experienced declining incomes. To control costs some subcontractors had reduced overtime, and eliminated optional worker benefits to control costs.²⁹

Corporate efforts to monitor working conditions at subcontract facilities have a mixed record. One former sweatshop inspector has described how employers frequently coached employees. He said that the success of such efforts

²⁷ ICFTU, "Cambodia: Annual Survey of Violations of Trade Union Rights" (2006), accessed 06/2010 at <http://www.icftu.org/>

²⁸ Wehrfritz, Kinetz and Kent, "Lured into Bondage"; Baskin, Roberta, "Controversy Surrounds Nike as Exclusive Investigation Reveals Abuse of Workers in Foreign Countries and Very Low Wages," *48 Hours* (October 17, 1996), accessed 6/2010 at LexisNexis Academic.

²⁹ Teather, David, "Nike Lists Abuses at Asian Factories," *The Guardian* (London) (April 14, 2005), 17; Nike, *Corporate Responsibility Report, 2007-2009*, 44, 56, accessed 06/2010 at <http://www.nikebiz.com/responsibility/>

depended on whether the company commissioning the inspection sincerely desired to improve the situation. The sweatshop inspector cited toymaker Mattel and Nike for running exemplary programs. However, some activists and labor unions believe that corporate-sponsored monitoring is not as effective as government regulation and freedom for labor unions to organize and represent workers.³⁰

Defending Sweatshops

Labor unions and human-rights activists in Europe and North America often complain about squalid working conditions in low-income countries. But, those living in low-income countries with high unemployment frequently express a different perspective. They line up at factory gates eagerly seeking “sweatshop jobs.” Some 3,000 workers protested when Nike withdrew orders from an Indonesian subcontractor in 2002 because of a sub-par performance. The workers sought to retain their jobs, despite the low wages and poor working conditions. There have been similar protests against plant closings in Nigeria, Honduras, and in Hong Kong where Disney closed a mainland factory.³¹

Defenders of sweatshops often take the position that low wage jobs are better than no jobs. One liberal *New York Times* columnist, Nicholas Kristof, who has denounced third-world famines, genocide, and sex trafficking, also rails against the do-gooders who attempt to improve wages and working conditions in the apparel industry. In his view these jobs are better than alternative employment, such as crime, prostitution, or picking through garbage. Indeed, for many people sweat-shop jobs bring an upward leap in living standards. Kristoff writes that a Cambodian woman thinks the idea of being exploited in a garment factory six days a week for \$2 a day is a ‘dream’ compared to earning the equivalent of 75-cents working all day in the boiling sun.³²

Some economists agree, and argued that sweatshops are an integral part of economic well-being. They observe that every developed nation has made the transition from an agricultural economy to an industrial one. Yesterday’s

³⁰ Frank, T. A., “Confessions of a Sweatshop Inspector,” *Washington Monthly* (April 2008); Esbenshade, Jill, *Monitoring Sweatshops* (Philadelphia, PA: Temple University Press, 2004).

³¹ “Nike Workers Protest Cutbacks in Production,” Associated Press Worldstream, (August 20, 2002); “Nigeria Lamentations of Kaduna Textile Workers,” *Africa News* (June 20, 2011); “Honduran Workers Seek Re-Opening of Berkshire-Owned Plant,” *Omaha World-Herald* (Feb 9, 2009); “Hong Kong Group Protests Disney Stance on Mainland Factory Closure,” *BBC Monitoring Asia Pacific* (Feb 6, 2007).

³² Kristof, Nicholas D., “Antitrade Democrats Fail the World’s Poorest,” *International Herald Tribune* (January 15, 2004), 6; Kristof, Nicholas D., “Asia’s Crisis Upsets Rising Effort to Confront Blight of Sweatshops,” *New York Times* (June 15, 1998), 1.

sweatshops produced prosperity for later generations, and enabled workers and their families to improve their living standards. Nobel laureate economist Paul Krugman has even criticized activists for trying to raise wages in poor countries. He claims that third-world export industries can't exist "unless they are allowed to sell goods produced under conditions that Westerners find appalling, by workers who receive very low wages."³³

During the spring of 2010, pictures appeared in the international press of teenagers at a KYE factory in Guangdong, China, slumped over their desks from exhaustion while working grueling 15-hour shifts in 86-degree heat, six or seven days a week. The workers made Microsoft mice and Xbox controllers. News stories about the incident reported the complaint of one worker: "We are like prisoners . . . It seems like we live only to work. We do not work to live." Several weeks later the media reported a spate of worker suicides at a factory town in Shenzhen, China, near Hong Kong. There Foxconn, a Taiwanese-owned subcontractor, operated factories for Apple, Dell, HP, Nintendo, and Sony. Foxconn, the world's largest contract electronics maker, made the Apple iPhone and other products. Some 420,000 people lived and worked in the facility, a giant industrial park with dormitories and 15 manufacturing buildings for different customers. The typical monthly salary was about \$131. Most of the workers put in many extra hours of overtime. They complained about little social life. Media pressure prompted Foxconn to announce a 65 percent pay raise for its factories in Shenzhen. It also pledged to build factories in the interior of China, closer to workers' families.³⁴

In the spring of 2010 there was mounting evidence of worker discontent in China. Not only did workers complain about low-wages and poor working conditions but the cost of food was rising 10 percent annually. Japanese auto maker Honda suffered a series of crippling strikes among its suppliers that resulted in wage increases of 24 to 32 percent. The Chinese Communist party soon forbade media coverage of strikes, apparently fearful that unrest among migrant workers might spread through China. Whether the Chinese example would also energize workers in other low-income countries, like Vietnam and Bangladesh, was a future story. But it was evident that greater awareness of working conditions and living standards in the outside world, brought about by the global spread of information and improved communications technologies, was

³³ Brill, Marta, "Prof Says Sweatshop Labor Aids Economies in U. Michigan Lecture," *University Wire* (November 11, 1999); Krugman, Paul, "Reckonings; Hearts and Heads," *New York Times* (April 22, 2001), 17.

³⁴ Hull, Liz, and Lee Sorrell, "The Image Microsoft Doesn't Want You to See," *Daily Mail-on-Line* (London), (April 18, 2010); Foster, Peter, "Xbox Factory 'Using Teenage Slave Labor,'" *Daily Telegraph* (London), (April 17, 2010); "Suicides at Foxconn Reveal Woes," *Chinadaily.com.cn* (May 26, 2010), accessed 06/2010 at LexisNexis Academic.

having a dramatic impact on the global economy. In 2011 as regimes in the Middle East toppled with the spread of political unrest, China tightened security measures seeking to prevent dissatisfaction in China from threatening communist rule.³⁵

Health and Safety in the Global Economy

In the early twenty-first century natural disasters, terrorism, disease, and hazardous products presented new challenges to global transportation and information networks. While economies benefitted from the abundance of affordable products available in a relatively open global system, their dependence on imports also meant greater vulnerability. In 2010 volcanic eruptions in Iceland disrupted air travel and cargo shipments in the North Atlantic region, and underscored the fragility of global supply chains.³⁶ In March 2011 a massive 8.9 earthquake in Japan triggered a tsunami and damaged nuclear power facilities, forcing evacuation of a large area north of Tokyo. The disaster led to radioactive contamination of some agricultural products and jolted the global supply chain for manufactures. Japanese auto manufacturers lost parts and production and had a huge impact on the production of semi-conductors and electrical components. Manufacturers around the world who had adopted the Japanese system of lean ‘just-in-time’ inventories to reduce costs suddenly lacked a cushion of parts and had to close factories. It even forced General Motors to close down a Louisiana factory making pickup trucks. In the aftermath corporations were reassessing their supply chains and seeking ways to insulate them from disasters.³⁷

Another clear and present danger involves terrorism. Both air and ocean shipping have presented inviting targets for terrorists, using the high tech tools of the globalization age. Somali pirates used satellite phones, GPS systems, and even the Internet to monitor shipping and to hunt down targets off the Horn of Africa. They seized tankers, freighters, and even passenger ships for ransom.³⁸

In the aftermath of 9/11 shippers discovered another potential danger in standard steel shipping containers. Potentially, these could transport harm as

³⁵ Bradsher, Keith, “A Labor Movement Stirs in China,” *New York Times* (June 10, 2010); “China Companies Warned of Increasing Labor Costs in China,” *Thai Press* (June 14, 2010), accessed via LexisNexis Academic; Tam, Fiona, and Mimi Lau, “Shutters Slammed on Reporting of Strikes at Factories,” *South China Morning Post* (June 12, 2010), 1.

³⁶ Morrell, Liz, “Supply Chain – Up in Smoke,” *Retail Week* (April 30, 2010); Gross, Daniel, “The Days the Earth Stood Still,” *Newsweek* (May 3, 2010), 46.

³⁷ McDonald, Joe, “Japan Earthquake Stirs Unease about Global Supply Chain,” *AP* (March 30, 2011).

³⁸ Ungerleider, Neal, “Somali Pirates Go High Tech,” *Fast Company* (June 22, 2011), <http://www.fastcompany.com/>

well as value to citizens and consumers around the world. The standard 20- or 40-foot nondescript container had the capacity to carry electronics, shoes, apparel, or weapons of mass destruction—perhaps all in the same big box.

In the contemporary global economy the box container is everywhere. On an average day 1.3 million containers are loaded and unloaded at ports around the world. Huge wide-bodied ships can unload as many as 14,500 TEU (twenty-foot equivalent) containers in less than a day. These metal boxes carried some 60 percent of seaborne trade. The remainder moves in tankers and bulk ships, which transport oil and gas, coal and grain, automobiles and heavy equipment.

Containers travel through a complex transportation mosaic with more than 700 ports. Large multinational corporations—and especially retailers—depend on the integrity and timeliness of container deliveries to support their business models. Through electronic tags and GSM monitoring they know where every container is at any point in time. It is a big task, made simpler with new technology. In 2007, giant retailers Wal-Mart reportedly imported 720,000 containers into the U.S. Its rival Target received 435,000. Home Depot unloaded 365,300, and K-Mart 248,600.³⁹ But, containers also arrive at ports from remote locations where security is poor.

As a result, officials responsible for security in countries targeted by terrorists have a daunting task. In September 2001 when terrorists struck New York and Washington, D.C., the U.S. Customs Service only had resources sufficient to inspect physically less than 2 percent of the sea containers entering the U.S. Careful physical inspection of a single container by two inspectors could take all day and delay a shipment with perishable contents for a day or more.

The terrorist threat to transportation routes has compelled authorities in a number of countries to contemplate nightmare scenarios. One of the most dangerous involves weapons of mass destruction (WMD). If terrorists sneak a nuclear weapon, or other weapons of mass destruction, into a container full of textiles or televisions, and succeed in slipping it through customs, they might cause hundreds of thousands of casualties. Such a catastrophe would bring shipping to a halt, disrupt global supply chains, cause economic havoc, and bring crippling lawsuits against the shipper and importer. Studies have estimated the costs of a WMD attack on a U.S. port as costing from \$58 billion to \$1 trillion.⁴⁰

Terrorism is a problem for some developing countries as well as Western Europe and the U.S. In 2008 and 2011, terrorists assaulted Mumbai, India's

³⁹ McCormack, Richard, "Made in the USA: The Plight of American Manufacturing," *American Prospect* 21:1 (January-February 2010), A2.

⁴⁰ U.S. Government Accountability Office (USGAO), *Supply Chain Security* (GAO-10-12) (Washington, DC: GAO, October 30, 2009).

largest city and a major seaport, with small arms and bombs, killing several hundred people. These attacks have sharpened India's sensitivity to container security issues, and its vulnerability to nuclear terrorism.⁴¹

In the aftermath of 9/11 the U.S. took the lead in promoting container security. Congress directed that all containers entering the U.S. must have tamper-proof high security seals by 2008 and by x-ray scanning in 2012. Under the Container Security Initiative, Congress ordered customs officers to inspect by July 2012, 100 percent of all U.S.-bound cargo containers at foreign seaports before being placed on a vessel. They were instructed to scan all containers for radiation and nuclear weapons—a giant task since the U.S. received containers from 611 foreign ports in 2008.

Many of those directly involved found the enhanced-security idea unworkable. Shippers complained that the extra security measures would increase port congestion, and impose burdensome costs on suppliers, shippers, and consumers. The World Customs Organization, an international association of government customs officials, unanimously expressed concern in June 2008. It approved a resolution saying that implementation of the 100 percent scanning approach would be detrimental to world trade and could result in unreasonable delays, port congestion, and international trade difficulties. Many governments viewed the mandate as an impractical, unilateral initiative, one fraught with technical and operational difficulties. A European Commission analysis claimed the scanning mandate would create excessive costs (estimated as an investment of \$581 million in scanning and radiation equipment and an annual expenditure of \$270 million in operating costs) with “no proven security benefit.” Subsequently, the Obama administration bowed to pressure, and delayed implementation of 100 percent scanning, while Congress considered legislation that would waive the 2012 deadline for x-ray scanning.⁴²

In addition to nuclear terrorism, cyber terrorism presented a unique threat to a world reliant on global networking and information flows. As a threat to economic and national security, the cyber menace was largely invisible to the general public but very real to specialists. Cyber terrorists did not need proximity to their target, as did physical attackers. Both state-sponsored and free-lance hackers can operate from distant corners of the world, and route incursions through anonymous or third-party computers. Over one hundred countries contemplated ways to use the Internet as a weapon to target government computers, financial systems, and utilities. Intelligence officials have said that a

⁴¹ Joshi, Manoj, “India is High on the Hit List,” *Mail Today* (India), (April 13, 2010).

⁴² Biesecker, Calvin, “GAO, WCO Outline Challenges to Scanning All U.S. Bound Cargo Containers,” *Defense Daily* (June 18, 2008); “EU Report: Scanning Mandate Would Create High Costs, Divert Security,” *Inside U.S. Trade* (February 26, 2010).

coordinated attack from a remote location could disrupt critical infrastructure, such as electrical power grids, transportation networks, and the banking system, creating potentially as much damage as nuclear weapons. In 2009-2010 Chinese hackers alleged penetrated the U.S. electrical grid; while other cyber attacks targets oil companies such as Marathon, Exxon and ConocoPhillips.⁴³

Rapidly increasing imports of harmful products—including food, toys, and medicines—also present challenges for national regulatory authorities in the era of global supply chains. With globalization consumers now enjoy seasonal food products all year round. But, increased imports from developing countries with lax environmental and regulatory standards pose special concerns for food-safety regulators. The U.S. imports 10 to 15 percent of its food supply, including 80 percent of seafood and nearly two-thirds of fresh fruits and vegetables from 150 countries. Half of medical devices and 80 percent of active elements in medications sold in the U.S. are imported. A similar dependence on imports occurs in Europe where the EU is a net importer of food products. It depends heavily on Brazil for cereals and meats; China, and Vietnam for seafood; Thailand, China and Turkey for vegetables, and Thailand and China for fruits and nuts.⁴⁴

In the U.S., the Food and Drug Administration (FDA) shares responsibility for food safety with Homeland Security and the Department of Agriculture (USDA). FDA oversees about 80 percent of the food supply including dairy products, fruits, seafood, and vegetables. Customs and Border Protection (CBP) in the Department of Homeland Security has some responsibilities for inspect and coordinating with FDA, while the USDA takes charge of imported meat and poultry safety.

According to the General Accountability Office, FDA has resources to examine physically only about 1 percent of imported food, but is developing a predictive risk system to improve targeted screening. From 2001 to 2008, FDA conducted 1,186 inspections of foreign food facilities, but only 46 in China during that period.

With manufacturers sourcing more and more ingredients in China, and other developing countries, product safety concerns have emerged. Chinese products accounted for more than 60 percent of the dangerous consumer products notified through the EU's rapid alert system (RAPEX) in 2009. The number of

⁴³ Goldsmith, Jack, "The New Vulnerability," *The New Republic* (June 24, 2010), 21; Lt. Gen. (Retd) P. C. Katoch, *SP LandForces* (Feb. 1, 2011), accessed via LexisNexis Academic.

⁴⁴ Harris, Gardiner, "Agency Head Outlines Difficulties and Risks of Food and Drug Imports," *New York Times* (June 21, 2011), 3; U.S. Food and Drug Administration, *Pathway to Global Product Safety and Quality* (Washington: FDA, July 2011).

notifications quadrupled (to 1,993) since 2004 as China became the largest exporter of toys to the EU.

A series of products ranging from baby food and children's toys to pet food and toothpaste were discovered to contain poisonous substances. In 2008 European regulators found the toxic chemical melamine in baby food and soy bean meal imported from China, and banned those imports. Food safety experts said children could become ill if they ate more than a bar of chocolate per day made with the melamine-laden Chinese milk powder. U.S. regulators ordered the recall of children's toys coated with lead paint, and toothpaste containing a harmful chemical (diethylene glycol, or DEG), and called public attention to corrosive drywall in construction.⁴⁵

Seafood is another item of concern. Seventy percent of the world's farmed fish comes from China. Chinese fish farmers have mixed illegal veterinary drugs and pesticides into fish food, and importing nations have concluded that these contain poisonous and carcinogenic residues posing health threats to consumers. As a result, regulators in the European Union and Japan banned Chinese seafood, and U.S. officials have rejected shipments.⁴⁶

U.S. and EU regulators want to block dangerous products at the source, but have had difficulty obtaining full cooperation from Chinese authorities. Nonetheless, regulators strive to educate producers on health and safety requirements. They seek to improve cooperation and exchanges of information among officials in exporting and importing countries, and to strengthen inspection procedures at the border. Another problem for regulators involves funding. Although FDA won authority from Congress in January 2011 to inspect an increasing number of foreign production facilities each year, Congress in a budget-cutting mood has not appropriated the funds or authorized user fees. While European and U.S. regulators may cooperate, some developing countries, including China, have refused to cooperate with FDA inspections.

China is not the only supplying country with product problems. The problem is that the rapidly-growing global supply chain simply has overwhelmed the resources of regulatory authorities to cope with the flood of imports. With low prices driving the supply chain, unscrupulous producers have financial incentives to scrimp on product quality. This is what the U.S. Consumer Product Safety Commission discovered in an investigation of harmful toys from China. In an intensely competitive environment, toy suppliers resorted to paint with high lead levels because this paint sold at one-third the price. Similar problems have

⁴⁵ Ma, Josephine, "Scandal Will Stoke Fears of 'Made in China' Label," *South China Morning Post* (September 13, 2008), 4.

⁴⁶ Barboza, David, "China's Seafood Industry: Dirty Water, Dangerous Fish," *New York Times* (December 15, 2007), 1.

also emerged in India, Malaysia and Singapore. In China while safety standards are reportedly high – indeed, sometimes higher than in the United States – enforcement is lax.⁴⁷

One problem in inspecting foreign food imports are commitments in free-trade agreements, and WTO obligations. These pledge non-discrimination and ‘national treatment’ for imports, and effectively bar the U.S. from inspecting imported foods at a greater rate than domestic foods. Thus, the U.S. is obliged to rely on private inspectors to certify the safety of food imports. The U.S. Department of Agriculture found that private inspectors used to certify Chinese organic farms had conflicts of interest.⁴⁸

Environmental Issues

Environmental protection is another contentious issue impacting the global economy. This broad subject has many focal points – including environmental destruction, pollution, and climate change. Over the last generation a series of incidents in the interconnected global economy have elevated public interest in environmental issues. An accident at the Chernobyl nuclear power plant in the Ukraine during 1986 sent a plume of radioactive fallout over much of Europe, while in 2011 a tsunami and earthquake in Japan damaged nuclear facilities and released radioactivity with harmful consequences for health and safety, including the environment and food supplies. Disasters such as the 1989 Exxon Valdez oil spill in Prince William Sound Alaska, and BP’s catastrophic deep-water oil well explosion in the Gulf of Mexico during 2010, both polluted the oceans and harmed wildlife. In developing nations growth sometimes seems to take priority to environmental protection. Activists have warned about destruction of Amazon rain forests to make way for cattle ranches needed to supply the world’s hunger for hamburgers. They have called attention to illegal logging in Indonesian forests. Both increase greenhouse gas (GHG) emissions and reportedly promote global warming. Also, in an Oscar-winning documentary film former U.S. Vice President Albert Gore predicted a 20-foot rise in sea levels, flooding New York and Miami, and leaving millions homeless.

On the one hand, environmentalists tend to associate expanded economic activity with environmental damage. Many activists are skeptical that greater wealth will bring improvements. They argue that the free-market pricing system, the basis of most international trade, does not reflect the full costs of

⁴⁷ Barboza, David, “Why Lead in Toy Paint?” *New York Times* (September 11, 2007), 1.

⁴⁸ Public Citizen, Global Trade Watch, “Trade Deficit in Food Safety.” (Washington, DC: Public Citizen 2009), <http://www.citizen.org/documents/FoodSafetyReportFinal.pdf>; Neuman, William, and David Barboza, “U.S. Drops Inspector of Food in China,” *New York Times* (June 14, 2010).

environmental damage. The environmentalists insist that national governments instinctively strive to protect national industries against “costly” environmental demands. Thus in their view the only effective solution involves a strong system of rules at the national and international levels.⁴⁹

On the other hand, economists and defenders of the WTO’s multilateral trading system present a vigorous defense of commerce. They argue that trade creates wealth and benefits humankind. From this perspective, expanding trade (a 27-fold increase in volume since 1950) is deemed beneficial to the environment. It promotes efficiency and less-wasteful use of natural resources, improves access to environmentally-friendly technologies, and creates wealth that can be used for environmental improvements. Officials of the WTO observe that people with higher living standards tend to be among the strongest proponents of environmental protection.⁵⁰

The trade advocates do voice concern that national governments may use environmental rationalizations as loopholes to protect national industries and to escape their WTO obligations. The trade-firsters assign top priority to observing the rules of the multilateral trading system. For example, in a 2011 dispute settlement case involving Chinese export duties on raw materials used in production of steel and chemicals, the Chinese argued that the duties were justified to reduce world demand and protect the Chinese environment. The WTO dispute settlement panel rejected that argument. But, in response to rising public concern about environmental harm, WTO officials generally have softened their defense of commerce. They emphasize that the WTO’s founding charter contains a commitment to optimal use of the world’s resources in accordance with the objective of sustainable development. In the absence of a post-Kyoto multilateral climate-change agreement, such as was proposed for the Copenhagen Summit of 2009, WTO officials are reluctant make definitive pronouncements about whether specific national steps to reduce greenhouse gases comply with WTO rules.⁵¹

Critics of the WTO and free-trade agreements complain that these arrangements override genuine environmental concerns. For example, the controversial Chapter 11 of NAFTA assigns higher priority to investors’ rights than to environmental protection. Private parties enjoy the right to sue governments before secret tribunals to challenge actions involving waste

⁴⁹ United Nations Environment Program 2005, 4-5.

⁵⁰ Yerxa, Rufus, “Speech to the United Kingdom Public Interest Environmental Law Conference in London” (March 26, 2010). Available online at www.wto.org/english/news_e/news10_e/envir_26mar10_e.htm.

⁵¹ “Lamy Sees Room for Climate Change Border Measures Under WTO Rules” *Inside US Trade* (July 3, 2009); “Raw Materials WTO Panel Strikes Down Chinese Defense Under Article XX,” *Inside U.S. Trade* (June 17, 2011).

management, regulation of pollutants, and land-use planning if these mitigate the terms of the agreement.

Environmentalists also complain that the WTO's dispute settlement process allows governments to challenge other government's trade restrictions. Dispute settlement rulings can thus weaken domestic environmental laws. Environmental advocates note that in 1995 cases involving reformulated gasoline, Venezuela and Brazil successfully challenged U.S. Environmental Protection Agency regulations on use of additives to reduce emissions. The complainants argued successfully that U.S. rules discriminated against foreign producers, a violation of GATT's national-treatment provision, and a founding legal principle of the WTO.

Another case of concern to environmentalists in 1996 involved turtles drowning in shrimp nets. The U.S. sought to ban imported shrimp from countries without sea turtle protections, but several Asian nations filed a complaint with the WTO. The dispute panel ruled against the U.S., effectively ordering it to change its environmental protection regulations or pay penalties.

However, in two more recent cases, involving asbestos and tires, the dispute settlement panels affirmed that WTO rules allow an appropriate balance between the right of WTO members to regulate to achieve legitimate policy objectives, and the rights of other members to nondiscriminatory trade. Like court proceedings generally, dispute settlement cases are fair but costly and time-consuming. They are thus an inefficient way to make public policy.⁵²

The conflict between international economic and environmental priorities also emerges in the debate over climate change. For more than a generation experts have expressed concerns that climate change threatened the global economic system. At first, the debate related to global cooling. In the mid-1970s some climatologists spoke about a new "Ice Age." The climatologists interpreted a series of harsh winters as indication of a dramatic change in weather patterns that could portend a drastic decline in world food production. A CIA report suggested that cooling would upset the world's political balance with India and China facing famine conditions and become more and more dependent on imports from the North American breadbasket. The prestigious National Science Foundation even construed declining temperatures as the beginning of "the next glacial age." But, by the 1980s temperatures began to rise, and scientists discovered evidence of a different trend, global warming.⁵³

Within the international community the global-warming thesis gained wide support. The Intergovernmental Panel on Climate Change (IPCC),

⁵² Yerxa, "Speech," 2010.

⁵³ Power, Jonathan, "The Deterioration of the World's Weather," *Washington Post* (Oct. 11, 1976); Gwynne, Peter, "The Cooling World," *Newsweek* (Apr. 28, 1975), 64; Schlesinger, James R., "Climate Change: The Science Isn't Settled," *Washington Post* (July 7, 2003).

established in 1988 by U.N. agencies, issued a series of disturbing assessments. They appeared to link human activities to increasing atmospheric concentrations of greenhouse gases resulting in higher temperatures on the Earth's surface. A fourth assessment, issued in 2007, asserted that global warming was "unequivocal," and attributed the increase in average global temperatures since the mid-20th century to GHG concentrations. It warned that past and future carbon dioxide emissions would contribute to global warming and rising sea levels for more than a millennium. For its warning of possibly disastrous consequences for mankind, IPCC shared the 2007 Nobel Peace Prize with former U.S. Vice President Albert Gore. The Nobel committee commended Gore and the IPCC for their efforts to "build up and disseminate greater knowledge about man-made climate change . . ."

The IPCC's conclusions have influenced multilateral diplomatic efforts in the U.N. system to stabilize and reduce GHG concentrations. At the 1992 Earth Summit in Rio de Janeiro, 192 countries negotiated and signed the Framework Convention on Climate Change, a non-binding treaty to reduce emission levels. Subsequently, the Kyoto Protocol of 1997 set binding obligations for developed countries to reduce greenhouse emission levels by an average of 7 percent below 1990 levels by 2012. The U.S. did not subscribe, nor did key developing countries China and India. Those nations complained that the Kyoto limitations penalized unfairly emerging industrial countries and restricted their growth.

European nations, in particular, have taken a leadership role in international efforts to reduce carbon emissions. In January 2008 the European Commission released a climate strategy intended to cut greenhouse-gas emissions by 20 percent by 2020. This strategy involved auctioning carbon-emission certificates. Fearful that European industry might respond by closing factories and moving to developing countries without strong environmental laws ("leakage"), the strategy sought to address traded goods. France and Germany proposed a tax on carbon-intensive imports to offset competition from countries with weaker carbon protections, such as China and India. However, Britain and the United States expressed concerns about whether this approach was compatible with obligations to the WTO. The U.S. Trade Representative said that climate or the environment should not be used as an excuse to close markets. Similarly, a number of developing countries denounced carbon tariffs as protectionist.⁵⁴

European leaders sought to win international support for an ambitious agreement to reduce GHG emission at a U.N. conference held in Copenhagen, Denmark, in December 2009. That conference foundered. Governments could not agree on a binding program for long-term action. Among the obstacles were sharp differences between developed and developing countries over how to implement a reduction. Also there was concern that a climate agreement might

⁵⁴ Stokes, Bruce, "Going Green in Trade Policy," *National Journal* (Feb. 9, 2008).

increase business uncertainty and delay economic recovery from the global recession. Seven months later at the G-20 Summit in Toronto, world leaders softened talk about cutting global temperatures, and substituted vague pledges to do their best on climate change issues. In the view of outside observers, steps to prevent global warming were losing public appeal. Leaders in Australia, Great Britain, France, Spain and Italy found the public increasingly skeptical about global warming and opposed to carbon taxes. Public opinion polls in the Britain, Germany, and the U.S. showed a dramatic fall in the number of people who believed climate change is man-made. Yet in the scientific community 97 percent of publishing climate scientists agreed that climate change was occurring and that it was caused by humans.⁵⁵

Part of the explanation for declining public support for efforts to reduce GHG emissions may involve scandals involving the IPCC and climate researchers. Small errors in recent IPCC reports and an episode in which hackers accessed the email of climatologists at a prominent British research center sharpened public doubts. The emails appeared to show that East Anglia climate researchers worked assiduously to keep diverging views out of IPCC reports and leading journals. They appeared to hide data of recent global temperature decreases that might influence public understanding of the climate-change debate. Later, several public reviews sharply criticized the IPCC's procedures and lack of transparency, but did not challenge the scientific consensus in behalf of global warming.

In the aftermath of the failed Copenhagen summit, some environmentalists looked to another conference, scheduled for South Africa in December 2011. By then they hoped the global recession would have passed, and the mistakes of climate researchers been forgotten, permitting renewed efforts to forge a new multilateral climate-change protocol. But, continued turbulence in the global economy during the summer of 2011, and renewed fears of a double-dip recession, suggested that immediate public concerns about jobs and economic growth might continue to trump worries over climate change.

⁵⁵ Solomon, Lawrence, "Catastrophism Collapses," *Financial Post* (Canada) (July 3, 2010), 19; Yale Project on Climate Change Communication and George Mason University Center for Climate Change Communication, *Global Warming's Six Americas in May 2011*, <http://environment.yale.edu/climate/files/SixAmericasMay2011.pdf>; Theil, Stefan, and Alan Mascarenhas, "A Green Retreat," *Newsweek* (July 19, 2010).

Summary

The dynamic and efficient global economy of the early twenty-first century presents many new challenges. Open borders have expanded opportunities for criminal activities—including trafficking in humans, forced labor, and organized crime. Also, in a highly integrated international economy national authorities responsible for maintaining health and safety confront daunting tasks. The quest for economic growth at times appears to pose conflicts between regimes such as the WTO intended to facilitate and regulate trade, and parallel efforts to reduce greenhouse gases and safeguard the environment. This article underscores some of the difficult problems of governance in an open economic system, where nation states have both common and conflicting interests.