# 1 Economic globalisation and the law of the WTO

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## 1.1. INTRODUCTION

At the largest-ever gathering of Heads of State and Government, the Millennium Summit of the United Nations in September 2000, the UN General Assembly solemnly declared:

> We will spare no effort to free our fellow men, women, and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them

> are currently subjected. We are committed to making the right to development a reality for everyone and to freeing the entire human race from want.[1]

It was decided to *halve* the proportion of the world's people living in absolute poverty by the year 2015.[2] While data of the World Bank show that the number of people in extreme poverty fell from 1.451 billion in 1981 to 1.101 billion in 2001, the enormity of the task ahead is obvious to all.[3] The income gap between the richest 20 per cent of the world's population and the poorest 20 per cent does not cease to grow. During the 1990s, this gap increased from 60:1 to 86:1.[4] In discussing the greatest challenges that the world faces, Jimmy Carter, the former US President, stated in his Nobel Lecture in December 2002:

> Among all the possible choices, I decided that the most serious and universal problem is the growing chasm between the richest and poorest people on earth. The results of this disparity are root causes of most of the world's unresolved problems, including starvation, illiteracy, environmental degradation, violent conflict, and unnecessary illnesses that range from guinea worm to HIV/Aids.[5]

One of the defining features of today's world is the process of economic globalisation, a process characterised by high levels of international trade and foreign direct investment. This chapter examines this process and notes the broad consensus among economists and policy-makers that economic globalisation in general, and international trade and foreign direct investment in particular, offer an unprecedented *opportunity* to eradicate poverty and hunger worldwide. The World Bank, for instance, estimated that abolishing all trade barriers could increase global income by US$2.8 trillion and lift 320 million people out of poverty by 2015.[6]

However, to ensure that this opportunity is realised, economic globalisation has to be *managed* and *regulated* at the international level. If not, economic globalisation is likely to be a curse, rather than a blessing, to humankind, aggravating economic inequality, social injustice, environmental degradation and cultural dispossession. The law of the World Trade Organization is currently the most ambitious effort to manage and regulate international trade. By way of introduction to this book, this chapter discusses the need for

[1] United Nations General Assembly, *UN Millennium Declaration*, Resolution adopted on 8 September 2000, para. 11.
[2] *Ibid.*, para. 19.
[3] See World Bank, *World Development Indicators 2004*, www.worldbank.org/data/wdi2004/index.htm, visited on 30 May 2004. See also S. Bhalla, *Imagine There's No Country* (Institute for International Economics, 2002). Note that the cause of the reduction in poverty is primarily the fast economic growth of Asian countries, in particular China. Between 1981 and 1999, the proportion of people in the East Asian and Pacific regions living on less than US$1 per day fell from 56 per cent to 16 per cent. In China, it fell from 61 per cent to 17 per cent. Note, however, that, in Sub-Saharan Africa, the proportion of people living in absolute poverty rose from 42 per cent to 47 per cent. See also M. Wolf, 'An End to Poverty', *Financial Times*, 4 May 2004.
[4] Note that the income gap between the richest 20 per cent of the world's population and the poorest 20 per cent stood at around 3:1 in 1820, 11:1 in 1913 and 30:1 in 1970. See http://hdr.undp.org/reports/global/1999/en, visited on 1 January 2004.
[5] J. Carter, Nobel Lecture, Oslo, 10 December 2002, www.nobel.se, visited on 13 August 2003.
[6] M. Bacchetta and M. Jansen, *Adjusting to Trade Liberalization: The Role of Policy, Institutions and WTO Disciplines*, WTO Special Studies 7 April 2003, 6. The World Bank's Annual Report for 2004 states, on page 5, that trade talks to reduce agricultural protectionism could produce US$325 billion by 2015, lifting 140 million people out of poverty by that date.

international rules on international trade, and gives an overview of basic rules and disciplines of WTO law. It also discusses the different sources of WTO law and examines the sometimes contentious relationship between WTO law and other international law and national laws.

## 1.2. ECONOMIC GLOBALISATION AND INTERNATIONAL TRADE

### 1.2.1. The emergence of the global economy

#### *1.2.1.1. The concept of 'economic globalisation'*

'Economic globalisation' has been a popular buzzword for more than a decade now. Politicians, government officials, businesspeople, trade unionists, environmentalists, church leaders, public health experts, third-world activists, economists and lawyers all speak of 'economic globalisation'. The concepts of 'globalisation', and 'economic globalisation' in particular, have been used by many to describe the defining feature of the post-Cold War world in which we live. But what do these terms mean?

Joseph Stiglitz, former Chief Economist of the World Bank and winner of the Nobel Prize for Economics in 2001, described the concept of globalisation, in his 2002 book, *Globalization and Its Discontents*, as:

> the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flow of goods, services, capital, knowledge, and (to a lesser extent) people across borders.[7]

In *The Lexus and the Olive Tree: Understanding Globalisation*, Thomas Friedman defined 'globalisation' as follows:

> it is the inexorable integration of markets, nation-states and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before, and in a way that is enabling the world to reach into individuals, corporations and nation-states farther, faster, deeper and cheaper than ever before.[8]

Economic globalisation is a multifaceted phenomenon, which undoubtedly is not yet fully understood. In essence, however, economic globalisation is the gradual integration of national economies into one borderless global economy. It encompasses both (free) international trade and (unrestricted) foreign direct investment. Economic globalisation affects people everywhere and in many aspects of their daily lives. It affects their jobs, their food, their health, their education and their leisure time. It affects the price people pay for gasoline, bananas and cars, and the health services accessible to them.

[7] J. Stiglitz, *Globalization and Its Discontents* (Penguin, 2002), 9.
[8] T. Friedman, *The Lexus and the Olive Tree: Understanding Globalisation*, 2nd edition (First Anchor Books, 2000), 9.

While economic globalisation is often presented as a new phenomenon, it deserves to be mentioned that today's global economic integration is not unprecedented. During the fifty years before the First World War, there were also large cross–border flows of goods and capital and, more than now, of people. In that period, globalisation was driven by the lowering of trade barriers and by significant reductions in transport costs resulting from technological innovations such as railways and steamships. If one looks at the ratio of trade to output, Britain and France are only slightly more open to trade today than they were in 1913, while Japan is less open now than it was then.[9] That earlier attempt at globalisation ended, however, with the First World War and was followed by one of the darkest times of humankind.

Furthermore, while the *trend* towards globalisation is clear, the extent of today's global economic integration can be, and frequently is, exaggerated. International trade should normally force high-cost, domestic producers to lower their prices and bring the prices of products and services between different countries closer together. However, large divergences in prices persist. Even within the European Union, price differences from one country to another remain significant for a number of products and services. This is partly due to differences in transport costs, taxes and the efficiency of distribution networks, but it is also due, at least outside the European Union, to the continued existence of important barriers to trade. Furthermore, while goods, services and capital move across borders with greater ease, restrictions on the free movement of workers, i.e. restrictions on economic migration, remain multiple and rigorous.

*Questions and Assignments 1.1*

How would you define 'economic globalisation'? Does economic globalisation also affect non-economic matters? Give three concrete examples of how *you* are affected by economic globalisation. Is economic globalisation a historically unique and all-pervasive phenomenon?

### *1.2.1.2. Forces driving economic globalisation*

It is commonly argued that economic globalisation has been driven by two main forces. The first, technology, makes globalisation feasible; the second, the liberalisation of trade and foreign direct investment, makes it happen.[10] Due to technological innovations resulting in a dramatic fall in transport, communication and computing costs, the natural barriers of time and space that separate national markets have been coming down. Between 1920 and 1990, average ocean freight and port charges for US import and export cargo

[9] 'One World?', *The Economist*, 18 October 1997.
[10] See also M. Wolf, 'Global Opportunities', *Financial Times*, 6 May 1997.

fell by almost 70 per cent. Between 1930 and 1990, average air-transport fares per passenger mile fell by 84 per cent.[11] The cost of a three-minute telephone call between New York and London has fallen from US$300 in 1930 to US$1 in 1997 (in 1996 dollars); the cost of computer processing power has been falling by an average of 30 per cent per year in real terms over recent decades.[12] As a result of cheap and efficient communication, companies can locate different parts of their production process in different parts of the world while remaining in close contact. Activities such as writing software or accounting can be carried out anywhere in the world, far away from the customer or consumer. New technological developments are likely to further accelerate the process of economic globalisation. The second driving force of economic globalisation has been the liberalisation of international trade and foreign direct investment. Over the last fifty years, most developed countries have gradually but significantly lowered barriers to foreign trade and allowed free movement of capital. In recent years, the liberalisation of trade and investment has become a worldwide trend, including in developing countries, although liberalisation still proceeds at different speeds in different parts of the world.

Basically along the same lines, but with a different emphasis, Thomas Friedman argued in *The Lexus and the Olive Tree* that what caused globalisation to happen, and what continues to drive the process, are what he calls:

- the democratisation of technology;
- the democratisation of finance; and
- the democratisation of information.

The democratisation of technology refers, in particular, to the way we communicate, and is the result of several technological innovations that came together in the 1980s involving computerisation, telecommunications, miniaturisation, compression technology and digitisation.[13] According to Friedman, this made it possible for hundreds of millions of people around the world to connect and exchange information, news, knowledge and money in ways never before witnessed. Friedman argues:

> What this democratization of technology means is that the potential for wealth creation becomes geographically dispersed, giving all kinds of previously disconnected people the chance to access and apply knowledge.[14]

The democratisation of finance refers to the change in *who* invests and *how* investments are made. As Friedman explains:

> when the system of fixed exchange rates and capital controls came unstuck, developed countries gradually democratized their capital markets, opening them to any foreign traders who wanted to play, and then the developing countries followed suit.

[11] R. Porter, 'The Global Trading System in the 21st Century', in R. Porter, P. Sauvé, A. Subramanian and A. Beviglia Zampetti (eds.), *Efficiency, Equity, and Legitimacy: The Multilateral Trading System at the Millennium* (Brookings Institution Press, 2001), 4.
[12] 'One World?', *The Economist*, 18 October 1997.
[13] T. Friedman, *The Lexus and the Olive Tree*, 47. [14] *Ibid*., 51.

> Soon all sorts of products were available: Mexican bonds, Lebanese bonds, Turkish bonds, Russian bonds, German bonds, French bonds. You could take your choice, and people did. The more individual investors could move their money in and out of these highly competitive global mutual funds, the more these fund managers would move their money between companies and countries, constantly demanding higher, more sustained returns ... [W]e have gone from a world in which a few bankers held the sovereign debts of a lot of countries, to a world in which a lot of bankers held the sovereign debts of a lot of countries, and finally to a world today in which many individuals, through pension funds and mutual funds, hold the sovereign debts of many countries.[15]

Finally, the democratisation of information refers to the change in how knowledge and information is obtained. Thanks to satellite dishes, cable television and, above all, the Internet, many people have virtually unlimited access to information. As Friedman notes:

> the days when governments could isolate their people from understanding what life was like beyond their borders or even beyond their village are over ... Thanks to the democratization of information, we all increasingly know how each other lives ...
>
> What makes the Internet so dangerous for police states is that they can't afford not to have it, because they will fall behind economically if they do. But if they have it, it means they simply can't control information the way they once did.[16]

In his book, *Has Globalization Gone Too Far?*, Dani Rodrik of the Kennedy School, Harvard University, highlighted yet another, arguably less positive, dimension of globalisation:

> Globalization is not occurring in a vacuum. It is part of a broader trend that we may call marketization. Receding government, deregulation, and the shrinking of social obligations are the domestic counterparts of the intertwining of national economies. Globalization could not have advanced this far without these complementary forces.[17]

While some politicians and opinion-makers claim otherwise, the process of economic globalisation is not irreversible. History shows that – for better or for worse – most man-made changes in society are irreversible. However, it would be very difficult, and foolhardy, for governments to reverse the current globalisation process. Three reasons come to mind. First, new technology has created distribution channels, especially for services, such as satellite communication and the Internet, that governments, with protectionist intentions, will find very difficult to control. Secondly, liberal international trade policies now have a firm institutional basis in the multilateral trading system of the WTO, discussed in detail in this book. Thirdly, the price to be paid, in terms of economic prosperity, for withdrawing from the global economy would be very high. Autarkies, such as North Korea, do not flourish in today's world.

[15] *Ibid.*, 59. [16] *Ibid.*, 67–8.
[17] D. Rodrik, *Has Globalization Gone Too Far?* (Institute for International Economics, 1997), 85.

*Questions and Assignments 1.2*

What explains the process of economic globalisation? Could governments reverse the process of economic globalisation?

### *1.2.1.3. Facts and figures on world trade and investment*

In 1948, world exports of goods amounted to US$58 billion per year. By 2003, world exports of goods had increased to US$7,294 billion, or more than US$7.3 trillion, per year.[18] This represents an increase in international trade of more than 12,500 per cent. World exports of commercial services, marginal in 1948, amounted in 2002 to US$1,540 billion.[19]

The ratio of global trade in goods and commercial services to world gross domestic product (GDP) is a reliable and much-used measurement of economic globalisation. In 1950, exports of goods and commercial services represented 8 per cent of GDP; in 2002, these exports represented 29 per cent, 0.2 per cent down from 2000, the top year thus far. Between 1990 and 2000, the ratio increased from 19.8 per cent to 29.2 per cent.

It is not only the volume and value of world trade in goods and the ratio of global trade to GDP that have changed significantly over the last fifty years. The share of world trade of various regions of the world also changed over this period. Most remarkable are the decline of the share of North America (the United States, Canada and Mexico) from 27.3 percent in 1948 to 16.6 per cent in 2001, and the increase of the share of Western Europe (primarily the European Union) from 31.5 per cent in 1948 to 41.5 per cent in 2001 (down from 44 percent

Table 1.1 Trends in world exports of goods (1948–2002)[20]

| *World merchandise exports* | 1948 | 1950 | 1973 | 1990 | 2000 | 2002 |
|---|---|---|---|---|---|---|
| Billion current $ | 58 | 61 | 579 | 3,438 | 6,250 | 6,240 |
| Billion constant 1990 $ | 304 | 376 | 1797 | 3,438 | 6,726 | 6,836 |
| Exports per capita, 1990 $ | 123 | 149 | 458 | 654 | 1,110 | 1,110 |

Table 1.2 Trends in global trade to GDP (1950–2002)[21]

| *Trade to GDP* | 1950 | 1973 | 1990 | 2000 | 2002 |
|---|---|---|---|---|---|
| Exports of goods and services, to GDP, at constant 1987 prices, % | 8.0 | 14.9 | 19.8 | 29.2 | 29.0 |
| Merchandise trade to GDP, at current prices | 7.9 | 11.8 | 15.3 | 19.9 | 19.4 |
| Merchandise trade to GDP, at constant prices | 8.8 | 13.4 | 15.3 | 23.9 | 23.6 |

[18] See WTO, *International Trade Statistics 2004*, 10, at www.wto.org/res_e/statis_e/its2004_e/its04_bysubject_e.htm, visited on 25 October 2004.
[19] *Ibid.* [20] See www.wto.org, visited on 6 September 2003.
[21] See www.wto.org, visited on 6 September 2003.

Table 1.3 Share of world exports of goods by region (1948–2003)[22]

| | 1948 | 1963 | 1973 | 1983 | 1993 | 2001 | 2003 |
|---|---|---|---|---|---|---|---|
| World | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| North America | 27.3 | 19.3 | 16.9 | 15.4 | 16.6 | 16.6 | 13.7 |
| Latin America | 12.3 | 7.0 | 4.7 | 5.8 | 4.4 | 5.8 | 5.2 |
| Western Europe | 31.5 | 41.4 | 45.4 | 38.9 | 44.0 | 41.5 | 43.1 |
| Other European States | 6.0 | 11.0 | 9.1 | 9.5 | 2.9 | 4.8 | 5.5 |
| Africa | 7.3 | 5.7 | 4.8 | 4.4 | 2.5 | 2.4 | 2.4 |
| Middle East | 2.0 | 3.2 | 4.1 | 6.8 | 3.4 | 4.0 | 4.1 |
| Asia | 13.6 | 12.4 | 14.9 | 19.1 | 26.1 | 25.0 | 26.1 |
| GATT/WTO Members | 60.4 | 72.8 | 81.8 | 76.0 | 89.5 | 92.5 | 94.3 |

in 1993). Equally remarkable are the steep decline of the shares of both Latin-America and Africa, and the significant increase of Asia's share.

In the 1990s, developing countries, *as a group*, increased their share of world exports of goods from 23.4 per cent to 29.8 per cent. During the same period, developing countries increased their share of world exports of commercial services from 18.2 per cent to 23.3 per cent. The share of developing countries in world trade has thus increased over the last decade.[23] However, as Hoekman and Kostecki noted:

> Global trade flows are dominated by exchanges within and between the three major regions of the global economy (the so-called triad): Europe, North America, and East Asia. Trade flows involving other parts of the globe are relatively small, accounting for some 15 per cent of world trade. ... Intra-EU and intra-North America trade accounts for 52 per cent of industrial trade.[24]

Furthermore, it must be noted that all forty-eight least-developed countries together accounted for only 0.5 per cent of world trade. Their share has actually fallen over time – it stood at 1.7 per cent in 1970. South Asia and Sub-Saharan Africa each represent just over 1 per cent of world trade.[25]

Developing countries have registered particularly rapid increases in their ratios of exports to GDP. Exports now account for more than one-quarter of their combined GDP, a proportion which is higher than that of developed countries.[26] Also, the composition of exports from developing countries has changed in recent years. While many developing countries remain dependent on primary commodities, the share of manufactured goods has been growing. Since the early 1990s, there has been a boom in high-technology exports, with countries such as China, India and Mexico emerging as major suppliers of cutting-edge technologies, as well as labour-intensive goods.[27]

[22] Based on WTO Secretariat, *International Trade Statistics 2004*, 30. See http://www.wto.org/english/res_e/statis_e/statis_e.htm, visited on 1 September 2004.
[23] See WTO, *International Trade Statistics 2002*, at www.wto.org, visited on 1 January 2004.
[24] B. Hoekman and M. Kostecki, *The Political Economy of the World Trading System*, 2nd edition (Oxford University Press, 2001), 9.
[25] *Ibid*.
[26] Oxfam, *Rigged Rules and Double Standards: Trade, Globalization and the Fight Against Poverty*, 2002, Summary of Chapter 1, www.maketradefair.org, visited on 11 August 2003.
[27] *Ibid*.

Table 1.4 Foreign direct investment (1982–2003)[28]

| Item | Value at current prices (billions of US dollars) | | | | Annual growth rate (%) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1982 | 1990 | 2000 | 2003 | 1986–1990 | 1991–1995 | 1996–2000 | 2000 | 2001 | 2002 | 2003 |
| FDI inflows | 59 | 209 | 1,271 | 560 | 22.9 | 21.5 | 39.7 | 27.7 | −41.1 | −17.0 | −17.6 |
| FDI outflows | 28 | 242 | 1,150 | 612 | 25.6 | 16.6 | 35.1 | 8.7 | −39.2 | −17.3 | 2.6 |
| FDI inward stock | 796 | 1,950 | 6,314 | 8,245 | 14.7 | 9.3 | 16.9 | 19.1 | 7.4 | 12.7 | 11.8 |
| FDI outward stock | 590 | 1,748 | 5,976 | 8,197 | 18.1 | 10.7 | 17.1 | 18.5 | 5.9 | 13.8 | 13.7 |
| Employment of foreign affiliates (thousands) | 19,232 | 24,197 | 45,587 | 54,170 | 5.6 | 3.9 | 10.8 | 13.3 | −3.2 | 12.3 | 8.3 |

With respect to trade between developing countries, Supachai Panitchpakdi, the WTO Director-General, noted:

> Enhanced South–South activity offers a potentially great source of expanded trade opportunities in the coming decade. Between 1990 and 2001, South–South trade grew faster than world trade with the share of intra-developing country trade in world merchandise exports rising from 6.5% to 10.6%.[29]

Another development in international trade worth noting is the increased trade within companies. The foreign sales of the largest 100 transnational corporations are equivalent in value to one-quarter of world trade; approximately two-thirds of all trade takes place within companies. The increase in trade within companies has been one of the most powerful forces behind the expansion of world trade.

Next to international trade, an important aspect of economic globalisation is foreign direct investment (FDI). Table 1.4 demonstrates that FDI inflows have increased from US$57 billion in 1982 to US$1,271 billion in 2000. This represents an increase of 2,230 per cent. During the second half of the 1990s, the annual growth rate of FDI inflows was, on average, 40.8 per cent. Worldwide employment of personnel in foreign affiliates increased from 17.5 million people in 1982 to 45.6 million people in 2000.[30]

After years of rapid growth, in 2001, however, global FDI inflows dropped by over 40 per cent. In 2002, they fell by another 17 per cent to US$651 billion, or just half the record volume of 2000.[31] In 2003, FDI inflows declined again by 18 per cent to US$560 billion. A rebound is likely in 2004.[32]

[28] Based on UNCTAD Secretariat, *World Investment Report 2004: The Shift Towards Services*, 9. Data for 2000 (value at current prices): UNCTAD Secretariat, *World Investment Report 2001: Promoting Linkages*, 10. See http://www.unctad.org/Templates/Page.asp?intItemID=1485&lang=1, visited on 1 September 2004.

[29] Supachai Panitchpakdi, 'The Doha Development Agenda: What's at Stake for Business in the Developing World?', *International Trade Forum*, August 2003. See www.tradeforum.org/news/fullstory.php/aid/557/The_Doha_Development_Agenda:_What%92s_at_Stake_for_Business_in_the_Developing_World_.html, visited on 15 May 2004.

[30] UNCTAD Secretariat, *World Investment Report 2001: Promoting Linkages*, 10.

[31] UNCTAD Secretariat, *World Investment Report 2003: FDI Policies for Development: National and International Perspectives*, 3.

[32] See UNCTAD Secretariat, *World Investment Report 2004: The Shift Towards Services*, 33. Note also that FDI inflows to developing countries rose by 9 per cent from US$158 billion in 2002 to US$172 billion in 2003 (*ibid.*).

The 2003 World Investment Report underlined the growing importance of overseas investment in developing countries. FDI stocks in developing countries represented about one-third of their GDP in 2002, compared with just 13 per cent in 1980. The UNCTAD data also show, however, that foreign investment remains very unequally distributed, with the top ten hosts accounting for two-thirds of total FDI inflows. The forty-nine poorest countries accounted for just 2 per cent of FDI inflow in 2002, a share that has changed little since.[33]

The *Financial Times* reported this telling example of economic globalisation in February 2003:

> Dr Martens, boot-maker to generations of punks, skinheads and factory workers, will this month quietly end centuries of volume shoe manufacturing in Britain by moving its production to a dusty plain in southern China.
>
> ... The Pearl river delta – an area the size of Belgium that winds inland from Hong Kong through a series of tightly packed islands – produces $10 billion worth of exports and attracts $1 billion of foreign investment a month. Already, 30m people work in manufacturing here; every day thousands more pour off trains from farms further north.
>
> ... The catalyst for the delta's explosive export growth is globalisation. China joined the World Trade Organization last year. Increasing competition, falling transport costs and flagging consumer demand are forcing multi-national manufacturing companies to flock to the region with the lowest production costs.
>
> In Dr Martens' case, fierce price competition from rival US brands already produced in China forced the company's hand. 'It was absolutely obvious from the moment I arrived that we had to move to China like everyone else,' says David Suddens, managing director. Dr Martens will outsource production to factories owned by Pou Chen and Golden Chang, Taiwanese companies that moved to the mainland to take advantage of lower labour costs.
>
> Pou Chen's plants, one in Zhuhai and one in Dongguan, employ 110,000 people and churn out 100m pairs of shoes a year for Nike, Adidas, Caterpillar, Timberland, Hush Puppy, Reebok, Puma and others.
>
> ... Dr Martens pays its 1,100 UK workers about $490 a week and has built a stadium for the local football club. Pou Chen pays about Rmn800 ($100) a month, or 36 cents an hour, for up to 69 hours a week and provides dormitories for migrant workers who must obey strict curfews. The light, well ventilated working conditions are far better than many visitors expect. Stung by complaints of exploitation, Nike and other buyers have full-time local offices monitoring most aspects of employee life.
>
> ... Nevertheless, older shoe factories are beginning to find it hard to attract and retain workers tempted by better-paid jobs in other plants. Pou Chen is opening a factory further inland where labour is more plentiful. ... Although labour rates are creeping up, the economies of scale keep supply costs down and attract even more companies to relocate.[34]

In August 2003, the *Financial Times* reported on the globalisation of the trade in services with the following story:

> Clutching her side in pain, the woman with suspected appendicitis who was rushed to a hospital on the outskirts of Philadelphia last week had little time to ponder how dependent her life had become on the relentless forces of globalisation. Within minutes of her arrival at the Crozer-Chester Medical Center, the recommendation on whether

[33] UNCTAD Secretariat, *World Investment Report 2003: FDI Policies for Development: National and International Perspectives*, 5–7.
[34] D. Roberts and J. Kynge, 'A New Workshop of the World', *Financial Times*, 4 February 2003.