Chapter 8 offers some concluding reflections.

We present this report with an awareness of the complexity of the issues and the trade-offs involved. We also recognize that the serious discussion of alternatives and practical proposals is a relatively new undertaking in civil society. Thoughtful and intelligent people may disagree on many points—just as many of us who shared in the authorship of this volume disagree in some ways. Our purpose is to stimulate further dialogue and debate toward a more refined vision and statement. We plan to distribute this volume among many thousands of citizen and policy groups engaged with these issues on all continents to invite their input. We envision a three-year process that will include meetings in every region among interested groups to advance dialogue and consensus building toward a revised and expanded report that we hope will take the discussion to a new level of sophistication and concreteness.

We invite your participation as well.

CHAPTER ONE

A Critique of Corporate Globalization

THE ALTERNATIVES OFFERED in this report grow from the widespread damage inflicted by corporate globalization over the past five centuries as it passed from colonialism to imperialism to postcolonial export-led development models. Since World War II, the driving forces behind economic globalization have been several hundred global corporations and banks that have increasingly woven webs of production, consumption, finance, and culture across borders. Indeed, most of what we eat, drink, wear, drive, and entertain ourselves with today are the products of global corporations.

These corporations have been aided by global bureaucracies that have emerged over the last half-century, with the overall result being a concentration of economic and political power that is increasingly unaccountable to governments, people, or the planet and that undermines democracy, equity, and environmental sustainability.

Advocates like to describe economic globalization as a long-term, inevitable process, the result of economic and technological forces that have simply evolved over centuries to their present form. They describe these forces almost as if they were uncontrollable, like forces of nature; they say that it's utopianism to believe things could be otherwise. To accept this inevitability, as most governments, academics, and mainstream media tend to do, would mean that no resistance is possible. But on the evidence of the hundreds of thousands of people who have demonstrated in Seattle, Quebec City, and

various European capitals, in India, Japan, and Brazil, in Mexico, the Philippines, New Zealand, Argentina, the United Kingdom, and elsewhere, it should already be obvious that such passivity is no longer the norm.

It is true that global trade activity and concepts like free trade have existed for centuries in various forms. Although earlier versions were very different from the modern one in scale, speed, and form, the social and environmental outcomes have always been similar.

Modern globalization is not an expression of evolution. It was designed and created by human beings with a specific goal: to give primacy to economic—that is, corporate—values above all other values and to aggressively install and codify those values globally. In fact, the modern globalization era has a birthplace and a birth date: Bretton Woods, New Hampshire, July 1944. That was when the world's leading corporate figures, economists, politicians, and bankers met to figure out how to mitigate the devastation of World War II and prevent another Great Depression. They decided that a new centralized global economic system was needed to promote global economic development. This, they said, would prevent future wars, reduce poverty, and help the world rebuild.

The conferees at Bretton Woods saw themselves as altruists, though many had a large financial stake in the outcome. They decided that the ideal instrument to keep the pieces together would be the global corporation, supported by new bureaucracies and new rules of free trade. Out of the Bretton Woods meetings came the World Bank (originally called the International Bank for Reconstruction and Development) and the International Monetary Fund. Later came the General Agreement on Tariffs and Trade (GATT), which eventually gave birth to the World Trade Organization. (For more on these institutions, see "Bureaucratic Expressions of Economic Globalization" later in this chapter.) Other expressions of the model include the North American Free Trade Agreement (NAFTA), the European Union's Maastricht Agreement, the proposed Free Trade Area of the Americas (FTAA), and others.

Together these instruments are bringing about the most fundamental redesign of the planet's social, economic, and political arrangements since the Industrial Revolution. They are engineering a power shift of stunning proportions, moving real economic and political power away from national, state, and local governments and communities toward unprecedented centralization of power for global corporations, bankers, and the global bureaucracies they helped create, at the expense of national sovereignty, community control, democracy, diversity, and the natural world.

The good news is that all of this can be reversed or revised, if with difficulty. And the central purpose of this document is to help us move that process forward.

I. Key Ingredients of the Globalization Model

Economic globalization—sometimes also referred to as *corporate globalization* or *neoliberalism*—has several key features:

- Promotion of hypergrowth and unrestricted exploitation of environmental resources to fuel that growth
- Privatization and commodification of public services and of remaining aspects of the global and community commons
- Global cultural and economic homogenization and the intense promotion of consumerism
- Integration and conversion of national economies, including some that were largely self-reliant, to environmentally and socially harmful export-oriented production
- Corporate deregulation and unrestricted movement of capital across borders
- Dramatically increased corporate concentration
- Dismantling of public health, social, and environmental programs already in place
- Replacement of traditional powers of democratic nation-states and local communities by global corporate bureaucracies

We begin with a review of some of these features of the economic globalization model.

HYPERGROWTH

The first tenet of the globalization design is to give primary importance to the achievement of ever more rapid, never-ending corporate economic growth—hypergrowth—fueled by the constant search for access to new

resources, new and cheaper labor sources, and new markets. This is why there is such excitement about China joining the experiment, as it offers all three: labor, resources, and markets. To achieve hypergrowth, the emphasis is on the ideological heart of the model—free trade—accompanied by deregulation of corporate activity. The idea is to remove as many impediments as possible to expanded corporate activity. In practice, such impediments are usually environmental laws, public health laws, food safety laws, laws pertaining to workers' rights and opportunities, laws permitting nations to control investment on their own soil, and laws attempting to retain national control over local culture. Viewed as obstacles to corporate free trade, such laws are open to challenge by new trade and investment agreements. As a result, while corporations are deregulated and freed,

BOX B: PUBLIC INTEREST LAWS AS "IMPEDIMENTS" TO FREE TRADE

By Debi Barker and Jerry Mander, International Forum on Globalization

A major goal of the Bretton Woods institutions is to remove impediments, including public interest regulations, that might restrict corporate access to markets, labor, and resources.

WTO tribunals have an impressive record for challenging democratically created laws and standards, particularly environmental protections. The WTO's very first ruling was against the U.S. Clean Air Act, which set high standards against polluting gasoline. The act was found noncompliant with WTO trade rules and had to be softened.

Other controversial rulings have targeted other issues:

- The U.S. Marine Mammal Protection Act (particularly the provision that protects dolphins otherwise killed by industrial tuna fishing)
- The sea turtle protections under the Endangered Species Act
- Japan's ban on imports of fruit products carrying dangerous invasive species
- The European Union's ban on imports of U.S. beef injected with biotech growth hormones

Although only governments may submit WTO complaints, global corporations are almost always the driving force. In one of the most appalling examples, the U.S. government acted on behalf of Chiquita to challenge the European Union's preferential treatment of banana imports from former colonies.

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nation-states and local governments are harshly regulated and constrained, making it far more difficult for them to protect local jobs, identity, and tradition as well as national sovereignty and the natural world. (See Box B.)

Advocates of globalization like to argue that the beneficiaries of all this growth will be the poor because the increased wealth will "trickle down" to them. But as we will discuss later, all evidence shows that the opposite is true. The benefits of hypergrowth mainly trickle *up*.

PRIVATIZATION AND COMMODIFICATION

A second tenet of the design is to push toward privatization and commodification of as many noncommodified nooks and crannies of existence as

BOX B: CONTINUED

There is also a secondary chilling effect from this process. For example, the government of Guatemala cancelled a public health law that had forbidden infant formula companies, notably Gerber, from advertising their products as being healthier than breast milk. And Canada cancelled its ban on the import of MMT, a fuel additive that can damage nervous systems. In both cases the reasons were threats of suit under trade regimes. In the Gerber case the U.S. threatened a suit in the WTO. In the Canadian case, Ethyl Corporation threatened to sue Canada under NAFTA's investor-state provision—likely to be expanded in the FTAA agreement—which allows corporations, for the first time, to sue sovereign governments, not in domestic courts but in international tribunals. The Ethyl threat alleged an illegal "expropriation" by Canada because Canada's environmental safety law diminished the firm's future profits. A similar case has been brought against the U.S. government over a California ban on another dangerous fuel additive.

The net effect is that the whole process produces a mutual ratcheting downward of environmental, labor, or health standards in all countries. It's a kind of "cross-deregulation," a way that corporations can get their own governments to destroy laws in other countries, just as they pressure for deregulation domestically.

Advocates love to call it *free* trade, but what they really mean is freedom for global corporations but suppression of the freedoms for communities or nations to regulate or otherwise maintain primary values, like the environment, health, culture, jobs, national sovereignty—and democracy.

SOURCE: Debi Barker and Jerry Mander, *Invisible Government.* San Francisco: International Forum on Globalization, 1999.

possible. This too is necessary to expand the terrain for economic activity and profit. The conversion process now includes formerly pristine elements of the global commons—elements that have until now always been far outside the trading system and that most of us have always assumed would remain the inalienable right of all human beings to retain in a noncommodified form. For example, the genetic structures of our bodies, and of all life, are now becoming "enclosed" as part of the commodity trading system through biotechnology, with the process greatly assisted by WTO rules on intellectual property rights. Similarly, indigenous seeds, developed and freely shared by agricultural communities for thousands of years, are now subject to long-term monopoly ownership by global corporations through patenting. Recent protests against the WTO's TRIPs (Trade-Related Intellectual Property Rights agreement) by farmers in India and by AIDS victims in Africa and elsewhere who are trying to get relief from high-priced patented medicines, have begun to focus a new light on some appalling aspects of this issue.

There is also a similar pressure to privatize freshwater—rivers, lakes, streams—probably the most basic element of sustenance, always considered a part of the commons. These too may soon be converted into part of the global trade system. All of these and others are being rapidly privatized and commodified as part of the globalization project to bring even more raw material—more territory (geographic and biological)—into play for corporate access, investment, development, and trade. (See chapter 3, "The Commons," for more on these issues.)

Alarmingly, the privatization process is now also taking place in the realm of public services. Corporations argue that government is invariably bureaucratic, inefficient, and self-serving in contrast to the so-called efficiency, dynamism, and consumer responsiveness of the private sector. Thus, public services should be left to them. They make this argument even though they operate on an entirely different hierarchy of values than do governments. Privatization of public services is now an important part of both the new FTAA agreement and the General Agreement on Trade in Services (GATS) within the WTO. Those negotiations involve changes in many services that were until recently reserved for governments, like public broadcasting, public education, public health, water delivery and treatment, sewage and sanitation services, hospitals, welfare systems, police, fire, social

security, railroads, and prisons. These may all soon be commodified, privatized, opened to foreign investment and domination, and eventually available only to those people who will be able to pay commercial rates for them. We could wind up with Mitsubishi running social security, Bechtel controlling the world's water, Deutschebank running the jails (and maybe the parks), Disney running the British Broadcasting Corporation, Merck running the Canadian health care system. It sounds far-fetched, but the threat is real.

There is also the commodification of money itself. Right now, the overwhelming majority of global transactions under the free trade system are not in goods and services but are financial. Money itself is a commodity for speculation. Modern information technology has made it possible to shift unimaginably large sums of money instantaneously across borders, anywhere in the world, without any controls on the transactions, by the stroke of a computer key. This has already had terrible destabilizing effects on many countries and was one of the precipitating causes of the 1997–98 financial crisis that began in Asia.

ECONOMIC AND CULTURAL HOMOGENIZATION

The third tenet of economic globalization is to integrate and merge the economic activity of all countries into a homogeneous model of development—a single, centralized supersystem. Countries with cultures, economies, and traditions as varied as those of India, Sweden, Thailand, Kenya, Bhutan, Bolivia, Canada, Russia, and close to two hundred others are all meant to adopt similar tastes, values, and lifestyles. They are to be served by the same few global corporations, the same fast-food restaurants, hotel chains, and clothing chains; wear the same jeans and shoes; drive similar cars; receive the same films, music, and television shows; live in the same kind of urban landscape; and engage in the same kind of agricultural and industrial development schemes, while carrying the same personal, cultural, and spiritual values—a *global monoculture*. This trend is already visible to any traveler. Every place is becoming more and more like every other place. Cultural diversity is going the way of biodiversity.

Such a homogeneous model serves the efficiency needs of the largest corporations, which can act on a global plane, duplicating their production

and marketing efforts on an expanded terrain and achieving the many efficiencies of scale that go with borderlessness. It's like the standard gauge railway of another era or, in today's terms, like computer compatibility. Among the primary purposes of the global trade agreements and bureaucracies is to make rules that ensure there are no blockages in the flow, that global corporations can move freely in all countries, and that economic homogenization and integration are accelerated.

EXPORT-ORIENTED TRADE AND INVESTMENT

Corporate globalization favors orienting all national economies to export, lifting barriers to foreign investment, and removing all restraints on the free flow of speculative money across national borders. These preferences encourage production for sale to other countries over domestic sale, foreign ownership over domestic ownership, and financial speculation. These activities favor global corporations and financiers but leave people everywhere dependent for their livelihoods on the actions of absentee owners over whom they have no influence.

The underlying theoretical rationale for export-oriented production centers on the theory of *comparative advantage*. According to this theory, every country should produce only those products over which it has a relative advantage; thus, some countries now specialize in single crops like coffee, sugarcane, forest products, or high-tech assembly. Theoretically, they can meet their other needs by using the earnings from these specialized exports to buy goods and services over which others have an advantage.

Comparative advantage is a crucial component of globalization theory. It facilitates the replacement of diverse local or regional economic systems, including systems that may currently emphasize successful diversified, small-scale, industrial, artisanal, and agriculture systems that feature many small producers using mostly local or regional resources and local labor for local or regional consumption. The goal is to substitute large-scale monocultural export systems.

Going back to the mid-twentieth century, many countries of the world actively tried to do the *opposite* of specialization: they diversified their industrial and agriculture systems precisely in order to recover from a colonial

period during which huge monocultural systems, such as pineapple plantations, coffee plantations, banana plantations, or, more recently, industrial assembly work were imposed on them. Once independent, the governments of many of these countries concluded that this kind of imposed specialization left them extremely vulnerable to political decisions abroad and to the shocks and whims of the market and commodity-pricing systems. As a result, they were sometimes unable to purchase necessities like health products and food, energy, and basic industrial needs. Naturally, they sought self-sufficiency in these items. Their preferred system was sometimes called *import substitution*, or simply *national self-reliance*. It was intended to help countries regain some degree of control over their domestic economies.

After Bretton Woods, and especially during the 1980s, the World Bank and the IMF put tremendous pressure on these countries to abandon self-reliance, a term that came to be synonymous with isolationism and protectionism. The World Bank and the IMF pressured these countries to open their borders to private investments by global corporations in a position to produce on the large scale appropriate for the export model. It became impossible for these countries to gain any financial aid from the bank or the IMF unless they submitted to structural adjustment programs (SAPs)—in other words, unless they redesigned their domestic systems to emphasize exports. The pressure worked. But after converting so much production to export, these same countries found that they were still subject to restrictions on imports by the wealthy countries. Many poor countries are now sorry they accepted the system and are joining the resistance to it.

Why did the World Bank and the IMF push so hard to achieve these goals? Here's the crux of the matter: *systems that emphasize local or regional self-reliance are extremely subversive to free trade, economic globalization, and hyper corporate growth.* These all depend on maximizing the number and scale of economic transactions. Local and regional production for regional consumption is the archenemy of globalization because it operates on an inherently smaller scale, and there are fewer steps in the process.

There is far less opportunity for global corporations if local populations or countries can satisfy their needs internally or regionally than if economic activity is designed to move back and forth across oceans, exporting, importing, or reworking it and then exporting it again, with thousands of

ships passing each other in the night. That's what builds global economic growth and provides opportunities for global corporate operations. But alas, it's also what destroys the environment fastest and makes countries dependent on external forces they cannot control.

Ironically, free trade theorists often invoke the names and theories of Adam Smith and David Ricardo in defense of these destructive export-oriented policies. Yet Smith had an explicit preference for small, locally owned enterprises. And Ricardo's theory of comparative advantage assumes that capital is immobile, confined inside national borders—a far cry from the current rules and theories.

Converting diverse local economies into export trade systems benefits global corporations but makes individuals, communities, and nations dependent and vulnerable. Society, communities, and the environment would all be better off if international institutions and agreements emphasized aiding local and national self-sufficiency rather than export production.

The agriculture sector is a prime example of the social and environmental problems of the export-oriented development model. Even in today's computer age, nearly half of the world's population still lives directly on the land, growing food for their families and communities, primarily staples and other mixed crops. These farmers replant with indigenous seed varieties and use crop rotation and community sharing of resources like water, seeds, and labor. Such systems have kept them going for millennia. But local systems are anathema to global corporations. So companies like Monsanto, Cargill, and Archer Daniels Midland are leading a chorus of corporate, government, and bureaucratic statements—often expressed in millions of dollars worth of advertising—that small farmers are not "productive" or "efficient" enough to feed a hungry world.

Nearly all the investment rules of the WTO and the big banks—and many more now being proposed—strongly favor global corporations and monocultures over local diverse farming for self-sufficiency. So where tens of thousand of small farmers once grew food to eat, giant corporations and global development schemes are converting the land to single-crop luxury monocultures run by absentee landlords.

Furthermore, these companies do not grow food for the local people to eat. Instead, they favor high-priced, high-margin luxury items—flowers, potted plants, beef, shrimp, cotton, coffee—for export to the already overfed countries. As for the people who used to live on these lands and grow their own foods, they are rapidly being removed. And because the corporate systems feature machine-intensive production, there are few jobs. Thus, the people who used to feed themselves become landless, cashless, homeless, dependent, and hungry. Communities that were once self-sustaining disappear; still-intact cultures are decimated. This is so even in the United States, where few family farmers are still in business.

Other environmental problems intrinsic to the shift to export include loss of biodiversity from emphasizing single crops for export and heavy use of pesticides. Where indigenous Filipinos, for example, once grew thousands of varieties of rice, a few varieties now account for the bulk of production, and the other varieties are disappearing. Mexico has lost more than 75 percent of its indigenous maize varieties. According to the Food and Agriculture Organization (FAO), the world has already lost up to 75 percent of its crop diversity because of the globalization of industrialized agriculture.

There are also external costs of industrial agriculture. Hailed as more efficient than small-scale farming, this is a kind of efficiency that ignores the costs of air, water, and soil pollution, toxic rivers, dead fish. Many public health problems from food-borne diseases are directly attributable to factory farming systems: infections from salmonella, *e. coli,* and *listeria* as well as Mad Cow disease, hoof and mouth disease, and others.

Finally, industrial agriculture brings the social costs of taking care of all the farmers who lose their livelihoods through this system; together, social and environmental costs rise into the billions of dollars. If you take all these external costs into account, does it make any sense to call this system "efficient"?

Indeed, farmers are rapidly becoming the leaders of international resistance to globalization in many parts of the world. We have seen mass protests by rice farmers in Japan, Thailand, and the Philippines. There have been huge protests against Cargill, Kentucky Fried Chicken, and Monsanto in India, with millions of people on the streets. And a few years ago, a French farmer named José Bové drove his tractor into a McDonald's restaurant in France. Bové was protesting "bad food," he said, as well as the entire industrial agricultural system, the corporate takeover of small farms for export monocultures, and the destruction of traditional farming in France.

BENEFICIARIES OF ECONOMIC GLOBALIZATION

One might give the benefit of the doubt to the architects of this global experiment. Perhaps they actually believed that the system would produce the kind of rapid growth that would truly benefit the poor and the environment. We have certainly heard them repeat the homily over and over: "A rising tide will lift all boats." We continue to hear it from the heads of the WTO, the World Bank, and most countries' leaders, including President George W. Bush. But is it true?

BOX C: INTRINSIC ENVIRONMENTAL CONSEQUENCES OF TRADE-RELATED TRANSPORT

By Jerry Mander, International Forum on Globalization, and Simon Retallack, The Ecologist

The central feature of an export-oriented production model is that it dramatically increases transport and shipping activity. In the half-century since Bretton Woods, there has been about a twenty-five-fold increase in global transport activity.

As global transport increases, it in turn requires massive increases in global infrastructure development. This is good for large corporations like Bechtel, which get to do the construction work: new airports, seaports, oil fields, pipelines for the oil, rail lines, high-speed highways. Many of these are built in areas with relatively intact wilderness, biodiversity, and coral reefs, or they are built in rural areas. The impact is especially strong now in South and Central America, where there have been tremendous investments in infrastructure development in wilderness regions, often against great resistance from native communities like the U'wa in Colombia, the Kuna in Panama, and many different groups in Ecuador. The problems also occur in the developed world. In the United Kingdom a few years ago, there were protests by two hundred thousand people against huge new highways jammed through rural landscapes so that trucks could better serve the global trading system. Both the indigenous protestors and the rural English were protesting the same thing—the ecological destruction of their region to serve globalization.

Increased global trade increases fossil fuel use as well, contributing to global warming. Ocean shipping carries nearly 80 percent of the world's international trade in goods. The fuel commonly used by ships is a mixture of diesel and low-quality oil known as "Bunker C," which is particularly polluting because of high levels of carbon and sulfur. If not consumed by ships, it

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The problems begin with the assumption that hypergrowth can continue forever. How can exponential growth possibly be sustained, given the limits of a finite planet? Where will the resources—the minerals, the wood, the water, the land—come from to feed hyperexpansion without killing the planet and ourselves? The world's limits are already in view. How many cars and refrigerators can be built and bought? How many roads can cover the land? How many fish can be vacuumed from the sea before species disappear and ecosystems fail? How much pollution can the world survive? What about global warming, toxic dumping, ozone depletion?

BOX C: CONTINUED

would otherwise be considered a waste product. The shipping industry is anticipating major growth over the next few years; the port of Los Angeles alone projects a 50 percent increase over the next decade.

Increased air transport is even more damaging than shipping. Each ton of freight moved by plane uses forty-nine times as much energy per kilometer as when it's moved by ship. A physicist at Boeing once described the pollution from the takeoff of a single 747 like "setting the local gas station on fire and flying it over your neighborhood." A two-minute takeoff by a 747 is equal to 2.4 million lawnmowers running for twenty minutes.

Ocean pollution from shipping has reached crisis levels, and there have been direct effects of these huge ships on wildlife and fisheries. Even more serious, possibly, is the epidemic increase of bioinvasions, a significant cause of species extinction. With the growth of global transport, billions of creatures are on the move. Invasive species, brought by global trade, often outcompete native species and bring pollution or health crises. In the United States, the emergence of the West Nile virus where it never existed before is due to increased transport activity. So is the spread of malaria and dengue fever.

Ocean shipping also requires increased refrigeration—contributing to ozone depletion and climate change—and an increase in packaging and the wood pallets used for cargo loading; these are little-noted but significant factors in increased pressure on global forests.

Global conversion of agriculture from diverse, small-scale local farms to giant, chemical-intensive industrial production for *export* markets has also brought terrible environmental destruction to lands and waters across the planet. (See also chapter 6.)

The central point is this: if you are going to design a system built on the premise that dramatically increased global trade and transport is good, you are guaranteed to bring on these kinds of environmental problems. They are *intrinsic* to the model.

There's another important question: Who actually benefits from this system? It's not the farmers who are driven from their own lands and made into homeless, jobless refugees in both the South and the North. It's not the urban dwellers who must deal with masses of displaced people jamming into cities looking for jobs. It's not the workers caught in downward wage spirals in both the North and the South. It's not indigenous peoples facing hordes of corporate invaders seeking the last resources. And it's surely not nature.

The actual beneficiaries are obvious. They are the exact opposites of those whom the advocates claim. In the United States, for example, during the period of most rapid globalization—the 1990s—the top corporate executives of the largest global companies made salaries and gained options in the many millions of dollars (often in the hundreds of millions), while real wages of ordinary workers barely rose. Sarah Anderson and John Cavanagh of the Institute for Policy Studies report that American CEOs were paid on average 458 times more than production workers in 2000, up from 104 times in 1991. The Economic Policy Institute's 1999 report by Lawrence Mishel and others says that median hourly wages are actually down by 10 percent in real terms over the previous twenty-five years. And in the industry that led our recent boom—the computer industry— where some people famously made fortunes, 80 percent of assembly and production workers are temporary workers, earning $8 an hour with no benefits and no unions.

As for lifting the global poor, the U.N. Development Program's 1999 *Human Development Report* revealed that the gap between the wealthy and the poor within and among countries of the world is growing steadily larger. It blamed inherent inequities in the global trade system for this situation. Even the U.S. Central Intelligence Agency concurred. In its *Global Trends, 2015* report, the CIA maintained that globalization will create "an even wider gap between regional winners and losers than exists today. [Globalization's] evolution will be rocky, marked by chronic volatility and a widening economic divide . . . deepening economic stagnation, political instability, and cultural alienation. [It] will foster political, ethnic, ideological, and religious extremism, along with the violence that often accompanies it." Such is already the degree of wealth concentration that the world's 475 billionaires are now worth the combined income of the bottom half of humanity.

The economic clout of global firms is equally staggering. As Sarah Anderson and John Cavanagh of the Institute for Policy Studies report, the combined sales of the top two hundred firms grew faster than overall global economic activity between 1983 and 1999, reaching the equivalent of close to 30 percent of world GDP. Yet these firms employ only three-quarters of 1 percent of the global workforce. As they continue to grow larger and more globalized, they continue to replace workers with machines or to buy up competitors and eliminate duplicate jobs. Such economies of scale are intrinsic to the free trade, globalization design, just as environmental pollution is intrinsic to export-oriented trade. Large-scale mergers and consolidations—bigness—produce fewer jobs, not more jobs. Indeed, the ideologies and rules of economic globalization have destroyed the livelihoods of millions of people while eliminating basic public services.

It is true that there are isolated instances where some improvement has been achieved in Third World countries. The Bretton Woods institutions often trumpet these examples. But it is also true that the benefits of this growth have usually been short-lived. Furthermore, nearly all of it goes to the elites in these countries and to the chief executives of the global corporations at the hub of the process.

Let's look at the so-called poster children of free trade, the Asian Tigers: Taiwan, South Korea, Singapore, and Malaysia. In these countries, improvement has come not by assiduously following the dictates of the Bretton Woods institutions but often by doing the opposite of what they prescribe. Asian countries that have had some brief successes in developing their own economies did not cut all their tariffs as demanded by globalizing institutions, permit foreign entry without controls, or eliminate existing support for domestic businesses, local economies, and local agriculture. Instead, those countries first developed the ability to take care of their basic needs internally, rather than totally converting to an export-based production system.

By at first resisting the economic model pushed by Bretton Woods, some countries managed to stay free of the volatility of export markets. But when they finally succumbed to pressure from the IMF and the World Bank, they found their glory days quickly ending.

Indeed, most poor countries have never enjoyed much benefit from globalization. After three decades of strong doses of IMF and World Bank medicine and less than a decade of WTO policies, many have seen that

globalization is a false promise. The policies are not designed to benefit them but to benefit rich industrial countries and their global corporations. For this reason, many of the poor nations of the world—notably from the Caribbean and Asia—held firmly together in opposition to the WTO in Seattle in 1999 and only reluctantly agreed to further trade talks in Doha, Qatar, in 2001.

So much for the rising tide that lifts all boats. Clearly it lifts only yachts. (See also Box D.)

Hundreds of thousands of people are now convinced that it doesn't need to be this way; there is nothing inevitable about it. Globalization is driven by a set of rules and self-interested institutions that can be changed—if we have a democracy.

At it's root, economic globalization is really an experiment, an economic model promoted by people who most benefit from it. As for the charge that we are utopian, obviously the globalizers have got things backwards. To keep arguing as they do—that a system that homogenizes global economic activity and culture to benefit corporations, removes power from communities and puts it into global bureaucracies, marginalizes and makes homeless millions of farmers and workers, and devastates nature can survive for very long—*that* is utopianism. It's not going to work. It's far better that we seek other solutions.

THE ROLE OF THE MEDIA

Signs of the instability and unfairness of the globalization experiment are in view everywhere. Sadly, however, they are poorly reported. When the mainstream media does report a few crises created by globalization, it fails to help the public grasp that these crises are all rooted in the same problem—corporate globalization itself. Here are some examples.

- We read about environmental problems such as changes in the global climate, the melting polar ice cap, or habitat destruction. We read about ozone depletion, ocean pollution, or wars over oil, and soon we will probably read about wars over water supply. But rarely are these grave matters linked to the imperatives of global economic expansion now accelerated by free trade, the overuse of resources, and the consumer

BOX D: GLOBAL ECONOMIC APARTHEID

By Robin Broad, American University, and John Cavanagh, Institute for Policy Studies

A careful analysis of social and economic data from the United Nations, the World Bank, the IMF, and other sources offers a shocking picture of trends in the global economy and the gap between rich and poor countries. There are two ways to measure what is happening economically between North and South. The first is to measure which is growing faster, and therefore whether the gap between them is growing or shrinking. The second is to measure financial resource flows between the two.

On the first issue the picture is clear: the North-South gap widened dramatically in the decade after 1982 as the Third World debt crisis drained financial resources from poor countries to rich banks. Between 1985 and 1992, Southern nations paid some $280 billion more in debt service to Northern creditors than they received in new private loans and government aid. Gross national product (GNP) per capita rose an average of only 1 percent in the South in the 1980s (in sub-Saharan Africa it fell 1.2 percent), while it rose 2.3 percent in the North.

Situating the lost decade of the 1980s within a longer time period reveals similar trends for some regions. According to the United Nations Development Program, per capita incomes in Africa were one-ninth of those in Northern countries in 1960; they had fallen to one-eighteenth by 1998. Per capita incomes in most of the rest of the developing world (Latin America and the Caribbean, and South Asia) remained at about one-tenth of Northern levels at the beginning and end of these four decades. Only in East Asia have developing countries closed the gap with the North.

Likewise, a look at various resource flows between North and South is instructive. Despite the perception of an easing of the debt crisis, the overall Third World debt stock swelled by around $100 billion each year during the 1990s (reaching $2.4 trillion in 2001). Southern debt service (which reached $331 billion in 2000) still exceeds new lending, and the net outflow remains particularly crushing in Africa. Although it is true that a series of debt reschedulings and the accumulation of arrears by many debtors have reduced the net negative financial transfer from South to North over the last few years, the flows remain negative.

Part of the reason why some analysts now argue that the debt crisis is no longer a problem is that since the early 1990s these outflows of debt repayments have been matched by increased inflows of foreign capital. Here too, however, a deeper look at disaggregated figures underlines the disconcerting reality. According to World Bank figures, roughly half of the new foreign direct investment by global cor-

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BOX D: CONTINUED

porations into the South in 1992 quickly left those countries as profits. In addition, foreign investment flows primarily to only ten to twelve Third World nations that are viewed as new profit centers by Northern corporations and investors. According to World Bank figures, more than 70 percent of investment flows in 1998 went to just ten of the so-called emerging markets: China, followed by Brazil, Mexico, Singapore, Thailand, Poland, Argentina, South Korea, Malaysia, and Chile.

The inescapable conclusion is that the North-South economic gap is now narrowing for about a dozen countries but continues to widen for well over one hundred others. Hence, without a major shift in policy, the world of the twenty-first century will be one of economic apartheid. There will be two dozen richer nations, a dozen or so poorer nations that have begun to close the gap with the rich, and approximately 140 poor nations slipping further and further behind.

As U.S. firms have shifted from local to national and now to global markets over the past half-century, a new division of winners and losers has emerged in all countries. The book *Global Dreams*, by Richard Barnet, cofounder of the Institute for Policy Studies, and John Cavanagh, chronicles how powerful U.S. firms and their counterparts from England, France, Germany, and Japan are integrating only about one-third of humanity (most of those in the rich countries plus the elite of poor countries) into complex chains of production, shopping, culture, and finance.

Although there are enclaves in every country that are linked to these global economic webs, others are left out. Wal-Mart is spreading its superstores throughout the Western Hemisphere; millions in Latin America, though, are too poor to enjoy anything but glimpses of luxury. Citibank customers can access automated teller machines around the world; the vast majority of people nevertheless borrow from the loan shark down the road. Ford Motor Company pieces together its new "global car" in Kansas City from parts made all over the globe; executives in Detroit worry about who will be able to afford it.

Thus, although on one level the North-South gap is becoming more pronounced for most Third World countries, on another these global chains blur distinctions between geographical North and South. These processes create another North-South divide: the roughly one-third of humanity who make up a "global North" of beneficiaries in every country, and the two-thirds of humanity from the slums of New York to the favelas of Rio who are not hooked into the new global menu of producing, consuming, and borrowing opportunities in the "global South."

SOURCE: Adapted and updated from Robin Broad and John Cavanagh, "Development: The Market Is Not Enough." *Foreign Policy* 101, Winter 1995–96.

lifestyle that's being promoted worldwide by television and its parent—advertising.

- The financial crises in Asia in 1997 to 1998 and in Argentina in 2001 to 2002 were often reported as being caused by incompetence, inefficiency, corruption, and cronyism in the countries involved. The gigantic bailout by the International Monetary Fund in Asia was made to seem like a beneficent act of charity toward our underprivileged, dysfunctional Asian friends, who had not yet achieved our own higher ethical standards. Rarely was it acknowledged that the money did not go to the citizens of those countries but rather was used to bail out the international bankers who caused the problem in the first place through reckless lending that created artificial economic bubbles. Nor did the popular media describe the role of currency speculators in the Asian crisis. Under the new rules of global free trade and deregulation, there are no controls over the massive movement of funds across borders, into countries, and back out of them. Since the advent of global computer networks, currency speculators have been able to move unimaginably huge amounts of money instantaneously and invisibly from one part of the globe to another, thus destabilizing currencies and countries and forcing nations to seek the radical solution of an IMF bailout. (We call it a "casino economy" when countries cannot control the rapid entry and exit of billions of speculator dollars.) If countries do make rules to slow down the process—as have done Malaysia, Chile, and China—they are often ridiculed by the economic establishment and the media as well.
- The mainstream media does report on the anti-immigrant backlash, whether led by a Pat Buchanan in the United States, a Jean-Marie Le Pen in France, or a Joerg Haider in Austria. But it neglects to mention the role of the international trade agreements in making life at home impossible for those who migrate. Elsewhere we mention NAFTA's role in destroying the self-sufficient corn-farming economy of Mexico's Mayan people. In India, Africa, and Latin America, megadevelopment schemes have displaced millions of indigenous people and small farmers to make way for gigantic dams and other development projects. The result is that more people join the landless, jobless urban masses.
- Terrible new diseases such as Ebola, Mad Cow disease, *e. coli* infection, and, lately, the West Nile virus outbreak in the U.S. are thoroughly

reported. But the connection between the outbreaks and the new mobility that disease vectors are provided by global transport and development is rarely mentioned. The news stories also leave out the link to factory farming practices and the globalization of industrial agriculture.

- We read about the appalling performance of Enron Corp. as it led the process of energy deregulation, cheated its own workers while paying bonuses to its top executives, and gave intimate advice to the U.S. president and vice president about energy policy and government appointments. What the popular media has not fully explained are the ways in which Enron directly benefited from global bureaucracies like the World Bank, which gave structural adjustment loans to poor countries, often on the condition that those countries hire firms like Enron with that money to build domestic infrastructure and drive their economies. The World Bank gave with one hand and took back for its friends with the other. Nor did we read much about how Enron's behavior was not unique; it is typical of the behavior of global corporations, and it is built into their structure. Like other aspects of globalization, the problem is systemic.
- We also read stories about the assaults on the last indigenous tribes in the Amazon, Borneo, and the Philippines. Insufficiently reported are the root causes—the need on the part of the globalization process for more water or forests or oil or genetic resources in areas where indigenous people have lived for millennia and the equally desperate need to try to convert self-sufficient people into consumers. This too is part of the globalization process: the homogenization of conceptual frameworks, the monoculturalization of peoples and lands, the utter uniformity of the development model everywhere on earth.

All of these subjects are treated by the mainstream media as if they were unrelated. This is a disservice to an insecure public that is trying to figure out what is going on. People are not being helped to understand that dozens of major issues—overcrowded cities, unusual weather patterns, the growth of global inequality, the spread of new diseases, the lowering of wages as profits and CEO salaries soar, the elimination of social services, the destruction of the environment—are all part of the same global process. They are of one piece, a fabric of connections resulting from the world's new economic arrangement, all in the cause of an economic ideology that cannot serve social or ecological sustainability.

II. Bureaucratic Expressions of Economic Globalization

Creating a world that works for all must begin with an effort to undo the enormous damage inflicted by the free trade economic policies that so badly distort economic relationships among people and countries. The thrust of those policies is perhaps most dramatically revealed in the structural adjustment programs imposed on low- and intermediate-income countries by the International Monetary Fund and the World Bank. Structural adjustment requires governments to do the following:

- Cut government spending on education, health care, the environment, and price subsidies for basic necessities such as food grains and cooking oils.
- Devalue the national currency and increase exports by accelerating the plunder of natural resources, reducing real wages, and subsidizing export-oriented foreign investments.
- Liberalize (open) financial markets to attract speculative short-term portfolio investments that create enormous financial instability and foreign liabilities while serving little, if any, useful purpose.
- Increase interest rates to attract foreign capital that has fled its home country, thereby increasing bankruptcies of domestic businesses and imposing new hardships on indebted individuals.
- Eliminate tariffs and other controls on imports, thereby increasing the import of consumer goods purchased with borrowed foreign exchange, undermining local industry and agricultural producers unable to compete with cheap imports, increasing the strain on foreign exchange accounts, and deepening external indebtedness.

THE WORLD BANK

According to its charter, the World Bank was created "to assist in the reconstruction and development of territories of member nations by facilitating the investment of capital for productive purposes" and "to promote the

long-range balanced growth of international trade." The World Bank was originally intended to focus on financing the post–World War II reconstruction of Europe, using capital subscribed by member governments as guarantees against which it could borrow in international financial markets at favorable rates and then lend out for development projects. When Europe showed little interest in mortgaging the future of its economy to foreign bankers, the World Bank set about marketing its loans in the newly independent former colonies. At first, that too proved a hard sell. So the bank invested in training and education to indoctrinate scores of Third World bureaucrats and economists in an economic ideology that equates development with export-led economic growth fueled by foreign borrowing and investment—the basic fallacy that remains a cornerstone of its policy today.

Originally, the loans were used to finance infrastructure projects and imports beyond the means of the country's export earnings. Eventually, ever-larger new loans were needed just to service payments of interest and principle due on previous loans. The more the borrowing, the greater the need for still larger loans, and borrowing became something of an economic addiction. Aside from a handful of citizen watchdog groups, few paid attention to the burden these loans placed on domestic economies when the time came to repay.

During the 1970s, OPEC sharply increased oil prices and hence the cost of energy imports. Northern banks, awash with OPEC deposits, lavished loans on Third World countries—often with the encouragement of the World Bank. Soon the costs of debt service exceeded repayment capacity by such a wide margin that there was a threat of a global financial crisis. Beginning with Mexico in 1982, the IMF and the World Bank swung into action with structural adjustment as their primary response. Together they reoriented national economies to focus on debt repayment and to further open their resources, labor, and markets to foreign corporations. "Adjusted" countries came under great pressure to increase the export of their natural resources and the products of their labor, become more import dependent, and increase foreign ownership of their economies. Once the countries accepted these conditions, the IMF and the World Bank rewarded them with still more loans, thus deepening their indebtedness—rather like a fireman pouring gasoline on a burning house to stop the blaze.

The results have been disastrous not only in human and environmental

terms but also in economic terms. In 1980, the total external debt of all developing countries was $609 billion; in 2001, after twenty years of structural adjustment, it totaled $2.4 trillion. In 2001, sub-Saharan Africa paid $3.6 billion more in debt service than it received in new long-term loans and credits. Africa spends about four times more on debt-service payments than it does on health care.

In recent years, the World Bank has provided hundreds of billions of dollars in low-interest loans to subsidize the efforts of global corporations to establish control over the natural resources and markets of assisted countries. Corporations in the energy and agriculture sectors have been among the main beneficiaries. Often World Bank–financed roads, power plants, and electrical grids were built primarily to serve the global corporations establishing operations in the service area of the loan-financed facilities, rather than to serve the local populations. Indeed, as documented by the Institute for Policy Studies, the World Bank has become the major contributor to global greenhouse gas emissions through fossil fuel projects that primarily benefit global corporations. Regional development banks such as the Asian Development Bank (ADB) and the Inter-American Development Bank have generally copied the World Bank's model.

THE INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) was originally created to work with member nations to implement measures to ensure the stability of the international financial system and correct balance-of-payments maladjustments. By the early 1980s, however, it took a different course. Rather than helping governments avoid currency crises, it has persistently pressured them to abandon the regulation of cross-border trade and financial flows, resulting in massive trade imbalances and reckless financial speculation.

IMF-sanctioned policies helped attract huge inflows of foreign money to what were called the "emerging market economies" of Asia and Latin America in the form of loans and speculative investment. As Walden Bello and Martin Khor have documented, the rapid buildup of foreign financial claims set the stage for the subsequent financial meltdown in Mexico in 1994 and in Asia, Russia, and Brazil from 1997 to 1998. This is why: When it became clear that the huge financial bubbles the inflows had created could

not be sustained and that claims against foreign exchange could not be covered, speculators were spooked and suddenly pulled out billions of dollars. Currencies and stock markets went into a free fall. Millions of people fell back into poverty. Then the IMF stepped in with new loans to bail out the foreign banks and financiers involved—leaving it to the taxpayers of the devastated economies to pick up the bill once the loan payments came due. In many instances, at IMF insistence, uncollectible private debts were converted into public debt.

Over the last two decades, structural adjustment programs were imposed by the World Bank and the IMF on close to ninety developing countries, from Guyana to Ghana. The objective of SAPs went beyond debt repayment or attainment of short-term macroeconomic stability, seeking nothing less than the dismantling of protectionism and other policies of government-assisted capitalism that their theorists judged to be the main obstacles to sustained growth and development.

Two decades after the first structural adjustment loan, the bank states that it has formally abandoned the entire program, replacing it with what it calls the "Comprehensive Development Framework." The new paradigm, according to a statement of the Group of Seven Finance Ministers and Central Bank Governors, has the following elements:

- Increased and more effective fiscal expenditures for poverty reduction, with better targeting of budgetary resources, especially on social priorities in basic education and health
- Enhanced transparency, including monitoring and quality control over fiscal expenditures
- Stronger country ownership of the reform and poverty reduction process and programs, involving public participation
- Stronger performance indicators that can be monitored for follow-through on poverty reduction
- Assurance of macroeconomic stability and sustainability, and reduction of barriers to access by the poor to the benefits of growth

What brought about this shift in plans? Clearly, it was spectacular failure that could no longer be denied at the pain of totally losing all credibility. With dozens of countries under "adjustment" for over a decade, even the World Bank had to acknowledge that it was hard to find a handful of suc-

cess stories. In most cases, as Rudiger Dornbusch of the Massachusetts Institute of Technology put it, structural adjustment caused economies to fall into a hole wherein low investment, reduced social spending, reduced consumption, and low output interacted to create a vicious cycle of decline and stagnation rather than a virtuous circle of growth, rising employment, and rising investment, as originally envisaged by the World Bank–IMF theory.

With much resistance from the bank's entrenched bureaucracy, President James Wolfensohn moved slowly to distance the bank from hard-line adjustment policies and even convinced some of his staff (grudgingly) to work with civil society groups to assess SAPs in the so-called Structural Adjustment Program Review Initiative (SAPRI). For the most part, however, the change of attitude did not translate into changes at the operational level because of the strong internalization of the structural adjustment approach among bank operatives.

Although self-doubt began to engulf the World Bank, the IMF plowed confidently on. Lack of evidence of success was interpreted to mean simply that a government lacked political will to push adjustment. Through the establishment of the Enhanced Structural Adjustment Facility (ESAF), the IMF sought to fund countries over a longer period in order to institutionalize more fully the desired free-market reforms.

It was the Asian financial crisis that finally provoked the IMF to make some cosmetic changes. In 1997–98, it moved with grand assurance into Thailand, Indonesia, and Korea with its classic formula of short-term fiscal and monetary policy cum structural reform in the direction of liberalization, deregulation, and privatization. This was the price it exacted from governments for financial rescue packages that would allow them to repay the massive debt incurred by their private sectors. Instead, a short-term crisis turned into a deep recession as governmental capacity to counteract the drop in private-sector activity was destroyed by budgetary and monetary repression. If some recovery is now discernible in a few economies, it is widely recognized as coming in spite of rather than because of the IMF.

For a world that had long been resentful of the IMF's arrogance, this was the last straw. In 1998–99, criticism of the organization rose to a crescendo. Criticism went beyond the IMF's stubborn adherence to structural adjustment and its serving as a bailout mechanism for international finance capital to its being nontransparent and unaccountable. Its vulnerable position

was exposed during the recent debate in the U.S. Congress over a G-7 initiative to provide debt relief to forty poor countries. Legislators depicted the IMF as the agency that had caused the debt crisis of the poor countries in the first place, and some called for its abolition within three years. Said representative Maxine Waters: "Do we have to have the IMF involved at all? Because, as we have painfully discovered, the way the IMF works causes children to starve."

In the face of such criticism from legislators in the IMF's most powerful member, Clinton administration treasury secretary Larry Summers claimed that the IMF-centered process would be replaced by "a new, more open and inclusive process that would involve multiple international organizations and give national policymakers and civil society groups a more central role."

What does this mean? Is structural adjustment dead, and have the Bretton Woods institutions seen the light? The fact is, in the case of the IMF, as well as that of the World Bank and the Asian Development Bank, jettisoning the paradigm of structural adjustment has left them adrift, in the view of many critics, with the rhetoric and broad goals of reducing poverty but without an innovative macroeconomic approach. James Wolfensohn and his ex-chief economist Joseph Stiglitz talk about "bringing together" the "macroeconomic" and "social" aspects of development, but World Bank officials cannot point to a larger strategy beyond increasing lending to health, population, nutrition, education, and social protection to 25 percent of its total lending. The ADB is even more of a newcomer in the antipoverty approach, and a recent strategy paper is long on laudable goals. But even ADB insiders agree that it breaks no new ground in macroeconomic innovation. Most at sea are IMF economists, some of whom openly admitted to NGO representatives at the September 1999 IMF–World Bank meeting that so far the new approach was limited to relabeling the Enhanced Structural Adjustment Facility the Poverty Reduction Facility, and that they were looking to the World Bank to provide leadership.

It is not surprising that in such circumstances the old paradigm would reassert itself. For example, the IMF told the Thai government—already its most obedient pupil—to cut its fiscal deficit despite a very fragile recovery, and it pushed Indonesia to open its retail trade to foreign investors despite the consequences of higher unemployment. Similarly, technocrats of the ADB made energy loans contingent on the Philippine government's accel-

BOX E: ARGENTINA AND THE IMF

By Sarah Anderson, Institute for Policy Studies

Perhaps more than any other country in Latin America, Argentina embraced the free market economic model promoted by the IMF and the World Bank. Beginning in the early 1990s, the government lifted barriers to trade and investment. With strong backing from these two institutions, it also liberalized financial markets, privatized everything that wasn't nailed down, and tied its own hands further by pegging the value of its currency to the U.S. dollar.

The tying of the peso to the dollar initially had broad public support because it braked a runaway inflation rate. However, according to Jerome Levinson, former general counsel of the Inter-American Development Bank, this arrangement was "merely the neoclassical model's reliance on the market carried to its logical extreme." Policymakers lost all discretionary authority, while the financial markets determined the level of economic activity. When the value of the U.S. dollar began to rise in the mid-1990s, things began to fall apart. Argentine exports lost competitiveness and industry began to decline, causing a jump in unemployment. As revenues fell, the government turned to the IMF for help in meeting its loan payments. In return, the IMF demanded deep cuts in public spending that further cut domestic demand and stoked social unrest.

Although Argentina's abandonment of the currency peg in early 2002 was a significant factor in its economy's collapse, other free market reforms exacerbated the problems. Once trade barriers and capital controls had been lifted, the government was powerless to address the looming trade deficit and the flight of capital. The privatization of public assets led to reduced access to services for the poor and middle class. Millions of Argentines lost health coverage as private international insurers pressured providers to cut costs. Argentine banks were sold to foreign firms, which cut back lending to small and medium enterprises, a previously important source of employment. Stripped of protections, private employers were pressured to become "lean and mean" in the global economy. They laid off workers in droves and, along with the IMF, lobbied for a labor law reform in April 2000 that further weakened the power of Argentine unions. All of this fueled the anger that exploded in the riots in December 2001—in which more than twenty-five people died—that brought about the country's political and economic crash.

In the end, the IMF never admitted any wrongdoing. It claimed there was nothing wrong with the overall model. Instead, it blamed Argentina's collapse on excessive public spending and the currency peg, which it initially supported and helped sustain but then claimed was a purely homegrown policy.

erating the IMF-promoted privatization of the National Power Corporation, even though consumers are likely to end up paying more to the seven private monopolies that will succeed the state enterprise. "It's the old approach of deregulation, privatization, and liberalization, but with safety nets," is the accurate description of one Filipino labor leader much consulted by the multilateral institutions.

THE GATT AND THE WORLD TRADE ORGANIZATION

The World Trade Organization (WTO) has emerged as the third pillar of the Bretton Woods system.

A very healthy debate was launched after World War II about the need for a global trade and investment institution that could help generate full employment, protect worker rights around the world, and protect against what were then referred to as "global cartels"—small groups of corporations that gained too much power over a sector. These broad-based goals were enshrined in a Havana charter that proposed the formation of an International Trade Organization (ITO). Rejected by the U.S. Senate on the grounds that its broad mandate would compromise U.S. sovereignty, only one element of the ITO, the General Agreement on Tariffs and Trade (GATT), was created instead, with the more narrow goal of reducing tariffs in goods and services and setting a handful of broad trade principles.

World trade grew dramatically following World War II, under the guidance of the GATT. While initially limited to this trade expansion mandate, the GATT evolved into an institution that promoted corporate rights over human rights and other social and environmental priorities.

In the early 1980s, economists and politicians, powered by the so-called Reagan Revolution and the Thatcher and Kohl ascendancies in Europe, began planning a new but dramatically different GATT negotiating round. Their goal was to expand the GATT disciplines to bind signatory governments to a set of multilateral policies regarding the service, government procurement, and investment sectors; to establish global limits on government regulation of environmental, food safety, and product standards; to establish new protections for corporate intellectual property rights granted in rich countries; and to have this broad panoply of one-size-fits-all rules strongly enforced over every level of government in every signatory country.

This agenda was translated into the Uruguay Round of GATT negotiations, a transformational undertaking pushed largely by U.S.-based global corporations and their allies in the U.S. government. When completed in 1994, the Uruguay Round replaced the old GATT trade contract with a new institution, the World Trade Organization. The WTO was given a built-in enforcement system more powerful than that of any previous treaty. This system, with closed tribunals of trade bureaucrats who determined if a country's laws exceeded the constraints set by the new rules, included automatic, permanent trade sanctions against any country refusing to comply with WTO demands. In short, the WTO took on the role of implementing globally much the same policy agenda that the World Bank and the IMF had already imposed on most of the Third World.

Proponents of the WTO argue that it is needed to regulate trade, prevent trade wars, and protect the interests of poor nations, but its actions tell a different story. (See Box B for a list of some of the most controversial WTO rulings on environmental protections.) WTO panels have also ruled against Canada's cultural protections, which taxed U.S. magazines. India has been told it must change its national constitution because WTO rules do not allow it to provide its people with inexpensive generic drugs since it is considered unfair to foreign drug companies that profit handsomely from branded products. The WTO even takes for itself responsibility for determining whether it is permissible to label such products so consumers will know what they are buying and can assess the risks accordingly.

Given the claim that the WTO protects the poor and prevents trade wars, the 1999 WTO "banana wars" decision is especially revealing. Europeans were told by the WTO that they could not give import preference to bananas produced by two hundred thousand members of small banana farmer cooperatives located in the Caribbean because it was unfair to two giant U.S. agribusiness corporations, Chiquita and Dole, which grow bananas in Central America and control half the world's banana trade. When Europe refused to end its preference, the WTO sanctioned a retaliatory move by the United States to impose 100 percent tariffs on a wide variety of European exports. Thus, in a single case, the WTO struck down a preference for the poor and sanctioned a trade war.

Specifically, the WTO has served primarily U.S. government and corporate interests over developing-country and civil-society interests. Just as it

was the United States that blocked the founding of the International Trade Organization in 1948 when it felt that this would not serve its position of overwhelming economic dominance in the postwar world, so it was the United States that became the dominant lobbyist for the comprehensive Uruguay Round and the founding of the WTO when it felt that more competitive global conditions had created a situation where its corporate interests now demanded an opposite stance.

Just as it was the threat of the United States in the 1950s to leave GATT if it was not allowed to maintain protective mechanisms for milk and other agricultural products that led to agricultural trade's limited coverage in GATT rules, so it was U.S. pressure that brought agriculture fully under the GATT-WTO system in 1995. The reason for Washington's change of mind was articulated quite candidly by then–U.S. Agriculture Secretary John Block at the start of the Uruguay Round negotiations in 1986: the "idea that developing countries should feed themselves is an anachronism from a bygone era. They could better ensure their food security by relying on U.S. agricultural products, which are available, in most cases, at much lower cost." Washington did not just have developing country markets in mind but also Japan, South Korea, and the European Union.

It was the United States that pushed to bring services under WTO coverage with its assessment that in the new burgeoning area of international services, particularly financial services, its corporations had a lead that needed to be preserved. It was also the United States that pushed to expand WTO jurisdiction to the Trade-Related Investment Measures (TRIMs) and Trade-Related Intellectual Property Rights (TRIPs) mentioned earlier. The first sought to eliminate countries' ability to shape foreign investment policies to ensure national benefits. For instance, TRIMs targeted domestic laws regulating internal cross-border trade of product components among TNC subsidiaries, which developing countries had passed in order to develop new domestic industries. TRIPs was designed to consolidate the U.S. advantage in the cutting-edge, knowledge-intensive industries.

It was again the United States that forced the creation of the WTO's formidable dispute-resolution and enforcement mechanism after being frustrated with what U.S. trade officials considered weak GATT efforts to enforce rulings favorable to the United States. As Washington's academic point man on trade, C. Fred Bergsten, head of the Institute of International

Economics, told the U.S. Senate, the strong WTO dispute settlement mechanism serves U.S. interests because "we can now use the full weight of the international machinery to go after those trade barriers, reduce them, get them eliminated."

In sum, it has been Washington's changing perception of the needs of its economic interest groups that has shaped and reshaped the international trading regime. It was not global necessity that gave birth to the WTO in 1995 but rather the U.S. government's assessment that the interests of its corporations were no longer served by a loose and flexible GATT. In the course of the 1990s, what had been a U.S. idea spread to become the mantra of the wealthiest countries, then known as the G-7 (the United States, Japan, Germany, France, the United Kingdom, Italy, and Canada). From the free-market paradigm that underpins it to the rules and regulations set forth in the different agreements that make up the Uruguay Round to its system of decision making and accountability, the WTO is a blueprint for the global hegemony of the largest corporations based in the richest nations.

But what about the developing countries? Is the WTO a necessary structure—one that, whatever its flaws, brings more benefits than costs and therefore merits efforts at reform? When the Uruguay Round was being negotiated, there was considerable lack of enthusiasm for the process by the developing countries. After all, these countries had formed the backbone of the United Nations Conference on Trade and Development (UNCTAD; for more on this organization see chapter 7), which, with its system of one-country–one-vote and majority voting, was, they felt, an international arena more congenial to their interests. They entered the Uruguay Round greatly resenting the policy of the large trading powers to weaken and marginalize UNCTAD in the late 1970s and early 1980s. However, they had been promised that the WTO's multilateral rules and enforcement would stop the unilateral bullying by more powerful nations on trade matters.

Yet as the WTO began operations, it became evident that the imbalance in economic power had not been remediated. WTO rules were enforced only when countries spent millions of dollars to bring a case, and then the rules were enforced with trade sanctions. Many developing countries began to realize that they had signed away their right to employ a variety of critical trade measures for development purposes. In contrast to the loose GATT framework, which had allowed some space for development initiatives, the

comprehensive and tightened Uruguay Round was fundamentally antidevelopment. This is evident in the following: in signing on to the WTO, Third World countries committed to ban all quantitative restrictions on imports and reduce tariffs on many industrial imports, and they promised not to raise tariffs on all other imports. In so doing, they effectively gave up the use of trade policy to pursue domestic objectives. The route that the newly industrializing countries (NICs) had taken to industrial status through the policy of import substitution was now removed.

The antidevelopment thrust of the WTO accord is made even more manifest in the TRIMs and TRIPs agreements. NICs like South Korea and Malaysia made use of many innovative mechanisms, such as trade-balancing requirements that tied the value of a foreign investor's imports of raw materials and components to the value of its exports of the finished commodity, and "local content" regulations that mandated a certain percentage of the components that went into the making of a product to be sourced locally.

These rules did indeed restrict the maneuvering space of foreign investors, but they were successfully employed by the NICs to marry foreign investment to national ventures. They enabled these countries to raise income from capital-intensive exports, develop support industries, and bring in technology, while still protecting local entrepreneurs' preferential access to the domestic market. TRIMs makes these mechanisms illegal.

Proposals under consideration for future WTO action include expanding existing WTO prohibitions regarding trade in goods that forbid any public policies that give preference to local over foreign investors (including banking, media, and other service sectors) or to local over foreign suppliers. Also on the agenda are constraints on initiatives to protect national food security by shielding local farmers from foreign competition, to protect forest and water resources from exploitation by foreign corporations, and to regulate speculative movements of international money. Other WTO proposals would open the way to privatizing public services, such as public schools and health care, under the ownership of global corporations.

The WTO rules and enforcement system is regularly used by corporations and their allied governments to attack measures taken by governments to protect the health, safety, and culture of their people and to preserve the environment. Yet under WTO rules, governments take ever stronger steps to protect the profits and property rights of corporations and financiers.

(continued on page 52)

BOX F: THE HYPOCRISY OF THE NORTH IN THE WTO

By Martin Khor, Third World Network

There is perhaps no arena in which the United States and the other richest industrial countries fail more to practice what they preach than trade policy. For two decades, through their own dictates as well as through the World Bank, the IMF, the GATT, and now the WTO, they have uniformly preached that liberalization of Southern markets is essential. Just as consistently, they have failed to practice this dictum at home.

The old GATT system dealt with trade in goods. There were imbalances even in that system. For example, the largest economic sectors and export sectors of most developing countries are agriculture and textiles. Both still employ millions in the industrial countries, and both have been highly protected in most of these countries for decades.

Beginning in 1986, governments began the famous Uruguay Round negotiations that transformed the GATT into the WTO in 1995. At the core of the negotiations was a proposed tradeoff. Developing countries would agree to a series of new issues in the WTO (services, intellectual property, investment measures) that would make the system more imbalanced and more intrusive (as the system moved from its traditional concern with trade barriers at the border to greater involvement with domestic economic and development structures and policies). In turn, the developing countries were promised, the Uruguay Round would open up Northern markets for agriculture and textiles.

The North has insisted that the South keep its side of the bargain but has failed to deliver on its own promises. The developing countries have been under great pressure to liberalize their rules on imports and foreign investments as fast as possible from the industrial nations, the international financial institutions, regional trade arrangements with developed countries, and the WTO. Implementing their obligations under the WTO agreements has brought many problems for developing countries. Here are some examples:

- The prohibition of investment measures and subsidies has made it harder or impossible for the state to encourage and promote the domestic sectors.
- Import liberalization in agriculture threatens the viability and livelihoods of small farmers whose products face competition from cheaper imported foods, many of which are artificially cheapened through massive subsidy.
- The effects of a rigorous intellectual property rights regime include exorbitant prices for medicines and other essentials, patenting by Northern corporations of biologi-

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BOX F: CONTINUED

cal materials originating in the South, and higher costs for and lower access by developing countries to industrial technology.

- Increasing pressures on developing countries to open up their services sectors, which could deny the poor access to essential services.

These measures threaten to stop developing countries from industrializing, upgrading technology, developing local industries, protecting small farmers, achieving food security, and fulfilling health and medicinal needs.

The developing countries' problems arise from the structural imbalances and weaknesses of several WTO agreements. They have compiled a lengthy list of their problems of implementation and proposals for addressing them, and submitted these in the WTO. There has been progress on very few of the implementation problems. Some are on the post-Doha work program along with many other topics. The attitude of the developed countries seems to be that the developing countries entered into legally binding commitments and must abide by them or make new concessions to change them. Such an attitude does not augur well for the WTO, for it implies that the state of imbalance will remain, and if developing countries pay twice or pay three or four times, the imbalances will become worse and the burden even heavier.

The new WTO rules also pose problems for the public in the rich countries, including the high cost of medicines and other consumer products due to patenting, and the threats to public services and management of natural resources such as water, as a result of services liberalization. The regional NAFTA agreement has also generated a host of problems and controversies, including corporations suing the state for expropriating their future profits as a result of measures on health and environmental or other grounds.

Meanwhile, the industrial nations have largely failed to deliver on their pledges to open up their own economies in agriculture and textiles. In most Northern countries, these sectors remain closed. In agriculture, tariffs on many items of interest to developing countries are prohibitively high (some tariffs are over 200 to 300 percent). Domestic subsidies in OECD countries have actually risen from U.S. $275 billion (annual average for base period 1986–88) to $326 billion in 1999, according to OECD data published in 2000. The increases in permitted subsidies more than offset the decrease in subsidy categories under the agriculture agreement.

In textiles and clothing, only very few items that the developing countries export have been taken off the quota lists of Northern countries, even though more than half of the ten-year implementation period has passed. According to a submission at the WTO in June 2000 by the International Textiles and Clothing Bureau, only a few quota restrictions (13 out of 750 by the United States, 14 out of 219 by the European Union, 29 out of 295 by Canada) had been eliminated. Given this record, it is doubtful that the designated quotas will be removed by 2005.

In early 2002, the United States announced that it would be imposing tariffs of up to 30 percent on some of its steel imports in order to protect its domestic steel industry. This decision sent shock waves around the world, because it signifies the rise of unilateral protectionist actions in the world's richest country.

Developing countries are asked to bear for a little while the pain of rapid adjustment, with assurances that it will surely be good for them after a few years; whereas the developed countries that advocate this policy ask for more time for themselves to adjust in agriculture and textiles (and other products) that have been protected for many decades.

The fact that rich countries still argue that they need more time to protect their weak or uncompetitive sectors should make them sympathetic to the developing countries' increasing complaints that import liberalization and other obligations have damaged their societies. But the governments of rich countries refuse to admit the truth of the matter and resist the demand of citizen groups and many Southern governments to change the system.

At the November 2001 Doha, Qatar, WTO ministerial meeting, developing countries raised many of these implementations issues. Instead, the largest developed countries pushed very hard to have the WTO expand its negotiating and rule-making mandate, including into new areas such as investment, competition policy, government procurement, and trade and the environment.

This attempt at expansion was strongly resisted by most of the developing countries (including regional groupings), which argued that (a) they were not yet ready to enter negotiations or consider agreements on these issues; (b) they did not adequately understand the implications of the proposed issues; and (c) from the limited understanding they did have, they were very concerned that new agreements in these areas would add to their already heavy obligations and further restrict their development policy options and constrain or reduce their development prospects. The Doha meeting ended with confusing language on both the implementation concerns of the developing nations and the desire for new issues by the developed countries. There is certainly no consensus in the WTO on how to move forward.

Although the WTO presumes to impose a one-size-fits-all set of rules constraining the public interest policies of WTO member nations, it does nothing to limit the excesses of global corporations and financial speculators—two priority regulatory needs. Instead, it regulates national and local governments to prevent them from regulating international trade and investment. In short, it regulates governments to protect corporations.

PROPOSALS

The Bretton Woods institutions have a distorted view of economic progress and relationships. Their embrace of unlimited expansion of trade and foreign investment in order to achieve economic growth suggests that they consider the most advanced state of development to be one in which all productive assets are owned by foreign corporations producing for export; the currency that facilitates day-to-day transactions is borrowed from foreign banks; education and health services are operated by foreign corporations on a for-profit, fee-for-service basis; and almost everything that local people consume is imported. When placed in such stark terms, the absurdity of this ideology becomes obvious. It also becomes clear who is served by such policies. Rather than enhancing the life of people and the planet, they consolidate and secure the wealth and power of a small corporate elite.

Harvard economist Dani Rodrik has pointed out that relevant data demonstrate that trade and investment liberalization do not necessarily bring increased economic growth or prosperity. They do, however, contribute to serious imbalances in the global economy, including alarming growth in inequality both inside and between nations. Alternative models that emphasize domestic production for domestic markets and that direct trade and foreign investment to the service of national needs hold greater promise.

Author William Greider has pointed out another, less noted imbalance that is encouraged by trade and investment liberalization—rapid expansion of production combined with the suppression of wages so that most workers cannot afford to buy the products they produce. As a result, there is a substantial surplus of production today. The world has dealt with this by looking to the United States as the buyer of last resort. For more than two decades, the United States has been buying far more from others than it sells

to them and paying for the difference with money borrowed from foreign investors, primarily the Japanese. This actually puts the United States into a financial position similar to that of Asia, Russia, and Brazil just before their financial collapses in 1997 and 1998. On the other side of this troubling equation, we find country after country exporting goods and resources to support needless consumption in the United States while their own people lack the financial means to obtain even the most basic necessities.

Trade theory gives great importance to keeping international trade and payment accounts in balance if the exchange is to be mutually beneficial and economic relations are to be reasonably stable. British economist John Maynard Keynes, one of the chief architects of the Bretton Woods system, took this idea quite seriously. In 1942, he pointed out that we "need a system possessed of an internal stabilizing mechanism, by which pressure is exercised on any country whose balance of payments with the rest of the world is departing from equilibrium in either direction, so as to prevent movements which must create for its neighbors an equal but opposite want of balance."

Ironically, one of the IMF's original responsibilities was to help nations keep their international accounts in balance. Yet current policies of the World Bank, the IMF, and the WTO not only ignore this principle but set in place conditions that prevent nations from honoring it. The result is imbalance, instability, inequality, and deprivation.

In the current economic system, liberalizing trade and investment and enhancing international competitiveness are seen as the means to growth, which, in turn, is seen as the key to prosperity and democracy. The following chapter outlines the principles of an alternative system that proposes democracy and rights as the means toward sustainable communities, dignified work, and a healthy environment.