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Fallout from Davos ‘down under’

“Seattle without the teargas” is how anti-corporate globalisation demonstrators described their disruption of the Asia Pacific World Economic Forum in Melbourne and if WEF president Klaus Schwab’s anger is any measure of success, then the protests exceeded all expectations.

The usually urbane and PR-savvy Schwab, who earlier this year was proposing that the critics of globalisation needed to be engaged, told journalists in Melbourne that the protesters had acted in an “uncivilised and undemocratic way” and that their actions would “degrade Australia in the eyes of the world.”

“I deeply regret the inconvenience it has caused (delegates) and the participants, indeed all of us,” he said.

And he is not the only one with regrets. The owners of Crown Casino — the garish gambling house appropriately chosen as the venue for the WEF — are no doubt feeling something more visceral than regret, having lost an estimated AUD \$10 million during the WEF. It’s probably the last time they’ll offer to host such an event. The Victorian police, too, are probably feeling some regrets following the state ombudsman’s announcement of an inquiry into police brutality after receiving more than 200 complaints about excessive use of force.

The politicians must also be wondering whether it was really a good idea to invite the WEF “down-under.” One right-wing politician — renowned for his hard-line opposition to Aboriginal land rights — branded the demonstrators “un-Australian”. For many protestors this was an amusing compliment, considering the source. They promptly hung a banner proclaiming themselves “Proudly un-Australian” spoofing the jingoistic marketing slogan used to promote local products. (Ironically, this campaign was the last resort of embattled Australian manufacturers facing competition from overseas producers after the radical liberalisation of trade barriers in the 1980s.) Now the politicians’ great fear is that busloads of activists will make their way to Sydney to engage in yet more “un-Australian” activities by joining the First Australians — the Aborigines — who will stage demonstrations during the Olympics to highlight their plight as the most disadvantaged section of Australian society.

And of course there are the business people, most of whom paid thousands of dollars to join the inner circle, only to find themselves encircled, and being shuttled back and forth in buses like sheep under armed protection. At least it’s a tax-deductible expense.

The public relations bill for the World economic Forum and for local politicians is huge in terms of lost prestige. But there is also a very real cost to the public when these elite corporate circuses come to town: the cost of extra policing and security, the excuse that it provides to limit public freedom and expand police powers, lost earnings and public inconvenience. First Seattle, then Washington. Now Melbourne, and next week the IMF and World Bank annual meetings in Prague, where the authorities have ordered schools and theatres to close during the meetings and police have undertaken special anti-riot training. Soon, governments might think twice about whether they can afford — both financially and politically — to give the masters of globalisation the keys to their cities.

The winner, of course, is democracy. If the media is responsible and professional, then the beat-ups about violence and anarchy quickly give way to discussion about the real issues of corporate and financial power. But for this to happen there must be people on the streets demanding that the story be told and that the questions be asked.

From Melbourne to Prague: the Struggle for a Deglobalized World

*By Walden Bello**

(Talk delivered at a series of engagements on the occasion of demonstrations against the World Economic Forum (Davos) in Melbourne, Australia, 6-10 September 2000.)

We are, here in Melbourne in the next few days and in Prague in two weeks' time, participating in an historic enterprise: that of creating a critical mass to turn the tide against corporate-driven globalization.

For years, we were told that globalization was benign, that it was a process that brought about the greatest good for the greatest number, that good citizenship lay in accepting the impersonal rule of the market and good governance meant governments getting out of the way of market forces and letting the most effective incarnation of market freedom, the transnational corporation, go about its task of bringing about the most efficient mix of capital, land, technology and labor.

The unrestricted flow of goods and capital in a world without borders was said to be the best of all possible worlds, though when some observers pointed out that to be consistent with the precepts of their 18th century prophet, Adam Smith, proponents of the neoliberal doctrine would also have to allow the unrestricted flow of labor to create this best of all possible worlds, they were, quite simply, ignored.

Such inconsistencies could be overlooked since for over two decades, neoliberalism or, as it was grandiosely styled, the "Washington Consensus" had carried all before it. As one of its key partisans has nostalgically remarked recently, "the Washington Consensus seemed to gain near-universal approval and provided a guiding ideology and underlying intellectual consensus for the world economy, which was quite new in modern history." (1)

Globalization Unravels I: The Asian Financial Collapse

The unrestricted flow of speculative capital in accordance with Washington Consensus doctrine was what our governments in East Asia institutionalized in the early 1990's, under the strong urging of the International Monetary Fund and the US Treasury Department. The result: the \$100 billion that flowed in between 1993 and 1997 flowed out in the bat of an eyelash during the Great Panic of the summer of 1997, bringing about the collapse of our economies and spinning them into a mire of recession and massive unemployment from which most still have to recover. Since 1997, financial instability or the constant erosion of our currencies has become a way of life under IMF-imposed monetary regimes that leave the value of our money to be determined day-to-day by the changing whims, moods, and preferences of foreign investors and currency speculators.

Globalization Unravels II: The Failure of Structural Adjustment

The Asian financial crisis put the International Monetary Fund on the hotseat, leading to a widespread popular reappraisal of its role in the Third World in the 1980s and early 1990's, when structural adjustment programs were imposed on over 70 developing countries. After over 15 years, there were hardly any cases of successful adjustment programs. What structural adjustment had done, instead, was to institutionalize stagnation in Africa and Latin America, alongside rises in the levels of absolute poverty and income inequality.

Structural adjustment and related free-market policies that were imposed beginning in the early 1980's were the central factor that triggered a sharp rise in inequality globally, with one authoritative UNCTAD study covering 124 countries showing that the income share of the richest 20 per cent of the world's population rose from 69 to 83 per cent between 1965 and 1990. (2) Adjustment policies were a central factor behind the rapid concentration of global income in recent years—a process which, in 1998, saw Bill Gates, with a net worth of \$90 billion, Warren Buffet, with \$36 billion, and Microsoft co-founder Paul Allen, with \$30 billion, achieve a combined income that was greater than the total combined income of the 600 million that live in the world's 48 least developed countries, a great number of which had been subjected to adjustment programs.

Structural adjustment has also been a central cause of the lack of any progress in the campaign against poverty. The number of people globally living in poverty—that is, on less than a dollar a day—increased from 1.1 billion in 1985 to 1.2 billion in 1998, and is expected to reach 1.3 billion this year. (3) According to a recent World Bank study, the absolute number of people living in poverty rose in the 1990's in Eastern Europe, South Asia, Latin America and the Caribbean, and sub-Saharan Africa—all areas that came under the sway of adjustment programs. (4)

Confronted with this dismal record, James Wolfensohn of the World Bank had the sense to move the institution

away from its identification with structural adjustment with public relations initiatives like the SAPRI, or the Structural Adjustment Program Review Initiative, that it said would be jointly conducted with NGOs. But the IMF under the doctrinaire Michel Camdessus refused to see the handwriting on the wall; it sought, instead, to embed adjustment policies permanently in the economic structure through the establishment of the Extended Structural Adjustment Facility (ESAF).

Yet as a consequence of greater public scrutiny following its disastrous policies in East Asia, the Fund could no longer pretend that adjustment had not been a massive failure in Africa, Latin America and South Asia. During the World Bank-IMF meetings in September 1999, the Fund conceded failure by renaming the ESAF the "Poverty Reduction and Growth" Facility. There was no way, however, that the Fund could successfully whitewash the results of its policies. When the G-7 proposed to make IMF certification a condition for eligibility in the now defunct HIPC Initiative, Rep. Maxine Waters of the US House of Representatives spoke for many liberal American lawmakers when she commented, "Do we have to involve the IMF at all? Because, as we have painfully discovered, the way the IMF works causes children to starve." (5)

So starved of legitimacy was the Fund that US Treasury Secretary Larry Summers, who in an earlier incarnation as chief economist of the World Bank was one of the chief backers of structural adjustment, told the US Congress that the "IMF-centered process" of macroeconomic policymaking 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." (6)

Globalization Unravels III: The Debacle in Seattle

Freedom, said Hegel, is the recognition of necessity. Freedom, the proponents of neoliberalism like Hegel's disciple, Francis Fukuyama, tell us, lies in the recognition of the inexorable irreversibility of free-market globalization. Thank god, the 50,000 people who descended on Seattle in late November 1999 did not buy this Hegelian-Fukuyaman notion of freedom as submission and surrender to what seemed to be the ineluctable necessity of the World Trade Organization (WTO).

In the mid-nineties, the WTO had been sold to the global public as the lynchpin of a multilateral system of economic governance that would provide the necessary rules to facilitate the growth of global trade and the spread of its beneficial effects. Nearly five years later, the implications and consequences of the founding of the WTO had become as clear to large numbers of people as a robbery carried out in broad daylight. What were some of these realizations?

- By signing on to the Agreement on Trade-Related Investment Measures (TRIMs), developing countries discovered that they had signed away their right to use trade policy as a means of industrialization.

- By signing on to the Agreement on Trade-Related Intellectual Property Rights (TRIPs), countries realized that they had given high tech transnationals like Microsoft and Intel the right to monopolize innovation in the knowledge-intensive industries and provided biotechnology firms like Novartis and Monsanto the go-signal to privatize the fruits of aeons of creative interaction between human communities and nature such as seeds, plants, and animal life.

- By signing on to the Agreement on Agriculture (AOA), developing countries discovered that they had agreed to open up their markets while allowing the big agricultural superpowers to consolidate their system of subsidized agricultural production that was leading to the massive dumping of surpluses on those very markets, a process that was, in turn, destroying smallholder-based agriculture.

- By setting up the WTO, countries and governments discovered that they had set up a legal system that enshrined the priority of free trade above every other good—above the environment, justice, equity, and community. They finally got the significance of consumer advocate Ralph Nader's warning a few years earlier that the WTO, was a system of "trade uber alles."

- In joining the WTO, developing countries realized that they were not, in fact, joining a democratic organization but one where decisions were made, not in formal plenaries but in non-transparent backroom sessions, and where majority voting was dispensed with in favor of a process called "consensus"—which was really a process in which a few big trading powers imposed their consensus on the majority of the member countries.

The Seattle Ministerial brought together a wide variety of protesters from all over the world focusing on a wide variety of issues. Some of their stands on key issues, such as the incorporation of labor standards into the WTO, were sometimes contradictory, it is true. But most of them, whether they were in the streets or they were in meeting halls, were united by one thing: their opposition to the expansion of a system that promoted corporate-led globalization at the expense of justice, community, national sovereignty, cultural diversity, and ecological sustainability.

Seattle was a debacle created by corporate overreach, which is quite similar to Paul Kennedy's concept of "imperial overstretch" that is said to be the central factor in the unraveling of empires. (7) The Ministerial's collapse from pressure from these multiple sources of opposition underlined the truth in Ralph Nader's prescient remark, made four years earlier, that the creation of global trade pacts like the WTO was likely to be "the greatest blunder in the history of the modern global corporation." Whereas previously, the corporation's operating within a more or less "private penumbra" made it difficult to effectively crystallize opposition, he argued that "now that the global corporate strategic plan is out in print...gives us an opportunity." (8)

Truth is eternal, but it only makes a difference in human lives when it becomes power. In Seattle, truth was joined to the power of the people and became fact. Suddenly, facts that had previously been ignored or belittled were acknowledged even by the powers-that-be whose brazen confidence had been shaken. For instance, that the

supreme institution of globalization was, in fact, fundamentally undemocratic was recognized even by representatives of its stoutest defenders: the United States and the United Kingdom.

Listen to US Trade Representative Charlene Barshefsky after the revolt of the representatives of developing countries that helped bring down the Ministerial: “The process...was a rather exclusionary one,” she admitted. “All meetings were held between 20 and 30 key countries...And that meant 100 countries, 100, were never in the room...[T]his led to an extraordinarily bad feeling that they were left out of the process and that the results...had been dictated to them by the 25 or 30 privileged countries who were in the room.” (9)

Listen to Stephen Byers, the UK Secretary for Trade and Industry, after the Seattle shock: “WTO will not be able to continue in its present form. There has to be fundamental and radical change in order for it to meet the needs and aspirations of all 134 of its members.” (10)

Globalization Unravels IV: Meltzer Torpedoes the Bank

The Asian financial crisis triggered the IMF’s crisis of legitimacy. The Seattle Ministerial collapse brought the WTO to a standstill. However, under Australian-turned-American Jim Wolfensohn’s command, the World Bank seemed likely to escape the massive damage sustained by its sister institutions. But the torpedo in the form of the famous Meltzer Commission found its mark in February of this year.

Formed as one of the conditions for the US Congress’ voting for an increase of its quota in the IMF in 1998, the Commission was a bipartisan body that was tasked to probe the record of the Bank and Fund with the end in view of coming up with recommendations for the reform of the two institutions. Exhaustively examining documents and interviewing all kinds of experts, the Commission came up with the devastating conclusion that with most of its resources going to the better off countries of the developing world and with the astounding 65-70 per cent failure rate of its projects in the poorest countries, the World Bank was irrelevant to the achievement of its avowed mission of global poverty alleviation. And what to do with the Bank? The Commission urged that most of the Bank’s lending activities be devolved to the regional developing banks. It does not take much, however, for readers of the report to realize that, as one of the Commission’s members revealed, it “essentially wants to abolish the International Monetary Fund and the World Bank,” a goal that had “significant pockets of support... in our Congress.” (12)

Much to the chagrin of Wolfensohn, few people came to the defense of the Bank, and it was in a state of shock that the agency held its joint spring meeting with the IMF in a Washington, DC, that was shut down by some 40,000 protestors. The spirit of demoralization that gripped the Bank was conveyed in Wolfensohn’s missive to Bank staffers before the meeting that “the next week will be a trying time for most of us.” (13) That the April 2000 meeting of the Bretton Woods twins could take place only under heavy police protection, with the use of a system of decoys to breach protesters’ lines in order to bring apprehensive delegates to the fortified bunkers at Pennsylvania and 19th NW in central DC spoke volumes about the tattered legitimacy of the two institutions.

The Davos Process I: Relegitimizing Globalization

Why do I keep coming back to the question of legitimacy? Because, as the great Italian thinker Antonio Gramsci pointed out, when legitimacy has vanished and is not regained, it is only a matter of time before the structure collapses, no matter how seemingly solid it is. Many of the key advocates of globalization realized this in the wake of the joint crisis of the WTO and the Bretton Woods twins. They knew that the strategy of denial that these three institutions deployed in the past would no longer work and that the aggressive approach of pro-globalization firebrands like Martin Wolf of the Financial Times, who accused NGOs of ignorance and of being an “uncivil society,” was likely to be counterproductive.

To the more soberminded among the pro-globalization forces, the first thing to do was to recognize the facts. Fact No. 1, according to the influential free trader C. Fred Bergsten, head of Washington’s Institute of International Economics, was that “the anti-globalization forces are now in the ascendancy.” (14) And Fact No. 2 was that central to the response to these forces “has to be an honest recognition and admission that there are costs and losers,” that “globalization does increase income and social disparities within countries” and “does leave some countries and some groups behind.” (15)

Here is where the Davos process—of which the current exercise of the World Economic Forum (WEF) is a part—has proven to be central to the project of relegitimizing globalization. Davos, high up in the Swiss Alps, is not the center of a global capitalist conspiracy to divide up the world. Davos is where the global elite meets under the umbrella of the WEF to iron out a rough consensus on how to ideologically confront and defuse the challenges to the system. Meeting shortly after what many regarded as the cataclysm in Seattle, the Davos crew in late January composed the politically correct line. Repeated like a mantra by personalities like Bill Clinton, Tony Blair, Bill Gates,

Nike CEO Phil Knight, and WEF guru Klaus Schwab, the chorus went this way: “Globalization is the wave of the future. But globalization is leaving the majority behind. Those voices spoke out in Seattle. It’s time to bring the fruits of globalization and free trade to the many.”

It was British Prime Minister Tony Blair who best articulated the vision and rhetoric of “compassionate globalization.” Blair said: “Alongside the advance of global markets and technologies, we are seeing a new search for community, locally, nationally, and globally that is a response to change and insecurity, but also reflects the best of our nature and enduring values. With it is coming a new political agenda—one that is founded on mutual responsibility—both within nations and across the world.” (16)

He continued: “We have the chance in this century to achieve an open world, an open economy, and an open economy with unprecedented opportunities for people and business. But we will succeed only if that open society and economy is underpinned by a strong ethos of mutual responsibility—by social inclusion within nations, and by a common commitment internationally to help those affected by genocide, debt, and environment.” (17)

“I call it a Third Way,” Blair declared with passion. “It provides a new alternative in politics—on the centre and centre-left, but on new terms. Supporting wealth creation. Tackling vested interests. Using market mechanisms. But always staying true to clear values—social justice, democracy, cooperation.... From Europe to North America, Brazil to New Zealand, two great strands of progressive thought are coming together. The liberal commitment to individual free in the market economy, and the social democratic commitment to social justice through the action of government, are being combined.” (18)

Now, one thing that the British public has finally realized about Mr. Blair is that with him, there is a huge gap between rhetoric and substance. What actually does “globalization with a conscience” or the “Third Way” or “globalization with compassion” have to offer? To find out, one must turn from Blair to Bergsten, who, to his credit, dispenses with the soaring rhetoric and admits that the program is actually a system of “transitional safety nets...to help the adjustment to dislocation” and “enable people to take advantage of the phenomenon [of globalization] and roll with it rather than oppose it.” (19) In short, instead of being run over by the globalization express, people will be asked to quietly and peacefully roll over and adjust to the constant and unpredictable change wrought by the TNCs search for profitability.

The Davos Process II: Coopting the United Nations

As important as the rhetoric in the Davos response is the process of bringing people onto the bandwagon. This would be achieved through dialogue, consultation, and the formation of “partnerships” between TNCs, governments, the United Nations, and civil society organizations.

The UN was a piece of cake. Discussions with Secretary General Kofi Annan produced the “Global Compact” that has become the centerpiece of the United Nations’ Millennial Celebrations. Signed by 44 TNCs, the Compact has been promoted by Annan as a major step forward for it supposedly commits its signatories to respect human, labor, and environmental rights and provide positive examples of such behavior. To many NGOs, on the other hand, the Global Compact is turning out to be one of the UN’s biggest blunders for the following reasons:

- Despite a Compact provision that membership in the Compact will not be given to business entities complicit in human rights violations, the founding membership includes the worst corporate transgressors of human rights, environmental rights, and labor rights: Nike, Rio Tinto, Shell, Novartis, and BP Amoco.

- The Compact will provide a great public relations venue for these corporations to promote a clean image very different from the reality since compliance with the Compact will be self-monitored and no sanctions exist for violating the Compact’s principles.

- The Corporations will be able to use the UN logo as a seal of corporate responsibility, thus appropriating the UN’s image of international civil service “not only for short-term profit but also for the long-term business goal of positive brand image.” (20)

The Davos Process III: Managing Civil Society

As for civil society organizations, they were not as naive as Annan and the UN and thus neutralizing them demanded more sophisticated measures. As a first step, one had to divide their ranks by publicly defining some as “reasonable NGOs” that were interested in a “serious debate” about the problems of globalization and others as “unreasonable NGOs” whose agenda was to “close down discussion.” (21) Then towards those identified as “reasonable,” one put into motion what one might call a strategy of “disarmament by dialogue” designed to integrate them into a “working partnership” for reform.

Here the model was the “NGO Committee on the World Bank” and other joint World Bank-NGO bodies set up by Wolfensohn and his lieutenants in the mid-nineties. While the NGOs that joined these bodies may have done so with the best of intentions, Wolfensohn knew that their membership in itself already helped to legitimize the Bank and that over time these NGOs would develop a stake in maintaining the formal relationship with the Bank. Not only was Wolfensohn able to split the Washington, DC, NGO community, but he was able to harness the energies of a number of NGOs—many of them unwittingly—to project the image of a Bank that was serious about reforming itself and reorienting its approach to eliminating poverty before Meltzer Commission was able to expose the hollowness of the Bank’s claims.

Wolfensohn’s neutralization of a significant section of the Washington, DC, NGO community in the mid-1990s should serve as a warning to civil society of the mettle of the forces it is up against. The stakes are great, and how civil society responds at this historical moment to the aggressive courtship being mounted for its hand will make the difference in the future of the globalization project. Developments are so fluid in the correlation of forces in the struggle between the pro-globalization and anti-globalization camps that strategies that might have been realistic and appropriate pre-Seattle, when the multilateral institutions had more solidity and legitimacy, may be timid and inappropriate, if not counterproductive, now that the multilateral agencies are in a profound crisis of legitimacy.

Let me be specific:

- Will NGOs breathe life into a WTO process that is at standstill by pushing for the incorporation of labor and environmental clauses into the WTO agreements instead of reducing the power and authority of this instrument of corporate rule by doing all in their power, for instance, to prevent another trade round from ever taking place?

- Will they throw a life saver to the Bretton Woods institutions by participating in the civil society-World Bank-IMF consultations that are to be the central element of the “Comprehensive Development Framework” that Wolfensohn and the IMF leadership sees as the key to the relegitimization of the Bretton Woods twins?

- Will they allow themselves to be sucked into the Davos process of “reasonable dialogue” and “frank consultation” when the other side sees dialogue and consultation mainly as the first step to the disarmament of the other side?

Reform or Disempowerment?

Our tactics will depend not only on the balance of forces but will turn even more fundamentally on our answer to the question: Should we seek to transform or to disable the main institutions of corporate-led globalization?

Institutions should be saved and reformed if they’re functioning, while defective, nevertheless can be reoriented to promote the interests of society and the environment. They should be abolished if they have become fundamentally dysfunctional. Can we really say that the IMF can be reformed to bring about global financial stability, the World Bank to reduce poverty, and the WTO to bring about fair trade? Are they not, in fact, imprisoned within paradigms and structures that create outcomes that contradict these objectives? Can we truly say that these institutions can be reengineered to handle the multiple problems that have been thrown up by the process of corporate-led globalization?

Perhaps we can best appreciate the current situation by borrowing from Thomas Kuhn’s classic *Structure of Scientific Revolutions*. (21) Scientific paradigms, says Kuhn, enter into crisis when they can no longer explain or handle dissonant data after dissonant data thrown up by observation. At this point, the community of science diverges in its responses. Some try to salvage the dominant paradigm with endless minute adjustments that merely prolong its inevitable demise. A brave few try to cut cleanly from it in favor of a simpler, more elegant, and more useful paradigm—in a manner similar to the way the founders of early modern science simply junked the old, hopelessly complex Ptolemaic paradigm for explaining the cosmos (the sun and other celestial bodies moving around the earth) in favor of the simpler Copernican paradigm (the earth moving around the sun).

Like scientific paradigms in crisis, the dominant institutions of globalization can no longer handle the multiple problems thrown up by the process of corporate-led globalization. Instead of trying to reform the multilateral institutions, would it in fact be more realistic and “cost-effective,” to use a horrid neo-liberal term, to move to disempower, if not abolish them, and create totally new institutions that do not have the baggage of illegitimacy, institutional failure, and Jurassic mindsets that attach to the IMF, World Bank, and WTO?

Disabling the Corporation

Indeed, I would contend that the focus of our efforts these days is not to try to reform the multilateral agencies but to deepen the crisis of legitimacy of the whole system. Gramsci once described the bureaucracy as but an “outer trench behind which lay a powerful system of fortresses and earthworks.” We must no longer think simply in terms

of neutralizing the multilateral agencies that form the outer trenches of the system but of disabling the transnational corporations that are fortresses and the earthworks that constitute the core of the global economic system. I am talking about disabling not just the WTO, the IMF, and the World Bank but the transnational corporation itself. And I am not talking about a process of “reregulating” the TNCs but of eventually disabling or dismantling them as fundamental hazards to people, society, the environment, to everything we hold dear.

Is this off the wall? Only if we think that the shocking irresponsibility and secrecy with which the Monsantos and Novartis have foisted biotechnology on us is a departure from the corporate norm. Only if we also see as deviations from the normal Shell’s systematic devastation of Ogoniland in Nigeria, the Seven Sisters’ conspiracy to prevent the development of renewable energy sources in order to keep us slaves to a petroleum civilization, Rio Tinto and the mining giants’ practice of poisoning rivers and communities, and Mitsubishi’s recently exposed 20-year-cover up of a myriad of product-safety violations to prevent a recall that would cut into profitability. Only if we think that it is acceptable business practice and ethics to pull up stakes, lay off people, and destroy long-established communities in order to pursue ever-cheaper labor around the globe—a process that most TNCs now engage in.

No, these are not departures from normal corporate behavior. They are normal corporate behavior. And corporate crime against people and the environment has, like the Mafia, become a way of life because, as the British philosopher John Gray tells us, “Global market competition and technological innovation have interacted to give us an anarchic world economy.” To such a world of anarchy, scarcity, and conflict created by global laissez-faire, Gray continues, “Thomas Hobbes and Thomas Malthus are better guides than Adam Smith or Friedrich von Hayek, with their Utopian vision of a humanity united by “the benevolent harmonies of competition.” (22) Smith’s world of peacefully competing enterprises has, in the age of the TNC, degenerated into Hobbes’ “war of all against all.”

Gray goes on to say that “as it is presently organized, global capitalism is supremely ill-suited to cope with the risks of geo-political conflict that are endemic in a world of worsening scarcities. Yet a regulatory framework for coexistence and cooperation among the world’s diverse economies figures on no historical or political agenda.” (23) Recent events underline his point. When the ice cap on the North Pole is melting at an unprecedented rate and the ozone layer above the South Pole has declined by 30 per cent, owing precisely to the dynamics of this corporate civilization’s insatiable desire for growth and profits, the need for cooperation among peoples and societies is more stark than ever. We must do better than entrust production and exchange to entities that systematically and fundamentally work to erode solidarity, discourage cooperation, oppose regulation except profit-enhancing and monopoly-creating regulation, all in the name of the Market and Efficiency.

It is said that in the age of globalization, nation-states have become obsolete forms of social organization. I disagree. It is the corporation that has become obsolete. It is the corporation that serves as a fetter to humanity’s movement to new and necessary social arrangements to achieve the most quintessentially human values of justice, equity, democracy, and to achieve a new equilibrium between our species and the rest of the planet. Disabling, disempowering, or dismantling the transnational corporation should be high on our agenda as a strategic end. And when we say this, we do not equate the TNC with private enterprise, for there are benevolent and malevolent expressions of private enterprise. We must seek to disable or eliminate the malevolent ones, like the Mafia and the TNC. (24)

The Struggle for the Future I: Deglobalization

It is often said that we must not only know what we are against but what we are for. I agree—though it is very important to know very clearly what we want to terminate so that we do not end up unwittingly fortifying it so that, like a WTO fortified with social and environmental clauses, it is given a new leash on life.

Let me end, therefore, by giving you my idea of an alternative. It is, however, one that has been formulated for a Third World, and specifically Southeast Asian, context. Let me call this alternative route to the future “deglobalization.”

What is deglobalization?

I am not talking about withdrawing from the international economy.

I am speaking about reorienting our economies from production for export to production for the local market; about drawing most of our financial resources for development from within rather than becoming dependent on foreign investment and foreign financial markets;

about carrying out the long-postponed measures of income redistribution and land redistribution to create a vibrant internal market that would be the anchor of the economy;

about deemphasizing growth and maximizing equity in order to radically reduce environmental disequilibrium;
about not leaving strategic economic decisions to the market but making them subject to democratic choice;
about subjecting the private sector and the state to constant monitoring by civil society;
about creating a new production and exchange complex that includes community cooperatives, private enterprises, and state enterprises, and excludes TNCs;
about enshrining the principle of subsidiarity in economic life by encouraging production of goods to take place at the community and national level if it can be done so at reasonable cost in order to preserve community.

We are talking, moreover, about a strategy that consciously subordinates the logic of the market, the pursuit of cost efficiency to the values of security, equity, and social solidarity. We are speaking, in short, about reembedding the economy in society, rather than having society driven by the economy.

The Struggle for the Future II: A Plural World

Deglobalization or the reempowerment of the local and national, however, can only succeed if it takes place within an alternative system of global economic governance. What are the contours of such a world economic order? The answer to this is contained in our critique of the Bretton Woods cum WTO system as a monolithic system of universal rules imposed by highly centralized institutions to further the interests of corporations—and, in particular, US corporations. To try to supplant this with another centralized global system of rules and institutions, though these may be premised on different principles, is likely to reproduce the same Jurassic trap that ensnared organizations as different as IBM, the IMF, and the Soviet state, and this is the inability to tolerate and profit from diversity.

Today's need is not another centralized global institution but the deconcentration and decentralization of institutional power and the creation of a pluralistic system of institutions and organizations interacting with one another, guided by broad and flexible agreements and understandings.

We are not talking about something completely new. For it was under such a more pluralistic system of global economic governance, where hegemonic power was still far from institutionalized in a set of all-encompassing and powerful multilateral organizations and institutions that a number of Latin American and Asian countries were able to achieve a modicum of industrial development in the period from 1950 to 1970. It was under such a pluralistic system, under a General Agreement on Tariffs and Trade (GATT) that was limited in its power, flexible, and more sympathetic to the special status of developing countries, that the East and Southeast Asian countries were able to become newly industrializing countries through activist state trade and industrial policies that departed significantly from the free-market biases enshrined in the WTO.

Of course, economic relations among countries prior to the attempt to institutionalize one global free market system beginning in the early 1980's were not ideal, nor were the Third World economies that resulted ideal. But these conditions and structures underline the fact that the alternative to an economic Pax Romana built around the World Bank-IMF-WTO system is not a Hobbesian state of nature. The reality of international relations in a world marked by a multiplicity of international and regional institutions that check one another is a far cry from the propaganda image of a "nasty" and "brutish" world. Of course, the threat of unilateral action by the powerful is ever present in such a system, but it is one that even the most powerful hesitate to take for fear of its consequences on their legitimacy as well as the reaction it would provoke in the form of opposing coalitions.

In other words, what developing countries and international civil society should aim at is not to reform the TNC-driven WTO and Bretton Woods institutions, but, through a combination of passive and active measures, to radically reduce their powers and to turn them into just another set of actors coexisting with and being checked by other international organizations, agreements, and regional groupings. These would include such diverse actors and institutions as UNCTAD, multilateral environmental agreements, the International Labor Organization, the European Union, and evolving trade blocs such as Mercosur in Latin America, SAARC in South Asia, SADCC in Southern Africa, and a revitalized ASEAN in Southeast Asia.

More space, more flexibility, more compromise—these should be the goals of the Southern agenda and the civil society effort to build a new system of global economic governance. It is in such a more fluid, less structured, more pluralistic world, with multiple checks and balances, that the nations and communities of the South—and the North—will be able to carve out the space to develop based on their values, their rhythms, and the strategies of their choice.

Let me quote John Gray one last time. "It is legitimate and indeed imperative," he says, "that we seek a form of rootedness which is sheltered from overthrow by technologies and market processes which in achieving a global reach that is disembedded from any community or culture, cannot avoid desolating the earth's human settlements

and its non-human environments.” The role of international arrangements in a world where toleration of diversity is a central principle of economic organization would be “to express and protect local and national cultures by embodying and sheltering their distinctive practices.” (25)

Let us put an end to this arrogant globalist project of making the world a synthetic unity of individual atoms shorn of culture and community. Let us herald, instead, an internationalism that is built on, tolerates, respects, and enhances the diversity of human communities and the diversity of life.

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Footnotes

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6. Op-ed column, Washington Post, reproduced in Today (Manila), Nov. 15, 1999.
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8. Ralph Nader, speech at International Forum on Globalization Teach-in on “The Social, Ecological, Cultural, and Political Costs of Economic Globalization,” Riverside Church, New York, Nov. 10, 1995; quoted in Joshua Karliner, The Corporate Planet (San Francisco: Sierra Club, 1997), p. 207.
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13. Bergsten.
14. Ibid.
15. Prime Minister Anthony Blair, Speech at the World Economic Forum, Davos, Switzerland, January 28, 2000.
16. Ibid.
17. Ibid.
18. Bergsten.
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21. Thomas Kuhn, The Structure of Scientific Revolutions (Chicago: University of Chicago Press, 1971).
22. John Gray, False Dawn (New York: New Press, 1998), p. 207.
23. Ibid.
24. For excellent recent critiques of the corporation, see David Korten, When Corporations Rule the World (San Francisco: Kumarian Press/Beret-Koehler, 1995), Joshua Karliner, The Corporate Planet (San Francisco: Sierra Club Books, 1997), and Richard Barnet and John Cavanagh, Global Dreams: Imperial Corporations and the New World Order (New York: Simon and Shuster, 1994).
25. John Gray, Enlightenment’s Wake (London: Routledge, 1995), p. 181.

The Armadillo and the Chameleon: a cautionary tale

by Nicola Bullard*

The International Monetary Fund's new managing director's intention to "drive change from within the institution rather than have it imposed from outside"(1) does not inspire confidence, given the Fund's dismal record of reform so far.

In the past three years a lot of ink has been spilled proposing ways for the Fund to recover from its spectacular fall from grace when its policy advice during the 1997 Asian crisis simply made matters worse. (2) Most of these reform proposals have been extremely modest but even so, on the Richter scale of change, the IMF has barely tipped the needle.(3)

The Fund's defenses stayed firmly in place so long as Michel Camdessus was still at the helm, but this is not surprising. To undertake institutional reforms in the dying days of a 13-year term would have been tantamount to admitting the errors of the past, something that Camdessus may now be doing in his new incarnation as special adviser on debt to Pope John Paul II.

IMF, 'heal thyself'

It is only now that the first rumblings of change are being heard from the new managing director Horst Köhler, the second choice German candidate who was selected through a highly political, non-transparent but strangely public round of horse-trading between the US and Europe. So murky was the process that even *The Economist* called for new selection procedures, including a suggestion that the Fund should promote "merit over nationality."(4)

Four months into the job, Köhler has signed an agreement with the World Bank aimed at reducing the overlap of responsibilities (US Treasury Secretary Larry Summers has been pushing this for some time), approved disclosure of the Bank's sources of financing, hinted that developing countries need a "larger voice" and pushed for faster debt relief "to get those 20 in" (referring to those countries earmarked for inclusion in the Highly Indebted Poor Countries (HIPC) debt relief initiative).

But even though Köhler has made great play of the Fund "withdrawing to its core competencies of fiscal, monetary and exchange rate policy," (5) in reality the mission creep and expansion of powers continues.

First, in the realm of standard setting, codes of practice, surveillance, monitoring and information disclosure, the Fund's scope of activity – often in the name of transparency – has expanded. This is consistent with the Fund's view that the Asian crisis was a result of institutional failure, corruption and lack of information. In practice, this means that the Fund is demanding more information from governments, that it is publishing more information about national economies, and that it is forecasting on the state of these economies. Given that the Fund is concerned principally with macroeconomic stability, it has, in effect, become a de facto international ratings agency.

The Fund is also now talking about expanding its role in technical assistance, which means more Ivy League-educated economists giving more advice to more Third World ministries of finance. This hardly sounds like "withdrawal" but rather a strategic advance in the project of financial globalisation.

The Fund has also picked up new agendas along the way and is now dabbling in debt relief, poverty reduction, good governance and even tries to "engage" civil society from time to time. But for all their 70 staff in the field working with NGOs, the IMF remains somewhat gauche at public relations compared to the slick and savvy World Bankers.

However, the proposals that go to the heart of the IMF power – such as democratising voting and decision-making, systematically engaging in external reviews of programmes, or questioning some basic assumptions about the benefits of financial liberalisation — have been shelved, ignored or changed beyond their original intention.

For example, the Fund's proposal to establish an Independent Evaluation Office (EVO) is a hopelessly inadequate response to demands that the IMF be more accountable both to its shareholders and clients. The EVO, recently approved by the Board, will be an entirely in-house operation, although it is envisaged that staff could be recruited from outside the Fund.

The background paper on the evaluation unit makes interesting reading.(6) For example, it states that one of the main purposes of the Office is to "enhance the learning culture within the Fund" yet further on warns that "management will need to commit to ensuring that EVO staff who return to regular Fund staff... are in no way discriminated against because of authorship of reports that are critical of potential receiving departments." So much for the learning culture.

Reform of the voting system seems unlikely. Although Köhler talks about giving developing countries a stronger voice, it is clear that this will not be at the expense of the majority shareholders, which makes one wonder how it might be achieved. At present, the US carries 17.5 per cent of the votes and the combined EU members 32 per cent. (7)

Developing countries themselves seem reluctant to press for reform. Trevor Manuel, South Africa's minister of finance and chair of the IMF World Bank Board of Governors, is concerned about voting rights for poor countries and "wants to prick the consciences of other government and persuade them that system [gives] too small a voice to the poor." (8) The main flaw in this approach is the assumption that there are consciences to be pricked.

Of course, it's early days and Köhler's reformist enthusiasm may capture the hearts and minds of Fund staff. However, he will be battling against a deeply entrenched, isolated and defensive institutional culture.

Former World Bank chief economist Joseph Stiglitz, writing about the IMF's role in the East Asian crisis, said:

"Bad economics was only a symptom of the real problem: secrecy. Smart people are more likely to do stupid things when they close themselves off from outside criticism and advice... But, with the IMF insisting its policies were beyond reproach—and with no institutional structure to make it pay attention—our criticisms were of little use. More frightening, even internal critics, particularly those with direct democratic accountability, were kept in the dark." (9)

The IMF is like an armadillo, burrowing deep into its own reality and blinking when it steps into the daylight of public debate, but it also has a tough and impenetrable shell. There is no evidence that the "culture of reform" has taken root in the Fund, and it will take a lot more than Köhler's zeal to introduce some humility to the institution and dislodge the vested interests of its major shareholders.

The Chameleon

The World Bank, on the other hand, is a chameleon, a master at assuming the colours of its environment.

The World Bank public relations machinery is effective and efficient, regularly churning out op-ed pieces for their president which appear in the International Herald Tribune, co-authored by luminaries such as Nobel Prize Laureate Amytra Sen and former South Korean dissident (now president) Kim Dae Jung. Obviously it is important for a multi-millionaire former Wall Street banker and patron of the elite New York art scene to establish some "street-cred" in development circles by associating himself with the likes of Sen and Kim. Wolfensohn has also surrounded himself with a sophisticated army of vice-presidents who act as diplomatic emissaries, deployed to "engage" with the NGOs and schmooze with government officials and financiers (many of whom are their former colleagues).

While the Fund can be accused of mission creep, the Bank, in contrast, has pursued a strategy of hostile takeovers or, as one UN staffer described it "cherry picking." In the past years, everything from the Internet to AIDS has been consolidated under the Bank's expanding empire. A G24 discussion paper, writing about the international financial institutions' new mandate on "good governance" described it thus:

"The new mission [good governance]... arrived at a moment when growing doubts regarding the purpose and effectiveness of the IFIs seemed to threaten their funding, and even their continued existence. Suddenly the IFIs have jumped in to the front lines of multiple wars being fought by humanity: against AIDS, human rights violations, gender discrimination, environmental degradation, drug trafficking, authoritarian governments, etc. To drive the point home, the World Bank has recently started to draw attention to those objectives, and to its own role, in CNN advertising." (10)

The Bank's latest additions to its self-determined terms of reference are signaled in this year's World Development report, *Attacking Poverty*. (11) The report argues that "poverty is more than inadequate income or human development" and that opportunity, empowerment and security are key. True enough, but while taking up the mantle of institutional reform, social security, political democracy and participation in the fight against poverty, the Bank is pushing its own value-laden normative view of social relations and assuming ever-higher moral ground. All the while, deftly skirting the central issues of redistribution, economic democracy, and the unequal relationship between people and capital. So long as the central economic paradigm remains unquestioned, the World Bank will be peddling – with good or bad intentions — a hopelessly reformist programme which fails to move it any closer to its dream of "a world free of poverty." (12)

The limits of dissent

However, in spite of their obsession with poverty, good governance and “partnership with members of civil society” (13) the Bank has a heart of stone. The limits of its tolerance have been tested and they have proved to be very short.

For example, during the UNCTAD tenth ministerial meetings held in Bangkok in February of this year, farmers and fisherfolk effected by the World Bank financed Pak Mun Dam protested outside the Queen Sirikit Convention Centre. They also requested a meeting with President Wolfensohn or a representative from the Bank in order to present their demands in a letter. Their request was refused. Later, fresh from his speech to the plenary in which he had equated the proliferation of NGOs with the blossoming of democracy, Wolfensohn responded to a journalist’s question about the protestors saying “We are very familiar with the local groups and the international groups who support them. There is nothing to be gained by going outside and being part of an incident.”

Yet, just last week in Washington, Wolfensohn attacked what he called “the Berkeley mafia” saying, in reference to the controversial Chad Cameroon pipeline, that “it’s important that we have a proper balance between the Berkeley mafia and the Chadians, and I, for my part, am more interested in the Chadians.”(14) Strange, therefore, that he refused to meet Thai fisherfolk and farmers.

The Bank has even less tolerance for dissent in the ranks. The “resignations” of chief economist Joseph Stiglitz and WDR team leader Ravi Kanbur (neither of whom could be classified as anything but mainstream albeit intelligent economists) show that the Bank culture does not abide deviation, especially when it challenges the authority of “The Bank” and its shareholders.

The limits of reform

Both the International Monetary Fund and the World Bank have shown a remarkable resistance to change, in spite of the tremendous external, and even internal, pressure to reform. The IMF’s attempts to “heal itself” seem doomed from the start, given its extremely technocratic and isolationist mentality, the weight of vested interests and institutional entropy. The World Bank, on the other hand, is setting a cracking pace and at least is giving the illusion of reform. This is dangerous, especially for civil society groups who are being offered “pseudo-influence” (15) in implementing the Bank’s “reform” agenda.

But, there should be no illusions. In both institutions, there has been no shift in their two pillars of power: the neo-liberal ideology which underpins their policies and programmes and the voting power and influence of their major shareholders. And, as we all know, he who writes the rules, rules.

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1. ‘Köhler demonstrates a reformist zeal,’ Stephen Fiddler, Financial Times, 14 September, 2000
2. See ‘The IMF’s Asian Legacy’ by Jacques Chai Chomtongdi in this collection.
3. Among the better known – with apologies for the obvious Anglo-Saxon bias — are reports from the US (the Congress’ Meltzer Committee, the Committee for Economic Development, The Council on Foreign relations, the Overseas Development Committee), the Financial Stability Forum (G20) and the G22, the UN’s Economic and Social Council, the United Nations Conference on Trade and Development, and select committees in several OECD countries including Australia, France and the UK. Countless academics have contributed to the debate, including Paul Krugman, Jagdish Baghwati, John Eatwell, Lance Taylor, Milton Friedman and Jeffrey Sachs. Everyone in the financial sector has chipped in, from The Economist to George Soros and all sorts of civil society groups and NGOs, such as ATTAC in France, Oxfam UK, 50 Years is Enough in the US and Focus on the Global South in Thailand. There is no shortage of ideas – both good and bad.
4. ‘Picking winners,’ The Economist, 19 February 2000
5. Horst Köhler, ‘Towards a more focused IMF,’ address at the International Monetary Conference, Paris, 30 May 2000.
6. ‘Making the IMF’s independent evaluation office (EVO) operational: A background paper,’ August 2000. Downloaded from IMF website. The report notes that \$2.5 million has been set aside for direct staffing costs, presumably for one year. With a projected staff of 11, that works out at \$227,000 a head.
7. IMF member’s quotas and voting power, as at 13 September 2000. Downloaded from IMF website.
8. ‘Aiming to give poor countries a bigger voice,’ Victor Mallet, Financial Times, 13 September 2000
9. Joseph Stiglitz, ‘What I learned at the world economic crisis,’ in The New Republic, 17 April 2000
10. Devesh Kapur and Richard Webb, ‘Governance-related conditionalities of the international financial institutions.’ G-24 Discussion Paper Series, UNCTAD, August 2000. Downloaded from website.
11. World Bank, World Development Report 2000/2001: Attacking poverty, September 2000
12. This is the opening line of the World Bank’s mission statement, etched in glass in the splendid foyer of the Bank’s Washington headquarters.
13. World Bank Fact Sheet, ‘The World Bank, NGOs and civil society,’ April 2000. The Bank reports that more than fifty per cent of projects approved in 1999 involved NGOs and civil society “in some way” and that it has 64 representatives “on the ground” working with NGOs.
14. ‘World Bank chief takes a swipe at NGO groups,’ IPS, 3 September 2000
15. UNRISD, Visible hands: Taking responsibility for social development, July 2000, p.xvi.