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Introduction

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The Bush administration's decision to pull out from the Kyoto negotiations should send a clear message to US non-government organisations about the double-edged sword of unilateralism.

In the past, environmental and human rights groups have played on the isolationist and unilateralist sentiments latent in the American political culture to further their campaigns on issues such as worker's rights in China or protecting turtles. Some NGOs from the South have argued against this strategy, sensing the risks involved in encouraging big power unilateralism as a foreign policy option. In contrast, throughout the Kyoto negotiations, and in the spirit of keeping a multilateral process on track, some US NGOs urged that it was better to have the US on-board even if that meant abandoning the principles of equity and the right to development which are central concerns of many developing country governments and NGOs. The price of getting the US "signed on" was traded against the priorities of developing countries.

Realpolitik? Perhaps, but also a strategy which has backfired leaving a watered-down protocol, the US thumbing its nose from the sidelines and the future of the negotiations uncertain. Indications that the US is willing to re-enter negotiations on global warning – but not within the Kyoto framework – is further evidence of the US' assumed impunity from the disciplines of multilateralism. The lesson is that the US rarely acts in anyone's interests but its own – something that the more internationalist US NGOs should bear in mind.

In this issue of Focus on Trade, the WTO comes under scrutiny in Brussels and Bangkok, the complexity of trade and environment links and praise for Naomi Klein's "No Logo".

Parliamentary fig leaf is too small for the WTO

By Nicola Bullard*

Last week in Brussels, European parliamentarians moved one cautious step closer to setting up a mechanism for "parliamentary scrutiny" of the World Trade Organisation.

The proposal to "launch a conference in Qatar on strengthening parliamentary scrutiny of the WTO" was included in the Chairman's statement following a two-day seminar organised by the parliament's Committee on External Trade, Research and Energy and attended by parliamentarians from the EU, Europe and 23 developing countries, and a handful of NGOs.

Although the name of the seminar was encouraging — Trade Development and Democracy: the need for reform of the WTO – the main purpose of the meeting was to push the proposal to establish a WTO parliamentary body first mooted by the European parliamentary delegation in Seattle in 1999. However, things did not go as planned.

Diplomatic attack

Kobsak Chutikul, recently elected to the Thai parliament and a seasoned Ministry of Foreign Affairs official, opened the seminar with a diplomatic but surgical attack on the legitimacy of the WTO, honing in on the WTO's failure to ensure "fair sharing in the benefits of the system."

While agreeing that parliamentarians can help bridge the "legitimacy gap" by disseminating understanding of the trade agenda and its implications, he argued that the WTO must "answer the questions about its own legitimacy and that of the current multilateral trading system that have been posed by national groups as well as transnational civil society before a new round can be successfully launched." And, he warned, even if the WTO is able to deal with some of its internal decision-making processes, we risk ending up with "a massive Green Room, still divorced from the reality of the world".

He was equally dismissive of reform proposals which amount to little more than "tweaking the WTO website" and training developing country negotiators, asking whether this would "lead to effective participation." People, he said, are looking for new international rules of democracy and insisted that the "search for new trade rules has to be convincing to transnational civil society."

Blame the shareholders

But while Mr Chutikul diplomatically challenged the legitimacy of the WTO both in terms of its form and content, the next speaker, Mike Moore, assumed the posture of a pugilist.

The WTO director-general — who says he is neither a director nor a general, but merely the servant of his "shareholders" -- believes that trade liberalisation and the WTO are forces of "good" in the world. To prove the point, he misleadingly conflated the social and economic advances of the past 50 years with the "undoubted benefits" of the WTO. Protectionism and high tariffs, he argued, are the forebears of the "twin tyrannies of fascism and Marxism" and without the international institutions the world would be "less stable, less predictable and more dangerous." What's more international institutions "enhance the authority of the Sovereign State "and, in any case,"even if we did away with the WTO we would not do away with globalisation."

Having made the case for the WTO in much the same terms that the Catholic sisters terrorised us about Godless Communists, he then made a strong plea for increased resources for the WTO.

"I do not dream," he said, "of having the budget of the World Wildlife Fund, which is three times ours. But perhaps some governments might care to give the same amount as they give to some NGOs."

"Although our translation needs have increased by 120 percent, our budget has only increased by 20 per cent," he lamented. Which does rather beg the question of just how Mr Moore plans to handle the shopping list of new issues that might result from a new round when the present workload is beyond the budget.

EU Trade Commissioner Pascal Lamy, who got the pre-dinner speaking slot, also seems to think that the WTO is working. Internal processes, he said, are more participative and representative, while external transparency can be measured by the public availability of documents, the improved website and regular consultations with NGOs.

On the new round, Lamy said the EU is proposing an agenda "relevant to the 21 Century". The only glitch it seems is that developing countries still need to be convinced that a new round will meet their interests and the US must be persuaded to support a round that will have "development concerns" at the core. Given the US's unwillingness to consider the concerns of developing countries in the Kyoto negotiations, their recent bail-out from that multilateral process and Bush's rush into right-wing isolationism, the Commissioner has his work cut out. Maybe Lamy is hoping that his personal friendship with US Trade Representative Robert B. Zoellick, and his efforts to buy-off the least developed countries (LDCs) with the fraudulent "Everything but Arms" proposal will shift the balance in his favour, but the triangulation will be tricky.

At the end of his dinner speech, Commissioner Lamy invited questions, but none came. Maybe everyone had heard the answers before.

Parliamentarians speak out

Apart from the big name speeches, there were two sessions of five-minute statements that were interesting and varied: far more varied, I imagine, than the organising committee had hoped.

All developing country parliamentarians expressed deep reservations about the current trading system, citing imbalances in the rules, lack of attention to implementation and unequal sharing of benefits. Many spoke warmly of civil society's efforts to raise awareness of trade issues. Most were politely — and sometimes genuinely — interested in the proposal to set up some kind of parliamentary forum.

Mr Tayel, president of Egypt's parliamentary economic committee asked whether reform is "at the level of the WTO or at the level of propaganda?" while the delegate from Turkey noted that trade is not an end in itself. The vice president of the Greek parliamentary committee on trade and production described Seattle as "a warning to those who are using trade for their own advantage." Could this be the start of an interesting Eastern Mediterranean alliance?

Amongst the EU parliamentarians there were few surprises. The right wing parties (with the exception of the rabid nationalists and a few sensible "small l" liberals) and most of the Social Democrats are gung-ho liberalisers who believe that the system is basically sound, that trade is good for the poor and that all we need is a little more transparency and democracy, parliamentary involvement and the participation of "reliable NGOs that we can work with."

Among the few who dared to challenge the dogma that "trade brings sunshine and happiness" were Green politicians Caroline Lucas from the European Parliament and France's Marie-Helene Aubert. Both said that a parliamentary forum was premature and that in any case the role of parliaments is to control, rather than oversee, the WTO. Caroline Lucas was unambiguous in her opposition to a new round.

Of the non-government speakers, Mr Watt of the World Federalists of Canada made an assessment of a parliamentary or civil society forum, weighing the risks of co-option against the benefits of bringing in a broader agenda. At least, he said, it could be a catalyst for further reforms. The ICFTU made its plea for social principles to be incorporated into the rules. On behalf of Focus, I called for a complete overhaul of the system, questioning the assumed benefits of export-oriented trade and the role of TNCs and financial markets. The chairman thanked me for these "interesting" views.

The International Parliamentary Union was not represented: maybe they were too busy preparing for their own conference on the WTO in Geneva in June.

Let a thousand flowers bloom?

At the end of the seminar there was no consensus and the chairman was forced to prepare his own statement, which was nonetheless presented to the media (by four European males) as the outcome of the meeting.

The Greens, Regionalists and other radical political groups were agitated about the undemocratic way in which the seminar was planned and the results conveyed to the press. Stephen Emmott, a policy adviser to the UK Green Caroline Lucas described it as an "exercise in political one-upmanship by some politicians, rather than any genuine attempt to bring the WTO under any workable form of democratic control." Obviously the European Parliament itself has a long way to go in terms of internal transparency and democracy.

How should we respond to this proposal?

If it stays in the hands of a cabal of right-wing European parliamentarians then it is going nowhere: after all, it took one and a half years simply to organise a two-day meeting. But even as this seminar showed, there are many views about trade, development and democracy, and there is a lot to be gained by having many and varied forums to debate the issues. The debate should continue, and it should be expanded to include a much wider representation of parliaments and political groupings. This would be a good thing. The risk is that a quick-fix parliamentary forum could be used to give the glow of healthy legitimacy to a sick institution. But I suspect that even the fig leaf of a parliamentary forum – and especially one driven by the North – is far too small to cover the flaws of this particular international body.

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WTO tries to subvert developing countries' resistance to new trade talks

By Walden Bello*

(This article originally appeared in the Bangkok Post, March 27, 2001)

The recent World Trade Organisation (WTO) meeting in Chiang Mai that evoked widespread protest underlines the desperation that now grips what is probably the world's most unpopular organization.

Initially, the seminar had a low profile. This was not surprising. For while trade and environment was the formal agenda of the meeting, the informal agenda was a very controversial one: to pressure government officials to commit themselves to launching a new round during the Fourth WTO Ministerial in Qatar in November.

This is typical WTO modus operandi: use every key inter-governmental meeting to get governments into line behind a new trade round. The WTO did this at the APEC Summit in Bandar Seri Bagawan last November. They tried to do this again, unsuccessfully, at an African leaders' meeting several weeks ago.

Even as the WTO is twisting the arms of Asian governments behind a new round, it is also attempting to gain support for a new round from Asian civil society. The WTO knows that even if the governments commit to a new round in Chiang Mai, civil society opposition in their countries could still push them off the bandwagon. Thus a trade and environment seminar for civil society organizations, also held in Chiang Mai and fronted for the WTO by the Geneva-based International Center for Trade and Sustainable Development (ICTSD), was held immediately after the inter-governmental meeting.

Why a New Trade Round is Bad for the South

Most developing countries are opposed to a new trade round. The reasons are obvious. They have not yet absorbed the demands on them by the Uruguay Round. Many countries, for instance, have still not changed their domestic legislation to make them WTO-consistent. They are bitter that many of them, in fact, lost rather than gained from the Uruguay Round. The United Nations Development Program estimates that under the WTO regime, in the period 1995 to 2004, the 48 least developed countries will actually be worse off by $600 million a year, with sub-Saharan Africa actually worse off by $1.2 billion! UNDP also says that 70 per cent of the gains of the Uruguay Round will go to developed countries, with most of the remainder going to a relatively few large export-oriented developing countries.

WTO Director General Mike Moore and UK Development Minister Clare Short have tried to sell a new round as a "Development Round." But the reality is that main agenda for liberalization has more to do with opening up their economies to greater penetration by northern transnational corporations. The so-called "New Issues" that the developed countries want to make the centerpiece of negotiations are investment policy, competition policy, government procurement policy, labor standards, and environmental standards. The object of the first three is to give TNC's "national treatment," that is, to strike down preferential treatment given to local producers and contractors. As for labor and environmental clauses in WTO agreements, developing countries fear that their intent is simply to serve as barriers to the entry of developing country imports while many southern NGOs regard them as giving the WTO tremendous power in areas where it does not have competence.

A new round is like a Pandora's box. Once you open it, all sorts of issues detrimental to the interests of peoples and countries may emerge. The United States may even use it to push for a revision of the Agreement on Sanitary and Phytosanitary Standards along lines that would support its concept of "sound science" as a methodology in order to force other economies to accept genetically modified organisms (GMOs).

What WTO Members Should be Doing

Instead of engaging in a new round of trade liberalization, the majority of members of the WTO should spend the next few years repairing the Uruguay Round so that it does less harm to the interests of developing countries. In other words, they should work to significantly dilute the impact of a bad agreement, as part of a strategy to ultimately reduce the power of the WTO.

Here there are a number of priority areas:
1. The Trade Related Intellectual Property Rights should be revised so as to ban the patenting of all life forms including microorganisms and to strengthen intellectual property systems-the so-called sui generis systems-that protect the knowledge of local and indigenous communities from biopiracy. The priority of public health concerns over in-

tellectual property rights should also be established-a move that will, among other things, enable HIV-positive people to buy life-prolonging patented drugs as low prices.

2. The Agreement on Agriculture (AOA) should be radically amended to eliminate tariff peaks and tariff escalation against Southern agricultural exports, end the massive subsidies for developed country farming interests, do away with the different forms of direct income support for developed country farming interests, institute a food security exception to market access rules, and recognize the principle of "Special and Differential Treatment" for developing countries that would allow them greater latitude in their interpretation and implementation of AOA rules. The strategic goal of this process should be to effectively remove agriculture, which is a way of life, from the WTO straitjacket.

3. The Agreement on Trade-Related Investment Measures (TRIMs) must be revised to drop the ban on local-content policies. Trade policy has traditionally been a mechanism used by developing countries to industrialize. The ban on local-content policies, which specify that a determined amount of a product be sourced locally instead of being imported, practically eliminates this positive use of trade policy for development.

4. The Special Ministerial Decision approved at Marrakesh in 1994 to provide assistance to Net Food Importing Developing Countries (NFIDs) still has to go into effect in spite of the fact that the AOA has raised the prices of food imports by these countries. It should be implemented immediately.

5. The WTO must force the developed countries to live up to the commitments they made to lift import barriers under the Agreement on Textiles and Clothing. Seven years into the WTO, the US, EU, and other developed countries have scarcely lifted their quotas against Third World imports. For all intents and purposes, the restrictive Multifiber Agreements (MFA) remain in place.

6. Last but not least, the WTO decision-making structure must be overhauled. The so-called "Green Room/Consensus process" has ensured that a few countries dominate decision-making in the WTO. Even Charlene Barshefsky, the US Trade Representative during the 1999 Seattle Summit, acknowledged that the WTO was undemocratic: "The process…was a rather exclusionary one. 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 in the room."

After the developing countries rebelled against this exclusionary decision-making process in Seattle, Stephen Byers, the UK Minister of Trade and Industry, commented: "The 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."

Yet scarcely three months after Seattle, during UNCTAD X in Bangkok in February 2000, Mike Moore said that the Green Room/Consensus process was "non-negotiable."

Decision-making is a fundamental issue. The developing countries and international civil society cannot agree to a new trade round unless the fundamental inequity in decision-making is banished from the WTO.

Is Free Trade Obsolete?

When the WTO came into being in 1995, free trade was seen as a panacea, a cure for poverty, inequality, and almost everything else. The Washington Consensus that formed the intellectual pillar of free trade and structural adjustment seemed to carry all before it. Today, the situation is radically different. The alleged benefits of free trade and free markets are challenged everywhere. For instance, an authoritative UNCTAD study covering 124 countries showed that during a period of greater global trade liberalization from 1965 to 1990, the income share of the richest 20 per cent of the world's population rose from 69 to 83 per cent of total global income. As for the so-called positive relationship between free trade and growth, the emerging consensus is laid out by Harvard Professor Dani Rodrik:

"Do lower trade barriers spur greater economic progress? The available studies reveal no systematic relationship between a country's average level of tariff and non-tariff barriers and its subsequent economic growth. If anything, the evidence for the 1990's indicates a positive relationship between import tariffs and economic growth. The only clear pattern is that countries dismantle their trade restrictions as they grow richer. This finding explains why today's rich countries, with few exceptions, embarked on modern economic growth behind protective barriers but now display low trade barriers."

In the face of such evidence, C. Fred Bergsten, the head of Washington's Institute of International Economics (IIE), a noted partisan of free trade and the WTO, now says that there "has to be an honest recognition and admission that there [free market globalization] has costs and losers," [that] "globalization does increase income and social disparities within countries" and "does leave some countries and groups behind."

What the developing world needs is not a new round but a moratorium on trade liberalization.

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Trading the Environment

by Shalmali Guttal*

The trade and environment nexus has become seriously contested ground in the North and South alike. While no-one wants the environment sacrificed to free trade or economic development, serious differences in approaches to environmental protection have divided government and non-government actors engaged in trade, environment and development issues. This divide became particularly pronounced during the shrimp-turtle dispute in 1996, when the US imposed a ban on shrimp imports from producers that did not use Turtle Excluding Devices (TEDs) in fishing operations.

The ban affected shrimp exports to the US from at least 50 countries and was lobbied for by the Earth Island Institute on the grounds that since the US had already imposed requirements for the use of TEDs for shrimp imports from the Caribbean, the same requirements should then also be extended to other sources of shrimp imports. The countries most significantly affected by the 1996 ban were from Asia. In response, Thailand, Malaysia, Pakistan and India filed a formal complaint against the US in the WTO, and 25 other countries reserved rights in the dispute as "interested parties." (1)

A number of Northern environmental organisations supported the US move on the principle that governments should be able to restrict imports if the imported goods are produced though unsustainable production processes and methods (PPMs). But Asian and other Southern environmentalists—who were also concerned about the endangerment of the sea turtle—were deeply outraged by the US move to apply its domestic law to activities outside US jurisdiction. In their view, international restrictions, bans, sanctions, etc. concerning the environment should be imposed according to clear-cut rules of multilateral environmental agreements (MEAs) that are negotiated among countries, and not through unilateral action by a single, powerful nation.

As the debate unfolded, the central issue of the dispute moved away from protection of the sea turtle towards the US's treatment of its trading partners. The Earth Island Institute's position was apparently motivated by the need to protect the endangered sea turtle. However, it argued that if the US did not ban shrimp imports from non-TED using producers, shrimp producers in the Caribbean would be placed in uncompetitive positions compared with shrimp producers elsewhere. Further, while it was widely accepted that the sea-turtle was indeed endangered, little accurate baseline data was presented by supporters of the ban on the actual numbers of sea turtles in Asian waters, or on the various activities that threatened its existence (2). For those who opposed the ban, the issue was clearly one of trade barriers, unilateralism and economic dominance by a powerful Northern country.

Today, while the unfortunate sea-turtle has all but faded from public view, debates about using trade linkages as a means to protect and preserve the environment continue to rage on various fronts.

Many Southern environmentalists and activists see a serious threat to sustainable development emerging not only from unilateral trade actions such as the US shrimp ban, but also from a variety of environmental measures that, while taken for a good cause, become de facto a form of "green protectionism." Such measures have differential impacts on populations depending upon their respective social, economic and cultural positioning, gender, access to political power, etc.

For many communities in the developing world, sudden shifts in patterns of natural resource use or consumer preferences do not necessarily mean environmental protection; on the contrary, they more often than not lead to reduced livelihoods and greater impoverishment, especially among subsistence or small producers. A long history of expropriation and over-exploitation of natural resources through colonialism and extractive development models have rendered producers in developing countries dependant on the markets of wealthier, industrialised nations. And when these markets are used as negotiating instruments for environmental protection, one is compelled to ask: are trade rules indeed effective in protecting and sustaining healthy environments? If so, who's environments? And at what costs?

From a political ecology perspective, it is untenable to claim that environment measures linked with trade can be applied on a "one-size-fits-all" basis. Agreements on environmental quality and safety standards, ecologically sound production practices and even sustainable development need to be considered within the widely varying historical, political, socio-cultural and economic contexts in the traditional North and South.

Environmental Standards, Packaging and Labeling

More and more in the North, due to pressure from environmental groups and environmentally conscious consumers, standards mandating product content, production processes and product packaging are being introduced which, if incorporated into trade regulations, would permit countries to ban or restrict imports of products that do not meet the specified standards. While eco-labeling in the North is still voluntary, its growing preference among environmentally conscious consumers poses a significant threat to market access among producers in developing countries. To compete in potentially environment-friendly markets, these producers would need to invest significant amounts in new technologies, new raw materials, new chemicals, new production processes, testing and certification which would increase the costs of their products, thus making them less competitive in foreign markets.

A study conducted by the United Nations Conference on Trade and Development (UNCTAD) found that in the Indian leather tanning and textile industries (which are key export earners), the costs of eco-friendly dyes required to meet international standards in the leather-tanning industry are approximately three times higher than the costs of the dyes currently being used. (3) For Indian leather products, the cost of testing and certification alone is said to be as high as 33 per cent of the current export price. Further, According to UNCTAD, 60 per cent of Asia's manufacturing exports originate in areas where new environmental requirements are emerging.

While large manufacturers in developing countries might have the capital and technological capabilities to adjust to higher environmental standards, small and medium enterprises, which have neither the cash nor technological sophistication, will face greater difficulties. Most producers, consumers and workers in developing countries also want cleaner environments and higher safety and environment standards for production practices and product content. However, research and ownership of new, environment-friendly technologies and materials that can be used for large-scale production are largely concentrated among rich, Northern institutions, thus placing southern producers at a technological and economic disadvantage right from the start.

Existing trade and investment rules—especially those in the World Trade Organisation (WTO)—have been particularly detrimental to developing sustainable environmental standards and implementing existing MEAs. WTO rules can demand that a nation remove existing domestic laws that support socially responsible and ecologically sustainable industries, and introduce new regulations conducive to foreign investment. The threat of WTO trade action was used to delay agreement on both Persistent Organic Pollutants and the Bio-safety Protocol which deals with genetically modified organisms. (4)

Even when environment standards are accepted, they are not applied equally across countries. While the US felt justified to ban the imports of certain types of shrimp, it vigorously contested the labelling of genetically modified foods and filed against the European Union (EU) in the WTO to protest the EU ban on imports of hormonally treated beef. Further, within the framework regional trade agreements such as NAFTA, transnational corporations have been able to obtain exclusions from domestic environmental regulations and from compensatory payments of damages to those who have been negatively affected by violations of domestic laws.

So while on one hand Northern activists argue for higher environmental, safety and labour standards, on the other hand, developing country governments are vigorously urged in the name of free trade and development to create conditions to attract foreign capital and industry, including relaxation of domestic environment and labour regulations. In such a state of affairs, "green" and clean production will continue to remain largely in the hands of large manufacturers and producers (mostly from the North), while small and medium size enterprises (mostly from the South) who are unable to meet the higher environmental and labour standards will be gradually edged out of the market altogether.

Agriculture and the Environment

Free trade rules pertaining to agriculture have had particularly complex impacts on the environment, ranging from environmental degradation and loss of bio-diversity to food crises and outward migration of agricultural labour. The importance of environmental quality and protection are clearly visible in the struggle for food security among subsistence and small farmers, fishers, and other agricultural producers across the world. But global free trade rules have served to undermine both the capacity and the potential for communities and nations to be genuinely food secure.

For a huge proportion of people in the world (especially in developing countries), food security means that families, communities and nations can produce enough food from their own resources, and stock up sufficient surplus for times of scarcity and hardship. Further, agricultural products such as jute, rubber, coconut and natural fibres are crucial raw materials for local/national industries and markets which in turn strengthen local/domestic economies, thus creating conditions for long term food security and sovereignty. And for the majority of subsistence and small agricultural producers, the immediate natural environment is the most important and direct source of food and livelihood.

However, the free trade approach to agriculture seems to assume that it is more desirable for a country to import food if it is cheaper compared to its own production. Coupled with the still popular "comparative advantage" theory of production, this approach pushes producers to move from agricultural diversity and seasonal cropping towards mono-cropping and homogenised production for export and large domestic markets. This calls for significant changes in production and resource management methods, and increased (often indiscriminate) use of costly, imported inputs such as chemical pesticides and fertilisers which seriously damage land, forests, water, and human and animal health.

But what really is the meaning of "cheaper" production? The main food exporters in the world today are the European Union (EU) and the USA, whose agricultural sectors receive substantial domestic supports from their governments for production, distribution and export through a variety of mechanisms such as direct payments for controlled production, price guarantees, subsidies and grants for research and development, tax incentives, testing and certification of environmental health and safety standards, services for environmental protection and clean-ups, and so on. Insulated from market forces (and in many cases, from social responsibility), these producers have been able to increase their production to levels high enough to give them significant competitive edges in world agriculture markets. In effect, domestic agricultural supports in rich countries absorb the environmental costs of large-scale agricultural production. In cases where these costs cannot be fully absorbed, they are transferred to the producers of developing countries through environmental standards, trade restrictions and quotas.

A study of fisheries and trade by Greenpeace and the Centre for International Environmental Law (CIEL) points out that government subsidies to the fishing industry in developed countries are one of the underlying causes of overexploitation of fisheries (5). Subsidies undermine the adoption of ecologically sound fishing practices, encourage over-capacity, attract more people to enter and remain in the industry, and induce producers to adopt new technologies by reducing the risks of investing. Since the cost of subsidised fishing is less than its real cost, producers have no incentive to adopt resource and energy saving production and processing methods. The overall result is over-fishing and inefficient fishing. A serious consequence of this is that these subsidised producers then move to other waters—often in developing countries—thereby threatening the livelihoods of non-subsidised, local and smaller fishers.

Most developing countries do not have the capacity and resources to provide supports that would enable their own domestic producers to compete with subsidised ("cheaper") products from wealthy, developed countries. Their way forward has been to hasten the integration of their unprotected rural economies into global trade regimes with the hope that despite market Darwinism, benefits will somehow trickle down to the weaker producers. The more common aspects of this integration include: replacement of diverse, combination crops with mono, cash crops and plantation farming; incentives for commercial fisheries and aqua-culture over localised, seasonal harvesting of fish, shrimps, etc.; increased use of chemical inputs, commercial seeds and commercial animal breeds; expansions of large scale irrigation schemes and water management infrastructure; privatisation of land, forests, wetlands, and water; deregulation of commodity prices and agricultural credit; and, the introduction of new, legally enforceable property regimes. These measures are resulting in the loss of local species varieties and traditional knowledge, degradations in soil and water quality, deforestation, altered ecological systems, decreased access to productive assets and reduced availability of local foods.

Many developing countries have natural resources that industrialised countries need to feed their economies. Tariff structures on agricultural imports in industrialised countries show that tariffs on imports of raw materials are significantly lower than those on processed goods (6). Continuing and large-scale exports of resources such as timber, forest and aquatic products, and minerals from developing countries have resulted in restricted access of local populations to much needed natural resources, widespread environmental degradation and overall diminishing of the natural resource base in these countries.

While relatively better off producers in developing countries have been able to adjust to and even benefit from these trends, small scale and subsistence producers have been seriously affected by the re-configuration of agricultural production by free trade principles. More and more, in an effort to compete and serve fickle markets, small farmers and fishers are producing food and other products that they simply cannot afford to consume themselves. In order to purchase the inputs and technology required to produce for large domestic and export markets, agricultural producers all over the world are going deeper into debt to banks and agro-business companies, and in many cases have lost their lands and other assets altogether.

For small-scale and subsistence producers, "cheaper" means that they are able to produce, consume and trade primarily through the use of their own resources, which include land, water, labour and capital. Equally important, it means that they have a significant measure of control over how their natural environment and resources—both private and common pool—are used and managed.

Trade Related Intellectual Property Rights (TRIPS)

Introduced in the WTO in 1994, the agreement on Trade Related Intellectual Property Rights (TRIPs) covers protection of intellectual property for both products and production processes through patents and copyrights, and extends to pharmaceutical products, micro-organisms and micro-biological transformations. Attempts to extend TRIPs coverage to plant genetic and other living species were blocked by developing countries in the past. Most significant of the consequences of this agreement are the privatisation of collective knowledge, practices and natural resources, and deterrence of technological innovation among poorer, developing countries.

The TRIPs agreement is in the interests of large companies engaged in research and development. It is extremely problematic for developing countries who not only lack the economic and human resource capacity to do little original research, but also, who have not used patenting as a widespread legal form of ownership to begin with. About 95 percent of all patents in the world today are held in industrialised countries, with more than half of all royalties going to the USA (7). However, a significant number of patented products originate in developing countries that never share in any of the benefits of patents and copyrights.

The application of TRIPs to pharmaceuticals has been a significant blow to developing countries with national pharmaceutical industries such as India, Brazil and Argentina. In these countries, patents—when granted—have been for production processes and not the product per se. As a result, by producing drugs through slightly different processes from transnational corporations, countries have been able to encourage the availability of essential drugs at domestically affordable prices. However, since the TRIPs agreement stipulates patenting for both products and processes, royalty payments must be made even if a drug is manufactured through a different route (8).

Another major problem area is patents for biotechnology and genetically engineered and modified organisms. Northern companies are claiming patents on genetic materials, biological varieties, knowledge and production processes which originate in developing countries and are often results of generations of communal technological innovation. Through TRIPs, not only will countries have to pay royalties on patents of their own, indigenous intellectual and biological properties, but also, there is no mechanism by which these countries and local communities—the real innovators—might obtain a share of the profits. This is particularly evident in cases of extracts from local flora and fauna which have rarely been protected by patents in their countries of origin, but are now claimed as the intellectual property of multinational corporations.

WR Grace, a US multinational company, has received a process patent for extracting an active ingredient from the Neem tree, a tree which has been widely used for medical, agricultural and cosmetic purposes for centuries in India. Similarly, Merck, another leading western pharmaceutical firm has applied to patent an anti-coagulant developed from the Tikluba plan which has long been used by indigenous people in the Amazon. The case of Jasmati rice is already well known where a US firm has cross bred traditional basmati and jasmine varieties from India and Thailand, and patented the final product. (9)

Like other WTO agreements, the TRIPs agreement contravenes already existing conventions on protection of bio-diversity, genetic varieties and intellectual property rights such as the Convention on Biological Diversity and the FAO International Undertaking for Plant Genetic Resources. It offers a clear example of how trade rules are manipulated not to protect or uphold environment standards, but rather to exploit environmental wealth and foster corporate control over resources.

Collective Responsibility for Collective Concerns

It is abundantly clear that the lives of a significant proportion of the world's population are inextricably intertwined with the natural environment. Environmental degradation and loss of natural resources threaten the very survival of these populations. There is also plenty of evidence to show that the diversity and quality of environments—particularly in developing countries— have been endangered by concurrent trade and investment liberalisation regimes fostered by the WTO and its global/regional allies. Claims that the environment can be protected and sustained through trade linked environment measures are as contradictory as they are far-fetched. Past attempts to link environmental standards with trade actions in the WTO have not led to any significant improvements in environmental quality. Instead, they have transferred the burden of new environmental conscientiousness and green consumerism on to small, unprotected producers in the South—and some in the North as well—who are already disadvantaged by economic policies that favour the rich over the poor.

While establishing sound environmental standards is a noble goal, such standards need to be determined through broad based, multilateral efforts that take into account historic inequalities of political and economic power, and include positive measures to prevent further entrenchment of these imbalances. A number of MEAs already exist, but have been bypassed and rendered ineffective through the expansion of neo-liberal trade and investment policies. These MEAs need to be revived, reviewed and where necessary, new agreements and guidelines need to be developed with active participation from governments, civil society and multilateral institutions.

If the environment is indeed to be a collective concern, then there must also be collective responsibility to ensure that environmental standards do not become de facto green protectionism that discriminate against developing country producers and populations. Environment agreements must be accompanied by support for affordable technology transfer to upgrade and render more environmentally friendly the production processes in the South. This would include loosening patent and copyright rules held by Northern companies so that small producers could also adopt at reasonable prices, new, Northern-owned, eco-friendly technologies. Another positive measure would be financial support for indigenous research and development in the South in order to develop appropriate technologies to meet higher environmental standards. At the same time, far greater recognition needs to be given to already existing indigenous knowledge systems and production practices. The contributions of local populations in advancing new technologies and science must be acknowledged and compensated, as must their rights to natural resources. Equally important, the rights of these populations to protect and where necessary fashion new resource tenure systems must be supported by State and civil society alike.

In summary, the trade-environment debate needs to move beyond narrow environmentalism that may serve to ease the consciences of those worried about endangered species, but does little to address more fundamental questions of food and livelihood security for a large portion of the world's population. The debate must acknowledge how different types of environment linked trade measures would entrench already deteriorating terms of trade against poor countries in the South. If environmental standards are a high priority for sustainable development, then they should receive genuine attention as such and not be used as tools for facilitating or prohibiting market access.

By the same token, disputes related to environmental standards should be addressed in independent, multilateral for and not in the WTO. As an institution, the WTO is structurally incapable of supporting dispute resolutions that can simultaneously address the complexities of environmental sustainability, equitable development and economic justice. It is imperative that trade-environment conflicts are resolved through multilateral and pluralistic approaches that involve a variety of civil society and State actors, and not through unilateral linkages that permit punitive actions by a powerful few.

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No Logo: A Brilliant but Flawed Portrait of Contemporary Capitalism

A review of No Logo, by Naomi Klein, HarperCollins/Flamingo, London, 2000.

By Walden Bello

When the young Canadian woman modestly handed me her book, with the quiet dedication "to Walden, with respect and solidarity," little did I know that I was receiving a stick of dynamite. Before our meeting at the World Social Forum in Porto Alegre, Brazil, a few weeks ago, I had, of course, heard of Naomi Klein and had read somewhere that her No Logo was fast becoming the anthem of the anti-globalization movement. But nothing had prepared me for the dizzying intellectual experience of going through the book.

No Logo is compelling, but it is not an easy read. Reading Klein is like serving alongside a skilled commander, who probes the enemy's many defenses to expose them in order to better locate the principal point of vulnerability. The probing is incessant, and just when the reader thinks the author has identified the key to the defense, she reveals that this is only one episode in unraveling the dynamics of contemporary capitalism. She pushes on with the reconnaissance, but you can only take so much in one sitting. This is deconstructive writing at its best, the product of a first-rate, restless mind that is not satisfied with drawing a solitary insight or two from her material but a train of them.

Klein's analysis is not without its flaws, and these are not insignificant. But before pointing these out, one must first unpack the gems, for they are priceless.
Age of the Brand

Klein's essential point is that capitalism in the age of globalization is the age of the brand, the logo. Logos are everywhere, staring at you during your most private operation in the john; invading once clearly marked delineated public spaces like schools; becoming, like the Nike swoosh, the centerpiece of athletic and cultural spectacles. We live in a "branded world" where taste, cultural standards, and ultimately even values are increasingly defined by mega-brands like Nike, whose swoosh has come to represent the ultimate in athletic style and whose slogan "Just Do It" identified it with the assertion of individuality.

The Age of the Brand witnesses the evolution of a new relationship between the producer and its product. Whereas brands were originally meant to assure the quality of the product, today the brand has detached itself from the product to become instead the selling point. Klein distills this insight in one gem of a paragraph that is worth quoting in full:

Many brand-name multinationals are in the process of transcending the need to identify with their earthbound products. They dream instead about their brands' deep inner meanings—the way they capture the spirit of individuality, athleticism, wilderness or community. In this context of strut over stuff, marketing departments charged with the managing of brand identities have begun to see their work as something that occurs not in conjunction with factory production but in direct competition with it. 'Products are made in the factory,' says Walter Landor, president of the Landor branding agency, 'but brands are made in the mind.' Peter Schweitzer, president of the advertising giant J. Walter Thompson, reiterates the same thought: 'The difference between products and brands is fundamental. A product is something that is made in a factory; a brand is something that is bought by a customer.' Savvy ad agencies all have moved away from the idea that they are flogging a product made by someone else, and have come to think of themselves instead as brand factories, hammering out what is of true value: the idea, the lifestyle, the attitude. Brand builders are the new primary producers in our so-called knowledge economy.

Brand after brand is unsparingly deconstructed: Levi Strauss, Starbucks, Pepsi, McDonalds, Wal Marts, MTV, Tommy Hilfiger, to name just a few. It is, however, Nike that is the book's bete noire and Nike CEO Phil Knight that emerges as its anti-hero.

Nike: The Brand Takes Center-Stage

Nike began as a firm identified with a popular "high tech" sneaker, which soared on America's jogging craze in the sixties and seventies. It was, however, in the mid-eighties, when the jogging mania subsided and Reebok cornered the market in trendy aerobic sneakers that Phil Knight pushed the transition of Nike from being a sneaker producer to being promoter of a lifestyle, to being the "essence of athleticism."

Nike signed on Michael Jordan to personify the Nike spirit, clambering on Jordan's basketball skills to become a superbrand while simultaneously turning Jordan into a global superstar with a stunning advertising campaign. Then Nike went on to become a force in professional sports, buying the Ben Hogan Golf Tour and renaming it the Nike Tour, setting up a sports agency of its own to represent athletes in contract negotiations not only with team owners but also other would-be corporate sponsors, and even creating Africa's first Olympic ski team for the 1998 Winter Olympics in Nagano. The third step was to "brand like mad," meaning stamp the Nike swoosh on all clothing connected with sports: track suits, T-shirts, bathing suits, socks. And the aim of all this? "[B]y equating the company with athletes and athleticism at such a primal level," asserts Klein, "Nike ceased to merely clothe the game and started to play it. And once Nike was in the game with its athletes, it could have fanatical sports fans instead of customers."

Having identified Nike with sports, Knight is moving to bring the swoosh to new frontiers, like entertainment, where he is about to launch a swooshed cruise ship. The latest marketing doctrine motivating Nike and other successful brands is that profitability lies in creating "synergy." Simply dominating an industry is no longer enough. The brand must expand laterally into other dimensions of existence, from sports to entertainment to school to culture. "[I]f music, why not food, asks Puff Daddy. If clothes, why not retail, asks Tommy Hilfiger. If retail, why not music, asks the Gap. If coffee houses, why not publishing, asks Starbucks. If theme parks, why not towns, asks Disney."

It was not only size that motivated the mega-mergers of the 1990's, says Klein. America Online's merger with Time, Viacom with CBS, Disney's purchase of ABC—all this and more were driven by the desire to enclose the consumer's waking life within the brand. With the brand moving from denoting a product to denoting lifestyle, the aim has become no less than to seduce the consumer into believing that "you can live your whole life inside it." Thus the fiercest fights are no longer between warring products but "between warring branded camps that are constantly redrawing the borders around their enclaves, pushing the boundaries to include more lifestyle packages…."

"Hijacking Cool"

The flight from selling the product to selling a lifestyle associated with a brand takes place in a market that is dominated by the "youth demographic." Thus the importance of being associated with what is "cool." And "cool," Nike and Tommy Hilfiger discovered, was to be found in the black ghetto. The megabrands cloned ghetto wear, testmarketed them among poor young blacks in America's inner cities, then spun them off into the white middle class youth market. What the admen saw as innovative marketing, Klein sees as an essentially parasitic relationship. And what the brands did to cultural expressions of youth alienation and revolt—punk, hip-hop, fetish, and retro—they also did to feminism, gay liberation, and multiculturalism. That is, turn anti-establishment themes into promotional hits for the brands, like Nike's "Just do it." Not even the corporations' fiercest enemies were spared from being potential advertising copy. Nike offered Ralph Nader $25,000 to hold up an Air 120 sneaker while saying, "Another shameless attempt by Nike to sell shoes." Nader refused.

Fleeing the Factory

The flight from product marketing to brand marketing has relegated manufacturing to a subordinate role in contemporary capitalism. Contracting out production to nameless producers kept on a tight leash, the mega-brand innovators found, could save money that could then be plowed back to marketing the brand. "Traveling light" came into vogue, meaning shedding your own factories, cutting your work force, and passing the dirty task of production to fly-by-night Taiwanese or Korean operators moving from one export processing zone to another in Asia.

Some of the book's most poignant pages are on the life of globalization's paradigmatic labor force: unionized, horribly underpaid, permanently "temporary" female workers in the export processing zone of Rosario, Cavite, in the Philippines. Here the illusion of the benefits of foreign investment for developing countries is dashed to pieces by the reality of young lives wasting away in factories that are more like prisons, of wages that are so low that most workers' pay is spent on shared dorm rooms, transportation, and basic sustenance, of government officials so scared of investors leaving for Vietnam or China that they offer the footloose subcontractors all sorts of tax breaks and dare not allow unionism.

As in other matters, Nike led the way. Shedding its factories in the North, Nike transferred its production to subcontractors, who proceeded to do the dirty work of squeezing wages, institutionalizing forced overtime, and preventing union organizing. That the same subcontractor sometimes churned out Nike sneakers along with Adidas and Reebok sneakers was not unusual. When confronted with accusations of exploiting labor, Nike, Adidas, and Reebok would wash their hands off responsibility, saying that that was a matter between workers and the subcontractor.

What goes around comes around, and what Nike and the other megabrands did to workers in the South, they also did to the young workers selling their products in the North: eliminate permanent employment, do away with benefits, pay them the minimum wage, keep them part-time, and sever the last non-instrumental tie by contracting them from temp agencies. Many functions that were once performed in-house by permanent employees have now been contracted out wholesale to temp agencies which "have become full service human resource departments for all your no-commitment staffing needs, including accounting, filing, manufacturing and computer services." The new mantra for the street-smart CEO comes from Tom Peters: "You're a damn fool if you own it." And the apotheosis of the age is the CEO for hire, like "Chainsaw" Al Dunlap, an individual paid millions in salary and stock options to put a corporation back in the black, whose first act in office was almost invariably to slash the work force.

The result was corporate overreach. Any student of social movements could have told the wonder boys of brand capitalism that the combination of invasive advertising, cultural piracy, casualization of the labor force, and desertion of communities would create resistance, and that it would spur a backlash even among the very people that whose taste, style, and values the megabrands had labored so hard to mold: the young. In a series of well-publicized David-versus-Goliath confrontations in the 1990's, public opinion tilted the balance towards the Davids. Nike confronted the global anti-Nike campaign, and it blinked. Shell and Greenpeace fought at close quarters over the Brent Spar in the North Sea, and Shell retreated. McDonalds sued two environmentalists in London for libel, and it ended up crying uncle. By the late 1990's, these campaigns and others were merging into a real global anti-corporate movement, one that was intensely political but, unlike the old left, decentralized, pluralist, non-hierarchical, intensely networked via the Internet—thanks to folks like AOL's Steve Case and Bill Gates—and uncompromising. "When I started this book," writes Klein, "I honestly did not know whether I was covering marginal atomized scenes of resistance or the birth of a potentially broad-based movement. But as time went on, what I clearly saw was a movement forming before my eyes." Written before the Seattle Uprising that brought down the WTO Ministerial in December 1999, No Logo was prophetic.

But Manufacturing Matters

No Logo is brilliant but flawed. At every opportunity, Klein reminds us that in today's capitalism, manufacturing has yielded the place of honor to marketing. This is, however, a case of pushing an insight a bridge too far. The decentering of manufacturing may well be the case in the footwear and garment industries, in services, or in entertainment, where technological input is low relative to other sectors of the economy. But it is definitely not the case in those sectors that drive the rest of the economy, like the electronics industry.

Intel, for instance, functions like an old fashioned brand. It does not denote a distinctive lifestyle like the Nike swoosh does; it signals that you are using state-of-the-art chips. Likewise, the Cisco Systems logo denotes only one thing to the thousands of dot.com businesses that rely on it for the key components of the hardware and software that make the Internet possible: that its manufactured products are indispensable. The Microsoft Windows brand may denote all sorts of things, but if the firm's capabilities of its software and Internet products fall behind the competition, not even the slickest brand campaign will be able to protect Microsoft's bottom line. Marketing differentiates otherwise similar products in the light industrial, retail, and service sectors. Manufacturing matters once you get to the technology-intensive sector.

As in earlier eras of capitalism, the edge in production today is provided by superior capital resources, monopoly over high technology, and control over markets. Market dominance is not simply a function of good marketing. It is dependent on generating the capital resources that would give one a lock on cutting-edge technology that can translate into a superior product. Of course, light industry, retail, and entertainment dance are critical sectors of the economy, but they dance to the tune of the revolutions in the techno-manufacturing sector.

Indeed, even in light industry, the focus on marketing instead of production is actually a defensive move stemming from developments at the level of production. The move from pushing the product to flogging the brand came after Asian producers began to swamp the US market with imports that were not only cheap but damn good.

Moving upmarket and leaving the lower end to the Asians and other developing country producers provided only temporary relief since it was only a matter of time before the Asians could match the Northern firms in design and quality, as Hongkong-based producers like Bossini and Giordano showed. Unlike the smaller garments and textile firms that sought to save themselves by pushing their governments to limit Asian imports via quotas, the mega-brands, seeing that this was dead-end solution, chose an innovative defense: subcontract your production to the brutally cost-effective Asian producers, while keeping them in line by tightening up on "intellectual property rights," by securing the passage of draconian international legislation protecting the brand.

The Uses of TRIPs

Thus the importance of the Agreement on Trade-Related Intellectual Property Rights (TRIPs), which is the centerpiece of the landmark General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO). The TRIPs section on the protection of trademarks could easily have been drafted by Levi Strauss or Nike lawyers—and it is surprising is that while she has scattered, sometimes insightful comments on copyright laws, Klein fails to systematically examine the relationship between the emerging needs of the mega-brands and the US government's push for the incorporation of TRIPs into the WTO agreement.

But it is not the section on trademarks that is the most critical part of TRIPs. It is the section on patents, especially patents on process technologies that are at the heart of high technology manufacturing. The TRIPs regime provides a generalized minimum patent protection of 20 years. It radically increases the duration of protection for semi-conductors or computer chips. It institutes draconian border regulations against products judged to be violating intellectual property rights. And it places the burden of proof on the presumed violator of process patents—an interesting reversal of the legal principle of being regarded innocent until proven guilty.

TRIPs was meant to protect the low-tech Nikes and Tommy Hilfigers, but it was intended most of all for the Microsofts, the Pfizers, and the Monsantos. These knowledge-intensive manufacturers are the drivers of the US economy. Monopoly is their game, and the WTO's TRIPs agreement is their medium. Innovation in the knowledge-intensive manufacturing sector—in electronic software and hardware, biotechnology, lasers, optoelectronics, liquid crystal technology, to name but a few industries—has become the central determinant of economic power in our time. And when any company in Asia and other parts of the developing world wishes to innovate, say in chip design or software, it necessarily has to integrate several patented designs and processes, most of them from electronic hardware and software giants like Microsoft, Intel, and Texas Instruments. As the Koreans have bitterly learned, exorbitant multiple royalty payments to what has been called the American "high tech mafia" keeps one's profit margins low while reducing incentives for local innovation.

The likely upshot of all this is that Asian hi-tech manufacturers like Samsung or even Acer will follow the lead of their low-tech brethren in textiles and garments, and subcontract production from the Suns, the Apples, and the Intels. TRIPs enables the technological leader, in this case the United States, to greatly influence, if not determine, the pace of technological and industrial development in rival industrialized countries, the newly industrialized countries, and the developing world. Manufacturing matters, and in this age of globalized production, monopoly of technology provides the critical edge.

Missing I: The Crisis of Overproduction

Klein's focus on marketing instead of manufacturing also leads to quasi-metaphysical formulations like the assertion that it is the need "to transcend the need to identify with their earthbound products" that is the driving force of today's corporations. If marketing has become so fierce and innovative, it is because of the exacerbation, owing to globalization, of the old contradiction that marked capitalism from its birth: the crisis of overproduction or underconsumption.

Capitalism is marked by cycles of expansion and contraction. In the expansive phase, expectations of continuing profit cause firms to invest in capacity. Overinvestment or overcapacity results, leading to a crunch in profits. In the current cycle, profits stopped growing in 1997. With tremendous capacity all around, firms tried to offset the plunge in profitability by reducing competition. "Synergy" may have been a motivation in some cases, as Klein claims, but it was the elimination of competition that was the goal of the most important mega-mergers and mega-"alliances" of the last few years —the Daimler Benz-Chrysler-Mitsubishi union, the Renault takeover of Nissan, the Mobil-Exxon merger, the BP-Amoco-Arco deal, and the blockbuster"Star Alliance" in the airline industry.

The US computer industry's capacity is rising at 40 percent annually, far above expected increases in demand. In the auto industry, worldwide supply is expected to reach 80 million in the period 1998–2002, while demand will rise to only 75 percent of the total. The consolidation of the global car industry into less than 20 major players is essentially a drive to reduce the capacity of an immensely productive industry. As economist Gary Shilling puts it, there are "excessive supplies of almost everything."
Overproduction or underconsumption is a function of consumer demand, and the more the corporations try to increase their profits by limiting competition, the deeper grows the crisis since limiting the competition translates into layoffs and the transformation of the work force into part-time, temporary, free-lance, and home-based workers. This means cutting the very consumer demand that is needed to stimulate production.

Income distribution is another factor limiting demand and inducing overcapacity. While the US economy was expansive in the 1990's, there was a lot of news about how tight the labor market was and how unemployment was down to record levels in the US. But was only around 1997 that real wages registered a slight rise after years of decline or stagnation. As Robert Brenner has pointed out, the massive restructuring to regain profitability that marked the 16-year period 1979–1995, forced the bottom 60 percent of the US labor force to work for progressive lower wages, so that by the end of the period, their wages were ten percent lower than they were in the beginning. The restructuring that is supposed to have made the US economy super-competitive has combined the development of tremendous capacity with the worst distribution of income among the major advanced countries. This is glaring contradiction, suppressed for a time by hyperactivity in the financial sector, that has asserted itself in the spreading recession.

In addition to limiting competition, another mechanism used by the corporations to relieve the crisis of overproduction and profitability is to open up new markets. This drive has intensified in the last two decades, which have seen trade and financial liberalization pushed on Southern economies by the World Bank, International Monetary Fund, and the World Trade Organization. Yet, while liberalization has enabled transnational corporations to penetrate limited middle class and elite markets, it has negated these gains by visiting greater impoverishment and greater inequality on the mass market.

The gap between capitalism's tremendous productive capacity and the limited purchasing power of most of the participants in this system is even more stark at a global level. The number of people living below poverty level globally increased from 1.1 billion in 1985 to 1.2 billion in

1998, and is expected to reach 1.3 billion this year. If you exclude China, where statistics are not reliable, the proportion of the population of the developing world classified as poor had remained broadly constant since 1987, according to the United Nations University-World Institute for Development Economics Research survey. Based on the proportion of the population living in great poverty, there are now 48 countries classified as least developed countries (LDC)—three more than a decade ago.

If one moves from poverty to income inequality as an indicator of purchasing power, the picture is even clearer. A study of 124 countries representing 94 percent of the world's population shows that the top 20 percent of the world's population raised its share of total global income from 69 to 83 percent. Tremendous wealth among the few at the top, tremendous poverty among the billions at the bottom, and a middle stratum whose incomes are eroding or are stagnant—this is the contradiction that is responsible for the overproduction, over-capacity, and under-consumption that is wracking the US-dominated global economy.

The Bretton Woods institutions and the WTO that have played such a critical role in this process of global impoverishment hardly figure in Klein's rogue gallery. Yet, even more than individual corporations, these institutions occupy a special place in the pantheon of targets of the anti-globalization movement. They are seen as the enforcers of the global rules that benefit the TNC's, and activists are right that successfully delegitimizing them will translate into less predictability and tremendous uncertainty for all TNC's operating in the South.

Missing II: The Role of Finance

Klein's neglect of the dynamics of production in the era of global capitalism is a blind spot that also leads her to neglect the centrality of speculative capital in this era. Nowhere in the book does George Soros, one of the two paradigmatic capitalists of our time (the other being Bill Gates), make an appearance. Alan Greenspan, the Asian financial crisis, the hedge fund Long Term Capital, the Citigroup merger, Robert Rubin, the "Wall Street-Treasury Complex"—these actors and events are either absent or mentioned in passing.

Yet, because of the crisis of overproduction and profitability in manufacturing, the US economy and the global economy are increasingly driven by finance, by speculative activity, as analysts like Doug Henwood have pointed out. Diminishing returns to key industries have led to capital increasingly being shifted from the real economy to squeezing "value" out of already created value in the financial sector. They have also driven the liberalization of financial markets to allow the free flow of capital from one capital market to another in search of increasingly paper-thin advantages. And in this regard, the role of the International Monetary Fund (IMF)—another key global actor about which Klein has little to say—has been central in eliminating the restrictions on capital movements in the Asian economies and other developing economies.

What resulted was essentially a game of global arbitrage, one played mainly by US financial operators. Capital moved from one financial market to another seeking to turn a profit from the exploitation of imperfections of globalized markets via arbitrage between interest rate differentials. Hedge funds did simultaneous transactions in several markets, seeking to profit from the difference between nominal currency values and "real" currency values. Fund managers entered a market to engage in short-selling stocks, that is, borrowing shares to artificially inflate share values, then selling and hightailing it like the proverbial Natchez gambler. Attracted by high interest rates and fixed exchange rates, speculative investors brought their billions to fuel real estate and stock market bubbles that burst with the Asian financial debacle of 1997 and the Russian and Brazilian financial crises of 1998.

The interplay between speculative capital and high tech manufacturing firms is another key dynamic of the era of finance-driven capitalism, and one that Klein hardly addresses. Increasingly, the relationship between Wall Street and the Silicon Valley/Seattle complex departed from the dynamics of the real economy. As overproduction drove out profitability in the so-called "Old Economy," the smart speculative set migrated to high tech stocks, and here virtual capitalism took hold, one based on the expectation of future profitability rather than on actual profitability, a dynamic exemplified by the rapid rise in the stock values of Internet firms like Amazon.com that still have to turn a profit. Once future profitability rather than actual performance became the driving force of investment decisions, then Wall Street operations became indistinguishable from high-stakes gambling in Las Vegas.

The New Economy was essentially a speculative bubble that floated away from the Real Economy, with almost all players knowing that the bubble would burst at some point, but that somehow, unlike the rest of the herd, one would escape it by pulling out, having made a killing, in the nick of time. Not quite New Economy but not quite Old, the Nikes, Starbucks, and Barnes and Nobles were also sucked into the casino mentality, their direction being increasingly driven by mystical indicators meant to give some scientific gloss to gambling behavior, like "shareholder value" and "earnings per share."

The bubble finally burst in the last few months, wiping out $4.6 trillion in investor wealth, a sum that, as Business Week points out, is half the US GDP and four times the wealth wiped out in the 1987 crash. More important, the financial sector's ability to absorb investment that could not generate profits in the production sector has been shattered. Averted by speculative activity for about four years, the contraction—a deep one, it seems—has finally caught up with the global capitalist economy.

Naomi Klein paints an unparalleled portrait of the culture of capitalism in the age of globalization. She also provides us with the best analysis yet of the rise of the anti-globalization movement. She has, moreover, written a very insightful work on the dynamics of light manufacturing, the service sector, entertainment, and retail, where marketing has eclipsed manufacturing, where selling the product has given way to establishing the hegemony of the brand in the consumer's total lifestyle.

But the portrait is incomplete and one-dimensional. Nike and Tommy Hilfiger are not in the same class as Intel, Microsoft, Long-Term Capital, Cisco Systems, and Citigroup, the high-tech and financial giants which power the rest of the economy. Indeed, Nike and Adidas and Walt Disney ultimately dance to the tune of the Wall Street-Silicon Valley complex. In the total economy, it is not "synergy" or brand imperialism that ultimately serves as the engine of change but the classical crisis of overcapacity in production leading to the hegemony of finance capital.

In sum, this is a book that is as brilliant as it is flawed. But then what great book isn't?

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