

Focus-on-Trade is a regular electronic bulletin providing updates and analysis of trends in regional and world trade and finance, with an emphasis on analysis of these trends from an integrative, interdisciplinary viewpoint that is sensitive not only to economic issues, but also to ecological, political, gender and social issues. Your contributions and comments are welcome.

# Focus on Trade

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PART II of Focus on Trade is a collection of articles about what happened during the G8 meetings in Genoa and its aftermath. They include Walden Bello’s report on the now notorious police attack on protestors sleeping in a school building, Shalmali Guttal’s observations on the historical legacy of Genoa’s favourite son, Christopher Columbus, and Marco Mezzera’s flash-backs to the political dark times of the 1970s. The state-endorsed violence in Genoa has triggered an incredible reaction around the world, and we include here the Assembly of the Poor’s militant letter of protest to the Italian ambassador in Bangkok and some reflections on the lessons of Genoa. Finally, Walden Bello argues that we may be entering the trough of a Kondratieff supercycle and a global economic crisis that the G8 ostriches show no sign of acknowledging.

highlight the gap between the fact and the fiction of globalisation. Anoop Sukumaran reviews this year’s UNDP report on “Making new technologies work for human development” which, he says, is little more than an “exercise in corporate sales.” And US ecologist Lorna Salzman argues that “without agreement on definitions of what constitutes “legitimate” claims or development, or for that matter on what constitutes “reasonable” demands by the north in terms of environmental standards, we could well end up arguing about the arrangement of the deck chairs on the Titanic rather than forming a transnational global partnership and strategy to confront globalization.”

Recalling the G8’s failure to hammer out an agreement on the Kyoto protocol, and their starry-eyed optimism about bridging the digital divide, the two final articles

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## THE FLAT EARTH SOCIETY COMES TO GENOA

By Shalmali Guttal\*

It is possible that the G8 summit in Genoa will be remembered more for the violence on the streets than for the duplicity of the G8 leadership, or for the substantive challenges mounted by the largely peaceful anti-globalisation movement.

Since July 19, the international press has carried commentaries by a variety of authors on the street demonstrations and protests gone amok in Genoa. Most of these have been quick to denounce the tactics of the “Black Bloc” and highlight the perceived splits in the anti-globalisation movement among those who denounce globalisation completely and those who believe that globalisation can be humanised. But few of these commentaries have directed serious attention to why more than 250,000 people gathered in Genoa to protest the G8 Summit, or why there is such a large and diverse anti-globalisation movement to begin with.

One of the more disturbing commentaries was by Fareed Zakaria in the International Herald Tribune on July 24, 2001. (1) Zakaria (who is Editor of Newsweek International) champions the technological revolution as the only “realistic solution” for the “desperate condition of poor countries” and argues against an imagined (by him) “anti-technology bias” among the G8 protestors in Genoa. This is nothing new. What makes Zakaria’s piece particularly objectionable are remarks by the UNDPs Administra-

tor, Mark Malloch Brown, from which Zakaria seems to draw considerable strength for his arguments.

Using the latest UNDP Human Development Report as his information source (also see article below) Zakaria extols the virtues of DDT and genetically modified foods, and argues that it is wrong to pressure developing countries to stop using dangerous chemicals or products that have already been prohibited in the developed world because of concerns over their side effects. According to Malloch Brown, “It’s unfortunate that the protestors have an anti-technology bias,” and further, “Not one person anywhere has died by eating genetically modified food.” The piece gets worse as Malloch Brown goes on to point the way for the G8 protestors:

### THE FOOTSTEPS OF COLUMBUS

“The Protestors should reflect on the symbolism of Genoa. It’s the birthplace of Christopher Columbus, one of the greatest explorers in history. They could either follow in the footsteps of Columbus, who showed that embracing innovation and taking risks could have unimaginable benefits. Or else they could just become the latest members of the ‘flat earth society,’ opposed to modern economics, modern technology, modern science and modern life itself.” (2)

By protesting against the

G8 Summit in Genoa, activists were indeed reflecting on the symbolism of Genoa and the legacy of Christopher Columbus’ “innovations” and “risk taking.”

Columbus was a merchant clerk from Genoa who persuaded the Spanish monarchy to finance an expedition to Asia in search of gold and spices. In return for the booty, the monarchy promised him 10 per cent of all profits, governorship over new-found lands and the splendid title: Admiral of the Ocean Seas. Columbus never made to Asia, but his forays led to the colonisation of the Americas, and the destruction of entire local populations, eco-systems and social systems.

Spain and Europe certainly reaped unimaginable benefits. But for the native peoples of the Bahamas and Latin America, Columbus brought syphilis, brutality and centuries of exploitation in the name of progress and enlightenment. His contempt for those unlike him is evident in his log. When describing his first meeting with the Arawak Indians, he says:

“They brought us parrots and balls of cotton and spears, and many other things, which they exchanged for the glass beads and hawks’ bells. They willingly traded everything they owned... They were well built, with good bodies and handsome features... They would make fine servants... With fifty men we could subju-

gate them all and make them do whatever we want.” And further, “...on the first island which I found, I took some of the natives by force in order that they might learn and might give me information of whatever there is in these parts.” (3)

Columbus and his cohorts were certainly successful in subjugating the natives. Motivated by greed and personal glory, and in the name of Christianity, Europe and progress, they wiped out at least three million Indians in the lands that are now Cuba, Haiti and the Dominican Republic.

### WHO WILL BELIEVE THIS?

In the words of Bartolome de Las Casas, a Spanish priest who became a vehement critic of the Spanish expeditions and transcribed Columbus’ journal: “... in a short time this land, which was so great, so powerful and fertile... was depopulated... My eyes have seen these acts so foreign to human nature, and now I tremble as I write... from 1494 to 1508, over three million people had perished from war, slavery and the mines... Who in future generations will believe this? I myself writing as a knowledgeable eyewitness can hardly believe it...” (4)

Quite a role model. And promoted by the head of an organisation charged with championing the cause of the world’s poor.

Christopher Columbus’ footsteps lead in the

direction of unbridled greed, racism, colonialism, religious intolerance, conquest, slavery and death. It is a matter of pride that the protestors in Genoa choose not to follow in these footsteps. On the other hand, Malloch Brown's choice of an avaricious, self-serving colonialist as a role model is an outrage. He would do well to remember that the origins of flat earth believers go back to the inquisitors of the Dark Ages who persecuted Galileo Galilei for daring to challenge the dominant beliefs of the times.

In Genoa this July, thousands of modern day Galileos who dared to challenge the dominant beliefs of our times were persecuted by the inquisitors of the G8. And it might surprise Malloch Brown to learn that a number of peasant organisations in the South, inheritors of Columbus' legacy of innovation and risk taking, have issued a call to burn the UNDP's Human Development Report 2001.

The Genoa Summit was heralded by the international media and G8 spokespersons as the first G8 Summit of the millenium and marketed as an anti-poverty summit. What came out of it? A commitment of US \$1.2 billion for a global health fund to fight AIDS and other diseases, which fell far short of the US \$7-10 billion called for by the UN Secretary General and others in the health field. A plan to fight poverty in Africa (aptly titled the Africa Marshall Plan) which pushes further economic liberalisation and privatisation with new conditionalities through

instruments of "governance." All packaged with the usual assortment of platitudes about democracy, partnership, human rights, security and debt relief. Even the decision to launch a new Round of Trade Negotiations was no surprise.

### AND THE SPIRIT OF COLUMBUS LIVES ON

Meanwhile, the annual G8 events have become increasingly extravagant and costly with sumptuous meals and luxurious living. They have also become high profile media events with thousands of delegates and journalists. The G8 Summit in Okinawa cost over US \$760 million, with reports of rampant corruption in the planning and procurement around Summit events. The dollar price of the Genoa Summit is still to be tallied, but the Italian Government says they spent US \$110 million, and property damage from the protests amounts to US \$20 million. The United States alone had at least 600 people in its delegation, while other countries averaged about 350 people per delegation.

As Summit leaders were fudging around with their pre-prepared texts on democracy, human rights and security, the Italian Police, aided by security agencies of other G8 members, launched a sweeping and draconian mop-up operation of activists identified as security threats. The violence on the streets was just the beginning — that was for television. What the television cameras did not see was the attacks on schools and other shelters that started on July 21. Any site even vaguely

perceived to be connected with the anti-globalisation movement has been raided across the country. People are being rounded up, arrested and intimidated without due legal process and denied medical assistance. Many are still under arrest while others have returned home bearing grim stories of beatings and abuse.

Perhaps another reason I find Malloch Brown's remarks about the protestors in Genoa so disturbing is because he reminds us that the spirit of Columbus lives on in the G8. And the actions of the authorities — on behalf of the G8 — showed that they will go to tremendous lengths to protect their access to today's forms of gold, spices and servants.

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(1) 'Real Street Smarts For G-8 Protestors,' by Fareed Zakaria, International Herald Tribune, July 24, 2001.

(2) *ibid*

(3) A People's History of the United States, Howard Zinn, Harper Perennial, 1990.

(4) *ibid*

\* Shalmali Guttal coordinates Focus on the Global South's regional programmes. She was in Genoa.

## EYEWITNESS ACCOUNT: THE BATTLE OF GENOA

By Walden Bello

(The following account was filed hours after the now infamous raid by Italian police of the Genoa Social Forum press center and the Batisti High School opposite it shortly after midnight on Sunday, July 22. It was posted on the websites of The Nation (New York) and Focus on the Global South and circulated on many listservs. While some details—like the number arrested at the Batisti—are now dated, the account remains accurate and the analysis valid—Ed.)

GENOA, 22 JULY 2001: Organizers of the anti-G8 protest in Genoa say that 200,000 people came from all over Italy and Europe to join the mammoth demonstration yesterday. In contrast to last Friday, the day seemed to be relatively peaceable...until midnight. At around 12:30 a.m., while I and several media people were filing stories, the police barged into the Genoa Social Forum press center in search of “anarchists.”

“Prensa, prensa,” we shouted, our hands held high, as baton-wielding carabinieri pushed us and commanded us to sit on the floor. We were captives for the next hour, but things were worse at the high school next door which served as temporary quarters for people coming from out of town. About 200 police in full riot gear crashed into the building, rounding up Nazi-style about 20 young people suspected of being members of the so-called “Black Bloc.”

Still things were less chaotic than the day before. I will never forget Friday, July 20.

The police van came careening down the Via Giovanni Tomaso Invrea, moving crazily from one side of the narrow street to the other in pursuit of protesters. I flatten myself against the wall and it misses me by about two feet. Another six inches, and it would have hit the man running ahead of me. “Assassino! Assassino,” protesters scream as the vehicle comes to a halt a few yards away and a bald carabinieri steps out to glare at us.

Everything happened so quickly. Just 25 minutes before, at around 2:15 p.m., a column of about 8000-10,000 people, led by the famed Tute Bianchi (“White Overalls”) specialists in civil disobedience, were marching peacefully down the Via Tolemaide, with marshals using megaphones announcing, “This is a non-violent march. We believe in non-violence.” The goal of the marchers was to reach the 20-foot high wall of steel erected around the Palazzo Ducale, site of the G8 meeting, about three kilometers away.

They never reached the wall. At the foot of the hill, at the intersection with Corso Torino, carabinieri hidden in a side street started firing teargas in an unprovoked attack that scattered the advanced ranks of the march, where I and a good number of reporters and television crews had placed ourselves.

### THE BATTLE OF GENOA HAD BEGUN

Throughout the next four hours, the struggle swirled around the narrow side streets and normally pleasant piazzas in the Corso Torino area. The battle lines shifted several times. The police would attack with teargas, vans, and armed personnel carriers. Hundreds of protesters maddened by the police attack would fight back with stones and bricks ripped from the pavement. Large garbage bins were turned over to serve as barricades. “Genova Libera, Genova Libera!” would erupt from the crowd each time the police were forced back.

At around 4:20 p.m., I had my first glimpse of a casualty, a man with a head wound being led away by the Tute Bianchi first aid squad. It was around the same time that one protester, Carlo Giuliani, was shot in the head and killed by a carabinieri as he was about to throw a fire extinguisher at a police jeep. Ambulance sirens rent the air non-stop all afternoon. I learned later that some 150 people suffered injuries—about 50 of them members of the media.

I also learned later that there were acts of civil disobedience throughout the day. Perhaps the most dramatic was that of a young woman who

climbed the wall to place grappling hooks, only to be hosed down brutally by police before she could reach the top. Police were less quick to react when roving groups of anarchists—the so-called “Black Bloc”—engaged in a spree of property destruction that was quick to draw the attention of TV cameras. Anarchists burned several cars, including an Alfa Romeo, with impunity. They also moved down the beautiful seaside boulevard, the Corso Italia, smashing windows—though it seemed only the windows of banks and car companies were targeted, with unprotected restaurant windows left unmarked by the mayhem.

The anarchists’ acts are the subject of impassioned debates among the mainstream demonstrators when they filter back to the Piazza Kennedy at dusk. Pam Foster, coordinator of the Halifax Initiative, a Canadian NGO, asked: “Why did the police go after peaceful demonstrators while taking their time dealing with the anarchists?” Fabio Bellini, a 25-year-old Genoese, tells me, “It’s right to demonstrate against the G-8. It’s right to fight for a better world, and that’s why I’m here. But I don’t understand the window breaking. I’m sad for Genoa.”

## LETTER FROM THAILAND'S ASSEMBLY OF THE POOR TO THE ITALIAN AMBASSADOR

There are suspicions that the police and the anarchists might be working together. Han Soete of Indymedia Belgium says that, "There are reports that instead of arresting anarchists, the police were escorting them to critical areas. I heard the same thing in Prague and Barcelona."

Many Italians and non-Italians, however, reserve their greatest anger for the Italian Prime Minister Silvio Berlusconi. "How do you find the truth about this mess? Who provoked whom? But a large part of the reason is this man, who does not have the capacity to lead." Berlusconi is widely regarded as having militarized the G-8 situation, going against the efforts of the local government to accommodate the Genoa Social Forum that coordinated the protest activities. Perhaps the most telling statement came from a former Italian general who commanded a UN peacekeeping mission in Beirut. He said he could not understand why Berlusconi needed to send 20,000 carabinieri to Genoa when he needed only 2500 troops to secure Beirut during the height of the Lebanese civil war in the 1970's.

As in Seattle, Washington D.C, Prague, and other sites of anti-globalization demonstrations, the organizers of the Genoa Social Forum worry that the critiques of corporate-driven

globalization and discussion of alternatives to it might be overshadowed by news about the militant confrontations. For over a week now, the GSF has held marathon symposia on topics ranging from "Mechanisms of Global Democracy," to "Environment and Social Debt of the North," to "Who Needs Trade Liberalization?" Among those who delivered talks were anti-globalization gurus Susan George, a critic of neoliberalism, and Jose Bove, better known as the man who dismantled a McDonalds restaurant.

It is unlikely, however, that the G-8 will listen either to the protest or to the ideas of the counterforum. Berlusconi issued a statement deploring the death of Giuliani, but he suggested that it was unconnected to the G-8 meeting in Genoa. The G-8 leaders, for their part, urged the launching of a new round of trade negotiations at the WTO, something that the tens of thousands in Genoa came to oppose.

By turning a deaf ear to the protests and doing nothing to address the crises brought about by globalization, however, the G8 may be rendering itself irrelevant to the world at large.

\* Walden Bello is the executive director of Focus on the Global South

Excellency:  
In solidarity with the people of all nationalities who gathered peacefully in Genoa from July 14-22 to discuss their concerns about the G-8 Summit, we, the Assembly of the Poor, would like to register with you our dismay and anger at the violent turn of events that took place in Genoa at the hands of the Italian police.

As a social movement, experience has taught us that street demonstrations are often the only way by which the voices and concerns of ordinary people can be heard by the elite ruling classes. Experience has also taught us the unfortunate fact—and this is confirmed by the blatant brutality of police actions in Genoa—that violence in such events always occurs at the instigation of officers of the law. Eyewitness accounts from Italian and international press, as well as thousands of others who were present at the time confirm the repressive intentions and actions of the Italian police in their attempts to break the will and solidarity of those protesting the G-8 Summit.

The Italian Government must take full responsibility for the deaths and violent clashes in the streets. It must accept that the subsequent beating-up of protestors

in the school where they were sleeping was a premeditated and cold-blooded attack, and a violation of the most fundamental human rights. If the Italian Government wishes to maintain any credibility at all in the eyes of the world community, it must immediately launch a full investigation into the entire sequence of events and mete out appropriate punishment to those responsible. Those imprisoned by the police must be immediately released, and the Government must make reparations for the injuries and trauma caused by its repression and violence.

We further request that the Italian Government make a public apology to those directly affected by the violence in Genoa, the Genoa Social Forum, and all the peoples' movements the world over who have tried to engage governments in peaceful dialogue.

We respectfully request that you convey this message to Prime Minister Berlusconi.

Sincerely,  
The Assembly of the Poor, Thailand

## GENOA STIRS MEMORIES OF THE SEVENTIES

By Marco Mezzera\*

As much as Genoa represents an escalation in the (violent) measures that the elites are prepared to use in order to silence legitimate and disturbing disagreements, it also signifies a step back in time in the way the Italian state deals with political differences.

I can't help associating the brutal events witnessed in Genoa to the dark 1970s, when the shifty political maneuvering by a "rightist" state became famous as the "strategia della tensione" (the strategy of tension).

At that time, the right-wing forces within the Christian Democratic Party, which had been in power since the founding of the Italian Republic, were increasingly worried with the apparent shift within society towards the Left. Those were the years immediately following the student and emancipation movements that originated in France in the late 1960s. They were also the years when some forces within the party were starting to consider cautious openings and dialogue with the Communist Party.

What followed these first attempts to crack the monolithic political and economic structure controlling Italian society was uncompromising and reactionary. State

violence infiltrated many of the movements advocating for a different political and socio-economic agenda and, beside encouraging violent confrontation with the extreme fringes of the Right, it also effectively orchestrated a climate of semi-anarchy, where bloody terrorist attempts were the order of the day and, more often than not, blamed on enigmatic communist subversive groups.

### US REVIVES 'GLADIO' NETWORK

Following in the most cynical Machiavellian tradition, there were no limits on protecting the elitist and corrupt State. Even political killings at the highest level were not spared, such as that of the Christian Democrat Aldo Moro who was "guilty" of considering a dialogue and perhaps even some form of power sharing with the Left.

The whole reactionary process was keenly and efficiently supported by the US, through its various "ad hoc" agencies. The prospect that one of the countries at the heart of its NATO alliance was inexorably moving towards the Left gave enough reasons to Washington to intensify its counter-communism activities in Italy. During those years an underground network, known by the code name Gladio, and set up immediately after the end of the World War II

to counter a possible advance of the Russian Army, was brought back to full life, both organizationally and militarily.

It is true that the political landscape, both internationally and nationally, has changed a lot since the 1970s and that the "red scare" belongs to the past, but it seems that some of the "old" methods used to retain power are making a vigorous comeback. Because the international component of the reactionary block has been extensively highlighted by various commentaries circulating in the past days, I would rather emphasize those domestic dynamics that played an important role at the Genoa events.

Although it is also true that the first decision to hold the G8 Meeting in Genoa, and to "fortify" the city, belongs to the previous centre-left government, I believe that all the other components bear the unmistakable mark of newly appointed Prime Minister Silvio Berlusconi.

### TURNING BACK THE CLOCK

The G8 Meeting was the first big international appointment of the new administration and Berlusconi had done everything to be ready for it. While the government wanted to show the rest of the world (and especially to the elites of the other

industrialized countries) that Italy was prepared to give unconditional support to the neo-liberal agenda, it also wanted to use of the opportunity to undermine and delegitimize those progressive forces that stood in the way and that were blamed for the fall of the first Berlusconi government back in 1994.

Eye-witnesses' accounts of the brutalities perpetrated by the security forces, and subsequent leaks of information from within those same institutions, indicate that the violence that took place in Genoa was the result of a well-orchestrated strategy to exploit and reinforce the ideological divide that has characterized Italian society since the first decades of last century. Unfortunately, it seems that when things in Italy degenerate, the people are still prone to look "at the other side" through a strongly coloured lens and, whoever was behind the G8 events, has done an incredibly good job in bringing back to life a polarization of society that, until recently, seemed to belong to an "uncivilized" period of Italian history.

\* Marco Mezzera is a research associate with Focus on the Global South.

# BRUISED, SHAKEN BUT DEFIANT: SOME REFLECTIONS ON WHAT HAPPENED IN GENOA

By Nicola Bullard\*

As long as the police and military have guns, people will get shot and sadly Carlo Giuliani's death was the almost inevitable consequence of the shameful and shameless violence perpetrated by the Italian state with the complicity of the other G8 members.

What happened inside the "red zone" and the measures taken to "protect" the walls of the red zone is the antithesis of democracy. (The wall, of course, was never under threat. It was built to justify 20,000 troops, and as a provocation and a symbol.)

Carlo Giuliani's death and the deliberate and brutal police attack on demonstrators sleeping in a school used by the Genoa Social Forum, which left more than 60 hospitalised, are inexcusable.

And Prime Minister Berlusconi's unflinching defence of the state's handling of the summit, and the sacking of the GSF spokesperson Vittorio Agnoletto from his job in the ministry of labour because he "spoke against the Italian state," are beyond belief.

But what happened outside the red zone was something else.

In spite of the militarisation of Genoa, 40,000 people rallied for the migrants, tens of thousands took part in direct actions against the G8 summit, and 300,000 united in a final marvelous and defiant march against corporate globalisation.

Maybe the Genoa Social Forum wasn't Tony Blair's idea of "democracy" but it was an extraordinary week of political clarity, commitment, bravery and solidarity.

## THE QUESTION OF VIOLENCE

We reject the violence for many moral, political and pragmatic reasons. Because non-violence can be one of our strengths and strategies, because violence perpetuates repression and coercion, because it often works against our political interests of building a strong and broad-based movement opposing neo-liberal globalisation, because it polarises debates, because it overshadows serious discussion about why we are opposed to the G8 and their policies, and much more.

It is hard to deal with the violence but it's not monolithic: most of the violence is on their side and it is systemic. We should not lose sight of this and get dragged into someone else's logic.

And the rest of the violence has many elements: it's a product of the societies we have constructed, it is the work of provocateurs, it is the considered political action of anarchists who destroy symbols of capitalism, or it is the unconsidered action of borderline hooligans who destroy anything.

We have to find ways of dealing with these elements separately, making distinctions and being prepared to confront the violence ourselves (acknowledging, even if we don't agree, that there is diversity of "tactics") rather than leaving it to the state as this will guarantee even more violence.

In Genoa, the distinction between the GSF actions and the various "black blocs" was clear to everyone — to the activists, to the organisers and to the media and probably even to the G8. The GSF consensus, built up over many months of long discussion, was strong and all groups, from Ya Basta! to the Tavola della Pace, maintained that consensus even when the situation was very difficult, as it was the night of the shooting of Carlo Giuliani.

## SOME LESSONS OF GENOA

We must reaffirm our commitment to non-violent direct action. We must maintain a clear political and physical distance from violent groups. We must continue to mobilise and bring people out on the streets to be counted. We must prepare ourselves for the violence and we must witness and document it. We must concentrate on public education and working with the media so that our messages are not so easily obscured.

## WHAT SHOULD WE DEMAND?

First, police and military must not carry weapons. Second, cities must be free and open. I am convinced that the black bloc and the other less organised hooligans/provocateurs would have been much more constrained if the atmosphere in Genoa had been closer to normal — if people had been going about their business in a festive atmosphere with street theatre, public debates and meetings, cultural displays, celebrations of international solidarity, teach-ins, and so on.

But it will not be easy because war has been declared. We saw that in Genoa and we heard it from the G8 (Chirac being the exception, but probably for reasons which have more to do

with his presidential campaign that principle). We are the enemy, they say, of the poor, of democracy, of the ordinary people.

In retrospect, maybe we feel into the trap of interpreting the declaration of war too literally. Maybe there could have been a less predictable, a more imaginative and a more unsettling response to the logic that the Italian government applied. But that's in retrospect and, as I said earlier, throughout the long week of the G8, the GSF did not rise to the provocation of the state, they acted with impressive solidarity and commitment, sticking to their work agreement and never losing sight of their main purpose of denouncing injustice.

### GENOA TIPS THE SCALES

Genoa marks a whole new phase in the struggle against global capitalism and global injustice.

The G8 is in crisis. On Monday 23 July, the page one headline of the French conservative daily Le Figaro read "G8 loses the battle of Genoa" and most of the major editorials questioned the usefulness of G8 summits, saying they are too big, they attract too many demonstrators, and they don't do anything useful anyway. Now they are seeking refuge (from what? the people? democracy perhaps) and their meetings will be more exclusive, more remote and – if this is possible –

even less democratic.

In Genoa, they clung to platitudes because there is no consensus. They know that the system is in crisis but that the kinds of economic and political decisions needed to deal with the crisis (such as debt cancellation or challenging the ascendancy of financial markets) will threaten the whole edifice of global capitalism that they have so arrogantly defended for the past decade.

The 300,000 people on the streets were from the 700 groups which make up the Genoa Social Forum – workers, women, greens, pacifists, students, unemployed, church organisations, members of political parties, cultural associations, trade unions, autonomous groups, social centres, debt campaigners. Most were Italian but there were thousands from all over Europe. Maybe half were under 30.

The withdrawal of a British NGOs from the Saturday march because of "security" concerns was disappointing, and appeared to be an attempt to distance themselves from the "mindless" demonstrators which their political ally Tony Blair holds in such contempt. Their absence made no difference on the day, but it hints at divisions – either real or imagined – that are being used to discredit the anti-globalisation movement.

Others, however, will regret not having being in Genoa to express their solidarity and to be part of this great thing that is happening.

We cannot go backwards and we should not be intimidated by the violence — on either side of the wall. The demonstrators may have come out of Genoa bruised and shaken, but the G8 came out a lot worse: their credibility is in tatters and the blood is on their hands.

\* Nicola Bullard works with Focus on the Global South.

# “CREATIVE DESTRUCTION”: NEXT PHASE OF THE GLOBAL ECONOMY?

By Walden Bello\*

The controversy that now surrounds the Group of Eight (G8) after the violent protests that marked its meeting in Genoa is so difficult to shake off because, for some time now, this club of leaders of some of the world's biggest economies has had little to show in terms of positive achievements.

## THE END OF FINE-TUNING?

The G8 came into existence in 1975 with the grand objective of coordinating the macro-economic policies of the rich countries in order to navigate a direction of stable growth that would avoid the Scylla of high inflation on the one side and the Charybdis of deep recession on the other. The record was sketchy in the early years. However, in the last few years, efforts to synchronize fiscal and monetary initiatives have proved frustrating, with efforts at coordination failing to contain the Asian financial crisis, stabilize the euro-dollar-yen exchange rate, bring Japan out of a decade-long recession, or prevent the onset of a global downturn.

The 0.7 per cent growth that the US economy registered in the second quarter of this year is the latest evidence of strong resistance to

technocratic fine-tuning in the form of interest-rate cuts.

## CRISIS OF OVERPRODUCTION

The reason that the economic slowdown seems to be immune to orthodox fiscal and monetary mechanisms, even when coordinated across borders, is that beneath the glitzy nine-year expansion of the world's lead economy, the US economy, deep-seated global structural imbalances had been building up for some time. The boom of the early and mid-nineties resulted in a burst of global investment activity that led to tremendous over-capacity all around. The indicators are stark. The US computer industry's capacity has been rising at 40 per cent annually, far above projected increases in demand. The world auto industry is now selling just 74 per cent of the 70.1 million cars it builds each year. So much investment took place in global telecommunications infrastructure that traffic carried over fiber-optic networks is reported to be only 2.5 per cent of capacity. There is, says economist Gary Shilling, an “over-supply of nearly everything.”

Profits apparently stopped growing in the US corporate sector after

1997, leading firms to a wave of mergers, the main purpose of which was the elimination of competition. The most prominent of these were 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.

## CRISIS OF FINANCE CAPITAL

In addition to mergers, another avenue that was taken to avoid the crisis of profitability in industry was to push investment to speculative activity, notably to the stock market and the real estate sector, leading to the spectacular boom and bust in East Asia in the 1990s. At the time of the Asian crisis—which, incidentally, has not been surmounted—many observers pointed out that it was the same hothouse speculation that underpinned the Wall Street-Silicon Valley complex that drove the US economy. What optimists—the most prominent being US Federal Reserve Board Chairman Alan Greenspan—called the “New Economy” seemed for a time to defy the laws of economics, with Internet stars such as Amazon.com registering an explosive and seem-

ingly permanent rise in stock values even as they continued to operate at a loss.

But all talk about the emergence of a New Economy vanished when the law of gravity caught up with the speculative sector in late 1990s, resulting in the wiping out of \$4.6 trillion in investor wealth in Wall Street, a sum that, as Business Week pointed out, was half of the US Gross Domestic Product and four times the wealth wiped out in the 1987 crash.

## THE KONDRATIEFF PHENOMENON

According to Gary Shilling and a number of other pessimists, probably the reason the macroeconomic imbalances are working themselves out in what is likely to be a deeper than expected recession is that we are now at the downward curve of the so-called “Kondratieff Cycle.” Discovered by the Russian economist Nikolai Kondratieff, the progress of global capitalism is marked not only by short-term business cycles but by long-term “supercycles.” Kondratieff cycles are roughly 50 to 60 year-long waves. The upward curve of the Kondratieff cycle is marked by the intensive exploitation of new technologies, followed by

a crest as technological exploitation matures, then a downward curve as the old technologies produce diminishing returns while new technologies are still in an experimental stage in terms of profitable exploitation, and finally a trough or prolonged deflationary period.

The trough of the last wave was in the 1930s and 1940s, a period marked by the Great Depression and World War II. The ascent of the current wave began in the 1950s and the crest was reached in the 1980s and 1990s. The profitable exploitation of the postwar advances in the key energy, automobile, petrochemical, and manufacturing industries ended while that of information technology was still at a relatively early stage. From this perspective, the “New Economy” of the late 1990s was not a transcendence of the business cycle, as many economists believed it to be, but the last glorious phase of the current supercycle before the descent into prolonged deflation. In other words, the uniqueness of the current conjuncture lies in the fact that the downward curve of the current short-term cycle coincides with the move into descent of the Kondratieff supercycle. Marxists say that what underlies such conjunctures is that the old “relations of production” or the complex of existing capitalist property relations and institutions, come into conflict with the further development of the

“forces of production” or technologies, which is only possible if this process is no longer driven by the search for profit.

Are we in for a bout with more than a normal recession? To use Joseph Schumpeter’s terms, are we moving into a long period of “creative destruction?”

### POLICY IMPLICATIONS

What are the implications of global deflation for economic policymaking in the South? Well, one is that while, theoretically, you might stand to benefit more the more globalized your economy is in the period of ascent, you also stand to suffer more in the period of descent because you have far fewer mechanisms to buffer your economy from the forces of global deflation. The IMF-WTO neoliberal approach of promoting ever freer flows of goods and capital that continues to guide the technocratic and economic elites of many developing countries becomes, in this new global context, not only dysfunctional, as it has been for some time, but suicidal.

It is interesting to see that some establishment analysts, such as Hong Kong-based economist Andy Xie of Morgan Stanley, are beginning to raise doubts about the viability of outward-oriented, foreign capital-intensive growth in this period. “The region came out of the Asian Crisis by hitching onto

the US IT [Information Technology] bubble,” says Xie. “The day of reckoning has evidently arrived. There is no other easy ride in sight.” This burst of the US IT bubble, he contends, “is not just a cyclical event” but signals “the beginning of a slower US economy perhaps for a decade.” Governments will realize that there is no alternative but to rely on domestic demand to drive growth, and will consequently be “forced to remove anti-consumption policies.”

In Southeast Asia, Malaysia has already traveled along this path and Thailand under Prime Minister Thaksin Shinawatra is seriously considering it. In any event, export-oriented growth is out; inward-oriented domestic-demand-led growth is in. Which means not only erecting tariff and other barriers to protect producers but undertaking decisive measures of asset and income redistribution to create the mass of consumers with effective demand that will serve as the engine of economic growth as global demand falls off.

Global deflation is, in short, as much a crisis as an opportunity. And the opportunities are greater for those in the periphery of the global economy than those in the center—if the South’s policymakers are bold enough to shake off obsolescent strategies and pursue innovative ones. One can only hope that another Great Depression does not take

place. But one cannot also but remember that it was the Great Depression, with the collapse of world trade that it triggered, that created the space for Latin American countries to build up their manufacturing and industrial sectors and emerge from the crisis far stronger than when they entered it.

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# SOLD TO THE HIGHEST BIDDER

By Anoop Sukumaran\*

At a time when neo-liberalism is in crisis, the UNDP Human Development Report 2001 has made a pathetic attempt give credit to policies and practices drenched in neo-liberal values. The report — which, short of having advertisements, is an exercise in corporate sales — has stirred a hornet's nest among civil society groups.

While the report goes around in circles, often in contradictory in terms, the message is clear: embrace technology as it is the key to the future. The report states that “technology is not inherently good or bad” (1). In other words the report represents technology as being value neutral, a position which, at the very least, is highly debatable. Technology in all its forms has never been value neutral and the value neutral position can be used to justify anything from nuclear bombs to the gas chamber at Auschwitz.

As the report deals with emerging technologies, it is of the opinion that information technology (IT) is a very important tool to integrate the world and to reap the benefits of globalisation. In bullish tones, the report says that

“Global business to

consumer e-commerce is projected to grow from \$25 billion in 1999 to \$233 billion by 2004, business to business e-commerce range from \$1.2 to \$10 trillion by 2003. Developing countries that can develop the requisite infrastructure can participate in new global business intermediation, business process outsourcing and value chain integration.” (2)

Interestingly the report does indicate that many countries in the third world which have been riding the crest of the IT wave, such as India, have indeed lost more than they have gained. The report for instance says that the average loss for India from “brain drain” is close to two billion dollars a year. Countries such as India spend millions training people who then work for the TNCs in the metropolises of the world. But yet, globalisation is good and the onus to stop brain drain falls on the countries who are victims to this brain piracy.

## THE COST OF CONNECTING THE UNCONNECTED

In the 1999 Human Development Report the disparities in access to the most common information technology, i.e., the internet, was

highlighted. In 1999, 91 per cent of all internet users were from the OECD countries while the remaining 81 per cent of the world population remained overwhelmingly “unconnected”. Three years later the situation has barely changed. Undoubtedly the internet has revolutionised the way people communicate with each other. Indeed the e-mail has played a significant role in organising people and uniting people across the globe to specific causes. All that said, the vast majority of the world's people know nothing of the internet.

It is all very well to talk about connecting people, but at what cost? Will this be at the cost of basic infrastructure such as hospitals, schools, drinking water and electricity? Even if governments do invest in the infrastructure to be part of the “network of knowledge,” there is no mention or even a passing reference to the danger of technological obsolescence. Indeed the prices of technology have fallen rapidly, but one cannot invest in obsolete technology. Given the rate of obsolescence (“Moore's law” is that computing power doubles every 18-24 months) the investment in technology would be a never-ending process. Given that 95 per cent of

software used to run most computers is either sourced from or licensed to TNCs and almost all the hardware is produced by TNCs, the push for the development of IT infrastructure looks like a great new market opportunity for the TNCs.

Moreover, there is a long way to go before the language barrier on the internet can be breached and even more before the illiterate could meaningfully use the internet, experiments like the Simputer not withstanding.

The report calls for “creating innovative partnerships and new incentives for research and development” and promotes the combining of strengths of the private sector, government and academia in research and development. In this section the report highlights some examples such as Novartis' insect-resistant maize crop and the virus resistant sweet potato developed by Monsanto which have transferred (or partially transferred) the patents to government institutes. Not exactly the best examples given the history of bio-piracy of the two TNCs. On the other hand, the report totally ignores community efforts that have come up with much better solutions using traditional know-how.

## A FAIRER, KINDER TRIPS!

The report then goes on

to talk of “managing intellectual property rights”. This is more an exercise in philosophy rather than pragmatism. The report recognises that TRIPs is often unfair and manipulated against the interests of the third world, but it believes that it is possible to make TRIPs fairer! How this might be done remains rather sketchy. Importantly the report acknowledges that “governments gain leverage in the global economy on the coattails of their most powerful corporations, so they have a vested interest in their success. As a result industry has tremendous influence on the framing of regulations and incentives, with industrial representatives accompanying governments and delegates to negotiate agreements like TRIPs.” (3)

In conclusion, the HDR 2001 is useful as statistical reference but the recommendations are at best confused and unashamedly neo-liberal.

(1) UNDP Human Development Report 2001, page 27

(2) *ibid.* page 36

(3) *ibid.* page 116

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## WHAT ARE THE LEGITIMATE CLAIMS OF THE SOUTH?

By Lorna Salzman\*

(Lorna Salzman contributed this comment in response to articles on Focus on Trade over the past year. It was not published sooner due to space constraints, but her remarks have lost none of their importance. Ed)

I have forwarded to many colleagues an important posting from Focus on Trade on civil society organizations (CSOs) and their role in facing up to globalization and its allied institutions. I wish to add, however, some comments on two points in this posting. The first is addressed to the posting’s desire to insure that the CSOs in the global north (developed countries) do not obstruct the legitimate claims of the south (less developed countries) for appropriate development. The second is addressed to the posting’s desire to insure that northern CSO demands for environmental standards are not used as protectionist tools to keep out southern products and exports.

I would like to see Focus on Trade develop the first concern above at greater length. Without agreement on definitions of what constitutes “legitimate” claims or development, or for that matter on what constitutes “reasonable” demands by the north in terms of environmental standards, we could well end up arguing about the

arrangement of the deck chairs on the Titanic rather than forming a transnational global partnership and strategy to confront globalization.

As I have remarked several times in the past year or two, the dialogue about democracy, globalization, development, etc. has paid scant attention to the substantive issue of economic growth. Growth is not necessarily synonymous with development, and certainly the policies and actions we need to take to provide the minimal needs of everyone on earth - minimal equity - will involve development and growth of certain things and in certain ways (unless we opt right now for zero growth and re-distribute the entire wealth of the planet equitably, without further growth).

But to lay ourselves open to supporting the endless growth ethic promoted by globalization, rationalized by them as being necessary to help the poor, is dangerous and self-defeating. It verges on accepting their definition of social and economic reform rather than ours. I would suggest, therefore, that the definition of “legitimate” development be formulated not in terms of specific future growth and consumption, but in terms of how to meet the legitimate aspirations and needs of the people. In other words, we look at the end product we

want to achieve, which would provide not only the basic requirements for people and their communities, but which would also take into account the limits of growth itself and the limits of the earth.

The Focus on Trade posting uses the example of global warming and suggests that stringent limits on fossil fuel burning may obstruct these “legitimate” needs of the poor. But it has already been shown that even the Kyoto agreement is fatally flawed, that it allows business as usual for the controlling institutions and nation states with little inconvenience or change in life style for the north, and most important that it will do next to nothing to solve the climate change problem. Independent CSOs and scientists have definitively shown that a 50 per cent to 70 per cent immediate reduction on fossil fuel consumption offers the only possibility of averting drastic climate change by the next century. Is the south going to support the north’s numerical goals (a piddling initial five per cent reduction with no specific future restrictions agreed upon) on grounds that it will allow them “legitimate” development...thus ignoring the opinions of credible independent scientists sympathetic to

the south's needs and demands?

### CONTROLLING GROWTH IN THE NORTH AND IN THE SOUTH

And if the south accepts the more drastic recommendations regarding fossil fuel limits, it will have to also accept eventual limits on its "legitimate" development demands. I am in no way disputing the claims of the south that the largest burden of responsibility lies on the north, which is primarily responsible for the climate change crisis and for over-consumption in general. But my position is that given this fact, the north must initiate serious substantive and fundamental controls on growth, including natural resource consumption, accompanied by broad strategies for redistribution of wealth in general.

It is in this demand that I would like to see the south supporting this, acknowledging that there are ecological limits to growth within which the economies of the south need to be accommodated for the sake of survival and justice, while acknowledging themselves the ultimate limits to planetary growth and development. Unless the north and south CSOs agree on such principles and definitions, we will be open to further manipulation by globalization institutions, leading to fragmentation and internal bickering.

Second, the issue of protectionism needs to

be addressed with the latter point in mind. We all know quite well that the WTO and its corporate allies continually oppose EU restrictions on genetically modified foods as a cover for European "protectionism". Of course their accusation is absurd, since no one is proposing restrictions on non-GM foods, and the progressive forces within the EU are staunch allies politically of the people of the south (if not their government policies, which are rarely reflective of the interests of their own people).

Vandana Shiva, Walden Bello and others have forcefully argued that northern CSOs should not support the inclusion in or enforcement of environmental and labor standards in the WTO agreement, and they are completely correct for pragmatic, strategic, political and ethical reasons. But this in no way should affect the search and struggle for environmental sanity and decent labor standards among CSO allies in the north and south. As an environmental activist and anti-WTO and anti-GE campaigner, I adhere to certain principles and positions, and I am not prepared to dilute or sacrifice these out of fear of being called a protectionist. The south needs to recognize and support the good faith beliefs and actions of northern CSOs who honestly believe that there must eventually be universal standards, even if individual nation states move at different speeds and in different

ways towards these standards.

### NATURE BATS LAST

The exigencies of the planet mean that there is no double standard regarding the biosphere. Nature does not accept pollution, resource exhaustion, soil degradation, species extinction, or unsafe food, whether caused by the rich and powerful globalists, or by the poor and powerless seeking to improve their lot. The good intentions of social justice activists will be measured by nature with the same criteria. The earth will not be saved through good intentions but by specific actions, regardless of motivation. And contrary to assertions by some, technology will not save us. Nature Bats Last.

I hope that these issues, which I believe should underlie the strategies and policies of anti-globalization activists, will be articulated, discussed and incorporated in future dialogue. We must acknowledge the inherent unsustainability and inequity of present economic models founded on continued growth in production and consumption and must accordingly develop alternative models that commit themselves to socially and environmentally sustainable just means. Ecology, democracy and social justice must be linked at all times.

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