

SPEECHES

**Crisis of Legitimacy:
The Revolt Against Corporate-Driven Globalization**
Walden Bello

Talk delivered at Boston Research Center for the 21st Century, 2 February 2001



I would, first of all, like to thank the Boston Research Center for the 21st Century for inviting me to speak here tonight on the topic of coalition-building after Seattle.

The last year will probably go down as one of those defining moments in the history of the world economy, like 1929. Of course, the structures of global capitalism appear to be solid, with many in Washington, Europe, and Asia congratulating themselves for containing the Asian financial crisis and trying to exude confidence about launching a new trade round. What we witnessed, nevertheless, was a dramatic series of events that might, in fact, lead to that time when, as a famous philosopher put it, "all that is solid melts into thin air".

When the Seattle Ministerial of the World Trade Organization collapsed in chaos in December 1999, the aura of invincibility of capitalism in the time of globalization crumbled and its ideological leaders were deeply shaken. But Seattle was no one-off event, encouraging as it did the massive protests that struck the World Bank-IMF spring meeting in Washington in April, stole the agenda of the 33rd annual conference of the Asian Development Bank in Chiang Mai, Thailand, in May, disrupted the Davos Group's assembly in Melbourne in early September, and forced the World Bank-IMF annual conference to end in disarray, one day before its scheduled closing, in Prague in late September.

Seattle and these succeeding events did not happen by accident. They simply catalyzed the energies of dissent that had been gathering for years globally. Yet what makes the current conjuncture so critical is that the explosion of these energies has combined with two developments: an increasing lack of confidence of the global elite in its key institutions of global economic governance; and intensifying conflicts among the big three state/corporate bloc—the US, Japan, and European Union—within these and other multilateral institutions, a development highlighted by the US-EU conflict that contributed to the WTO Ministerial collapse in Seattle and the recent EU-US standoff that destroyed the Hague Conference on climate change.

C. Fred Bergsten, head of the Institute of International Economics and one of the most influential advocates of globalization, captured the key dimension of this crisis when he warned the Trilateral Commission in Tokyo last April that "the anti-globalization forces are now in the ascendancy". (1) Or, to amend Yeats' famous line, the time has come when "the worst lack all conviction and the best are full of passionate intensity".

In short, a classic crisis of legitimacy has struck the multilateral institutions that serve as key elements of the system of global economic governance: the WTO, IMF, and the World Bank. It is likely, however, that what we might characterize, following Gramsci, as a "withdrawal of consent" is likely to spread to the core institutions and practices of the current system itself.

Globalization: the Ideology

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

The unrestricted flow of goods and capital in a world without borders was said to be the best of all possible worlds, though when some observers pointed out that to be consistent with the precepts of their 18th century prophet, Adam Smith, proponents of the neoliberal doctrine would also have to allow the unrestricted flow of labor to create this best of all possible worlds, they were, quite simply, ignored. Such inconsistencies could be overlooked since for over two decades, neoliberalism or, as it was grandiosely styled, the "Washington Consensus" had carried all before it. As one of its key partisans nostalgically remarked recently, "the Washington Consensus seemed to gain near-universal approval and provided a guiding ideology and underlying intellectual consensus for the world economy, which was quite new in modern history". (2)

Globalization Unravels I: The Asian Financial Collapse

If there was an event that can be said to have stopped the triumphalist bandwagon of globalization in its tracks, it

was the Asian financial crisis. Of course, there were financial crises prior to the Asian financial crisis—six since the 1970's by UNCTAD's count—and their frequency increased in the 1990's. But it was the Asian financial crisis that brought home the instability of a globalization process increasingly driven by the dynamics of massive amounts of speculative capital shooting at cyberspeed from one financial market to another, taking advantage of interest rate differentials, seeking to make a profit from actual and future foreign exchange values, and "borrowing" shares to artificially them, then selling off and leaving for greener pastures after pocketing multimillion dollar profits. The Asian financial crisis was a watershed in that it laid low economies that had been regarded as the most successful examples of outward-oriented growth and receptivity to foreign capital inflows. What the crisis underlined, says University of California economist Bradford DeLong, was that globalization, instead of leading to more stability and sustained growth as projected by the advocates of more economic integration, was bringing us to a more unstable world marked by more and more frequent and more and more intense crises. (3)

Along with the myth of a smooth ride to globalization, the other key victim of the Asian financial crisis was the International Monetary Fund. For it was the IMF that had pressed the Asian governments for capital account liberalization prior to the crisis, egged on itself by the US Treasury Department. It was the IMF that confidently moved in after the panicky flight of speculative capital began, with a tight fiscal and monetary formula that, by drastically reducing government's capacity to act as a counterforce to the downturn in private sector activity, converted the financial crisis into an economic collapse.

It was the IMF that assembled the high-profile multibillion dollar rescue packages that were meant to rescue foreign creditors even as local banks, finance companies, and corporations were told to bite the bullet by accepting bankruptcy. It was the IMF that imposed on the fallen economies a program of radical deregulation and financial and trade liberalization that was essentially Washington's pre-crisis agenda that the tigers had been able to frustrate during their days of prosperity. And it was the IMF that, at the urging of the US Treasury Department, killed the Asian Monetary Fund (AMF), which would have pooled together the reserves from the more financially solid economies to serve as a fund from which those of them being subjected to speculative attack could draw to shore up their currencies. Among other things, this move contributed to widening the divergence in the policies toward the Asian region of the United States and Japan, the AMF's prime backer.

As the stricken economies registered negative growth rates and record unemployment rates in 1998, and over one million people in Thailand and 21 million in Indonesia fell below the poverty line, the IMF joined corrupt governments, banks, and George Soros as the villains of the piece in the view of millions of newly impoverished Koreans, Thais, and Indonesians. But equally as consequential for its future as an institution was the fact that the IMF's actions brought the long simmering conflict over the role of the Fund within the US elite to a boil. The American right denounced the Fund for promoting moral hazard, with some personalities like former US Treasury Secretary George Shultz calling for its abolition, while orthodox liberals like Jeffrey Sachs and Jagdish Bhagwati attacked the Fund for being a threat to global macroeconomic stability and prosperity. Early in 1999, a conservative-liberal alliance in the US Congress came within a hair's breath of denying the IMF a \$14 billion increase in the US quota. The quota increase was salvaged, with arm-twisting on the part of the Clinton administration, but it was clear that the long-time internationalist consensus that had propped up the Fund for over five decades was unraveling.

Globalization Unravels II: The Failure of Structural Adjustment

The Asian financial crisis put the International Monetary Fund on the hotseat, leading to a widespread popular reappraisal of its role in the Third World in the 1980s and early 1990's, when structural adjustment programs were imposed on over 90 developing and transition economies. Judged by the extremely narrow criterion of promoting growth, structural adjustment programs were a failure, with a number of studies showing that adjustment had brought about a negative effect on growth. (4) Indeed, after over 15 years, it was hard to point to more than a handful as having brought about stable growth, among them the very questionable case of Pinochet's Chile. What structural adjustment had done, instead, was to institutionalize stagnation in Africa, Latin America, and other parts of the Third World, a fact reflected in a study of the Center for Economic and Policy Research which shows that 77 per cent of countries for which data is available saw their per capita rate of growth fall significantly from the period 1960-1980 to the period 1980-2000, the structural adjustment period. (5) In Latin America, for one, income expanded by 75 per cent during the sixties and seventies, when the region's economies were relatively closed, but grew by only six per cent in the past two decades. (6)

Broadening the criteria of success to include reduction of inequality and bringing down poverty, the results were unquestionable: structural adjustment was a blight on the Third World. A study by Mattias Lundberg and Lyn Squire of the World Bank summed it up thus: "The poor are far more vulnerable to shifts in relative international prices, and this vulnerability is magnified by the country's openness to trade...[A]t least in the short term, globalization appears to increase both poverty and inequality". (7) Imposed at the start of the 1980's, adjustment was a central factor in the sharp rise in inequality globally, with one authoritative UNCTAD study covering 124 countries showing that the income share of the richest 20 per cent of the world's population rose from 69 to 83 per cent between 1965 and 1990. (8) Adjustment policies were a central factor behind the rapid concentration of

global income in recent years--a process which, in 1998, saw Bill Gates, with a net worth of \$90 billion, Warren Buffet, with \$36 billion, and Microsoft co-founder Paul Allen, with \$30 billion, achieve a combined income that was greater than the total combined income of the 600 million that live in the world's 48 least developed countries, a great number of which had been subjected to adjustment programs.

Structural adjustment has also been a central cause of the lack of any progress in the campaign against poverty. The number of people globally living in poverty--that is, poverty according to the unrealistic and restrictive World Bank criterion of earning less than a dollar a day-- increased from 1.1 billion in 1985 to 1.2 billion in 1998, and is expected to reach 1.3 billion this year. (9) According to a recent World Bank study, the absolute number of people living in poverty rose in the 1990's in Eastern Europe, South Asia, Latin America and the Caribbean, and SubSaharan Africa--all areas that came under the sway of adjustment programs. (10)

Confronted with this dismal record, James Wolfensohn of the World Bank in the late nineties cunningly steered the institution away from its identification with structural adjustment with public relations initiatives like the SAPRI, or the Structural Adjustment Program Review Initiative, that it said would be jointly conducted with NGO's. But the IMF under the doctrinaire Michel Camdessus refused to see the handwriting on the wall; it sought, instead, to embed adjustment policies permanently in the economic structure through the establishment of the Extended Structural Adjustment Facility (ESAF).

Yet as a consequence of greater public scrutiny following its disastrous policies in East Asia, the Fund could no longer pretend that adjustment had not been a massive failure in Africa, Latin America and South Asia. During the World Bank-IMF meetings in September 1999, the Fund conceded failure by renaming the ESAF the "Poverty Reduction and Growth Facility" and promised to learn from the World Bank in making the elimination of poverty the "centerpiece" of its programs.

But this was too little, too late, and too incredible. Support for the IMF in Washington was down to the US Treasury. Indeed, so starved of legitimacy and support was the Fund at the end of the 20th century that US Treasury Secretary Larry Summers, who in an earlier incarnation as chief economist of the World Bank had been one of the chief backers of structural adjustment, found that he could only save it by damning it. The IMF, he told Congress, deserved to be preserved as a part of the international financial architecture, but when it came to development financing, Washington would support "a new framework for providing international assistance...one that moves beyond a closed, IMF-centered process that has too often focused on narrow macroeconomic objectives at the expense of broader human development". (11)

Globalization Unravels III: The Debacle in Seattle

Freedom, said Hegel, is the recognition of necessity. Freedom, the proponents of neoliberalism like Hegel's disciple, Francis Fukuyama, tell us, lies in the recognition of the inexorable irreversibility of free-market globalization. Thank god, the 50,000 people who descended on Seattle in late November 1999 did not buy this Hegelian-Fukuyaman notion of freedom as submission and surrender to what seemed to be the ineluctable necessity of the World Trade Organization (WTO). In the mid-nineties, the WTO had been sold to the global public as the lynchpin of a multilateral system of economic governance that would provide the necessary rules to facilitate the growth of global trade and the spread of its beneficial effects. The apogee of the era of globalization was the triumphant launching of the WTO in 1995. It took five years for citizens, civil society organizations, and governments to fully realize what they had signed. By the time of the Seattle Ministerial, the implications and consequences of the founding of the WTO had become as clear to large numbers of people as a robbery carried out in broad daylight. What were some of these realizations?

- By signing on to the Agreement on Trade-Related Investment Measures (TRIMs), developing countries discovered that they had signed away their right to use trade policy as a means of industrialization.
- By signing on to the Agreement on Trade-Related Intellectual Property Rights (TRIPs), countries realized that they had given high tech transnationals like Microsoft and Intel the right to monopolize innovation in the knowledge-intensive industries and provided biotechnology firms like Novartis and Monsanto the go-signal to privatize the fruits of aeons of creative interaction between human communities and nature such as seeds, plants, and animal life.
- By signing on to the Agreement on Agriculture (AOA), developing countries discovered that they had agreed to open up their markets while allowing the big agricultural superpowers to consolidate their system of subsidized agricultural production that was leading to the massive dumping of surpluses on those very markets, a process that was, in turn, destroying smallholder-based agriculture.
- By setting up the WTO, countries and governments discovered that they had set up a legal system that enshrined the priority of free trade above every other good--above development, environment, justice, equity, and community. They finally got the significance of consumer advocate Ralph Nader's warning a few years earlier that the WTO, was a system of "trade uber alles".

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

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

Seattle was a debacle created by corporate overreach or, to borrow from Paul Kennedy, "imperial overstretch". (12) The Ministerial's collapse from pressure from these multiple sources of opposition underlined the truth in Ralph Nader's prescient remark, made four years earlier, that the creation of global trade pacts like the WTO was likely to be "the greatest blunder in the history of the modern global corporation". Whereas previously, the corporation's operating within a more or less "private penumbra" made it difficult to effectively crystallize opposition, he argued that "now that the global corporate strategic plan is out in print...gives us an opportunity". (13)

Truth is truth, but it only makes a difference in human lives when it becomes power. In Seattle, truth was joined to the power of the people and became fact. Suddenly, facts that had previously been ignored or belittled were acknowledged even by the powers-that-be whose brazen confidence in their own creation had been shaken. For instance, that the supreme institution of globalization was, in fact, fundamentally undemocratic and its processes non-transparent was recognized even by representatives of its stoutest defenders: the United States and the United Kingdom. Listen to US Trade Representative Charlene Barshefsky after the revolt of the representatives of developing countries that helped bring down the Ministerial: "The process...was a rather exclusionary one", she admitted. "All meetings were held between 20 and 30 key countries...And that meant 100 countries, 100, were never in the room...[T]his led to an extraordinarily bad feeling that they were left out of the process and that the results...had been dictated to them by the 25 or 30 privileged countries who were in the room". (14)

Listen to Stephen Byers, the UK Secretary for Trade and Industry, after the Seattle shock: "WTO will not be able to continue in its present form. There has to be fundamental and radical change in order for it to meet the needs and aspirations of all 134 of its members". (15)

Globalization Unravels IV: Meltzer Torpedoes the Bank

The Asian financial crisis triggered the IMF's crisis of legitimacy. The Seattle Ministerial collapse brought the WTO to a standstill. However, under Australian-turned-American Jim Wolfensohn's command, the World Bank seemed likely to escape the massive damage sustained by its sister institutions. Since assuming office in 1996, Wolfensohn, by opening up channels of communication with the NGO's and with the help of a well-oiled public relations machine, tried to recast the Bank's image as an institution that was not only moving away from structural adjustment but was also making poverty-elimination its central mission, promoting good governance, and supporting environmentally-sensitive lending. The best defense, in short, was to expand the agency's agenda.

But the torpedo in the form of the famous Meltzer Commission found its mark in February of this year.

Formed as one of the conditions for the US Congress' voting for an increase of its quota in the IMF in 1999, the Commission was a bipartisan body that was tasked to probe the record of the Bank and Fund with the end in view of coming up with recommendations for the reform of the two institutions. What was most significant about the Commission was that this dyed-in-the-wool establishment body legitimized many of the criticisms about the Bretton Woods twins that had been made earlier by progressives, and in many places its language was indistinguishable from that of the left.

Exhaustively examining documents and interviewing all kinds of experts, the Commission came up with a number of devastating findings that bear being pointed out: 70 per cent of the Bank's non-grant lending is concentrated in 11 countries, with 145 other member countries left to scramble for the remaining 30 per cent; 80 per cent of the bank's resources are devoted not to the poorest developing countries but to the better off ones that have positive credit ratings and, according to the Commission, can therefore raise their funds in international capital markets; the failure rate of Bank projects is 65-70 per cent in the poorest countries and 55-60 per cent in all developing countries. The World Bank, in short, was irrelevant to the achievement of its avowed mission of global poverty

alleviation. (16)

And what to do with the Bank? The Commission urged that most of the Bank's lending activities be devolved to the regional developing banks. It does not take much, however, for readers of the report to realize that, as one of the Commission's members revealed, it "essentially wants to abolish the International Monetary Fund and the World Bank", a goal that had "significant pockets of support...in our Congress". (17)

Much to the chagrin of Wolfensohn, few people came to the defense of the Bank. Instead, the realities of the Bank's expanded mission were exposed in the months leading up to the World Bank-IMF meeting in Prague in September. The claim that the Bank was concerned about "good governance" was contradicted by the exposure of its profound involvement with the Suharto regime in Indonesia, to which it had funnelled over \$30 billion in 30 years. According to several reports, including a World Bank internal report that came out in 1999, the bank tolerated corruption, accorded factual status to false government statistics, legitimized the dictatorship by passing it off as a model for other countries, and was complacent about the state of human rights and the monopolistic control of the economy. (18) That this close embrace of the Suharto regime continued well into the Wolfensohn era was particularly damning.

The image of a new, environmentally sensitive Bank under Wolfensohn also evaporated in the avalanche of criticism that came after the Meltzer report. The Bank was a staunch backer of the controversial Chad-Cameroon Pipeline, which would seriously damage ecologically sensitive areas like Cameroon's Atlantic Littoral Forest, and Bank management was caught violating its own rules on environment and resettlement when it tried to push through the China Western Poverty Project that would have transformed an arid ecosystem supporting minority Tibetan and Mongolian shepherders into land for settled agriculture for people from other parts of China. (19)

A look at the Bank's loan portfolio revealed the reality behind the rhetoric: loans for the environment as a percentage of the Bank's total loan portfolio declined from 3.6 per cent in FY 1994 to 1.02 per cent in 1998; funds allocated to environmental projects declined by 32.7 per cent between 1998 and 1999; and more than half of all lending by the World Bank's private sector divisions in 1998 was for environmentally harmful projects like mining, roads, and power. (20) Indeed, so marginalized was the Bank's environmental staff within the bureaucracy that Herman Daly, the distinguished ecological economist, left the Bank staff because he felt that he and other in-house environmentalists were having no impact at all on agency policy.

Confronted with a list of thoroughly documented charges from civil society groups during the now famous Prague Castle Debate sponsored by Czech President Vaclav Havel during the tumultuous IMF-World Bank meeting in Prague on September 23 of this year, Wolfensohn was reduced to giving the memorable answer, "I and my colleagues feel good about going to work everyday". It was an answer that, in underlining the depth of the Bretton Woods system crisis of legitimacy, was matched only by IMF Managing Director Horst Koehler's famous line at that same event: "I also have a heart, but I have to use my head in making decisions".

The Davos Process I: Relegitimizing Globalization

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

To the more soberminded among the pro-globalization forces, the first thing to do was to recognize the facts. Fact No. 1, according to the influential free trader C. Fred Bergsten, head of Washington's Institute of International Economics, was that "the anti-globalization forces are now in the ascendancy". (21) And Fact No. 2 was that central to the response to these forces "has to be an honest recognition and admission that there are costs and losers", that "globalization does increase income and social disparities within countries" and "does leave some countries and some groups behind". (22)

Here is where the Davos process has proven to be central to the project of relegitimizing capitalist globalization. Davos, high up in the Swiss Alps, is not the center of a global capitalist conspiracy to divide up the world. Davos is where the global elite meets under the umbrella of the World Economic Forum to iron out a rough consensus on how to ideologically confront and defuse the challenges to the system. Meeting shortly after what many regarded as the cataclysm in Seattle, the Davos crew in late January composed the politically correct line. Repeated like a mantra by personalities like Bill Clinton, Tony Blair, Bill Gates, Nike CEO Phil Knight, and WEF guru Klaus Schwab, the chorus went this way: "Globalization is the wave of the future. But globalization is leaving the majority behind. Those voices spoke out in Seattle. It's time to bring the fruits of globalization and free trade to

the many".

It was British Prime Minister Tony Blair who best articulated the vision and rhetoric of "compassionate globalization". "I call it a Third Way", Blair declared with passion. "It provides a new alternative in politics-on the centre and centre-left, but on new terms. Supporting wealth creation. Tackling vested interests. Using market mechanisms. But always staying true to clear values-social justice, democracy, cooperation....From Europe to North America, Brazil to New Zealand, two great strands of progressive thought are coming together. The liberal commitment to individual freedom in the market economy, and the social democratic commitment to social justice through the action of government, are being combined". (23)

Now, one thing that the British public has finally realized about Mr. Blair is that with him, there is a huge gap between rhetoric and substance. What actually does "globalization with a conscience" or the "Third Way" or "globalization with compassion" have to offer? To find out, one must turn from Blair to Bergsten, who, to his credit, dispenses with the soaring rhetoric and admits that the program is actually a system of "transitional safety nets...to help the adjustment to dislocation" and "enable people to take advantage of the phenomenon [of globalization] and roll with it rather than oppose it". (24) In short, instead of being run over by the globalization express, people will be asked to quietly and peacefully roll over and adjust to the constant and unpredictable change wrought by the TNC's search for profitability.

The Davos Process II: Coopting the United Nations

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

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

- Despite a Compact provision that membership in the Compact will not be given to business entities complicit in human rights violations, the founding membership includes the worst corporate transgressors of human rights, environmental rights, and labor rights: Nike, Rio Tinto, Shell, Novartis, and BP Amoco.
- The Compact will provide a great public relations venue for these corporations to promote a clean image very different from the reality since compliance with the Compact will be self-monitored and no sanctions exist for violating the Compact's principles.
- The Corporations will be able to use the UN logo as a seal of corporate responsibility, thus appropriating the UN's image of international civil service "not only for short-term profit but also for the long-term business goal of positive brand image". (25)

The Davos Process III: Managing Civil Society

As for civil society organizations, they were not as naive as Annan and the UN and thus neutralizing them demanded more sophisticated measures. Here the World Bank under Wolfensohn had already accumulated much experience. As a first step, one needed to master and coopt civil society language. World Bank documents became laced with "empowerment", "good governance", "gender equity", "sustainable development" and other politically correct words. Next, the Bank built up a pool of full-time specialists in NGOs which numbered 70 by this year. (26) Third, the Bank put into motion a "divide and conquer strategy" towards NGO's, trying to split their ranks by publicly defining some as "reasonable NGO's" that were interested in a "serious debate" about the problems of globalization and others as "unreasonable NGO's" whose agenda was to "close down discussion". Then towards those identified as "reasonable", one initiated what might be termed a strategy of "disarmament by dialogue" designed to integrate them into a "working partnership" for reform.

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

Institutionalizing a dialogue with civil society was copied early on by the WTO, which has made NGO "access" to the director general quite easy. The IMF, on the other hand, was a laggard when it came to recognizing the importance of civil society, and it is only now that it is carrying out tentative steps at consulting with NGO's.

But the rush to embrace civil society is on, and the process seems to have become more intense the more the possibilities for actual reform have diminished.

One year after the Seattle collapse, all talk about reforming the decisionmaking process at the WTO has disappeared, with Mike Moore, in fact, saying that the non-transparent Consensus/Green Room system is "non-negotiable".

When it comes to the question of the international financial architecture, serious discussion of capital controls like Tobin taxes has been avoided. An unreformed IMF continues to be at the center of the system's "firefighting system". A preemptive, pre-crisis credit line at the Fund (which no country wants to avail of) and a toothless Financial Stability Forum-where there is little developing country participation-appear to be the only "innovations" to emerge from the Asian, Russian, and Brazilian financial crises. (27)

At the IMF and the World Bank, similarly, there is no longer any talk about diluting the voting shares of the US and the European Union in favor of greater voting power for the Third World countries, much less of doing away with the feudal practices of always having a European head the Fund and an American to lead the Bank. The much-vaunted consultative process in the preparation of Poverty Reduction Strategy Papers (PRSP) is turning out to be nothing more than an effort to add a veneer of public participation to the same technocratic process that is churning out the same old emphasis on growth, deregulation, and liberalization, with, of course, a safety net here and there. (28) This is not surprising since at the Fund, Koehler has been talking about bringing the organization back to its "core competencies"-meaning promoting "macroeconomic stability and growth by fostering sound monetary, fiscal and exchange rate policies in its member countries". (29) It is not surprising given the fact that at the World Bank, an in-house move to dilute the centrality of growth in the organization's approach ground to a halt with the departure under pressure of two reformers, Chief Economist Joseph Stiglitz and World Development Report task force chief Ravi Kanbur.

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

- Will civil society breathe life into a WTO process that is at standstill by pushing for the incorporation of labor and environmental clauses into the WTO agreements instead of reducing the power and authority of this instrument of corporate rule by doing all in their power, for instance, to prevent another trade round from ever taking place?
- Will civil society organizations throw a life saver to the Bretton Woods institutions by participating in the PRSP process that Wolfensohn and the IMF leadership sees as the key to the re-legitimation of the Bretton Woods twins?
- Will they allow themselves to be sucked into the Davos process of "reasonable dialogue" and "frank consultation" when the other side sees dialogue and consultation mainly as the first step to the disarmament of the other side? Like last winter, the World Economic Forum is assembling a large contingent of NGO's to "dialogue" with the global elite at Davos in late January.

Reform or Disempowerment?

Our tactics will depend not only on the balance of forces but will turn even more fundamentally on our answer to the question: Should we seek to transform or to disable the main institutions of corporate-led globalization? Institutions should be saved and reformed if their functioning, while defective, nevertheless can be reoriented to promote the interests of society and the environment. They should be abolished if they have become fundamentally dysfunctional. Can we really say that the IMF can be reformed to bring about global financial stability, the World Bank to reduce poverty, and the WTO to bring about fair trade? Are they not, in fact, imprisoned within paradigms and structures that create outcomes that contradict these objectives? Can we truly say that these institutions can be reengineered to handle the multiple problems that have been thrown up by the process of corporate-led globalization?

Perhaps we can best appreciate the current situation by borrowing from Thomas Kuhn's *Structure of Scientific Revolutions*. (30) It is useful to review the key points of this classic work. Scientific paradigms, says Kuhn, enter into crisis when they can no longer explain or handle dissonant data after dissonant data thrown up by observation. At this point, the community of science diverge in their responses. Some try to salvage the dominant paradigm with endless minute adjustments that merely prolong its inevitable demise. A brave few try to cut cleanly from it in favor of a simpler, more elegant, and more useful paradigm-in a manner similar to the way the founders of early modern science simply junked the old, hopelessly complex Ptolemaic paradigm for explaining the cosmos (the sun and other celestial bodies moving around the earth) in favor of the simpler Copernican paradigm (the earth moving around the sun).

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

Dealing with the Corporation

Indeed, the focus of our efforts these days is not to try to reform the multilateral agencies but to deepen the crisis of legitimacy of the whole system. Gramsci once described the bureaucracy as but an "outer trench behind which lay a powerful system of fortresses and earthworks". We must no longer think simply in terms of neutralizing the multilateral agencies that form the outer trenches of the system but of disabling the transnational corporations that are the fortresses and the earthworks that constitute the core of the global economic system. We are talking about disabling not just the WTO, the IMF, and the World Bank but the transnational corporation itself. And we are not talking about a process of "reregulating" the TNCs but of eventually disabling or dismantling them as fundamental hazards to people, society, the environment, to everything we hold dear.

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

These are not departures from normal corporate behavior. They are normal corporate behavior. And corporate crime against people and the environment has, like the Mafia, become a way of life because, as the British philosopher John Gray tells us, "Global market competition and technological innovation have interacted to give us an anarchic world economy". To such a world of anarchy, scarcity, and conflict created by global laissez-faire, Gray continues, "Thomas Hobbes and Thomas Malthus are better guides than Adam Smith or Friedrich von Hayek, with their Utopian vision of a humanity united by "the benevolent harmonies of competition". (31) Smith's world of peacefully competing enterprises has, in the age of the TNC, degenerated into Hobbes' "war of all against all".

Gray goes on to say that "as it is presently organized, global capitalism is supremely ill-suited to cope with the risks of geo-political conflict that are endemic in a world of worsening scarcities. Yet a regulatory framework for coexistence and cooperation among the world's diverse economies figures on no historical or political agenda". (32) Recent events underline his point. When the ice cap on the North Pole is melting at an unprecedented rate and the ozone layer above the South Pole has declined by 30 per cent, owing precisely to the dynamics of this corporate civilization's insatiable desire for growth and profits, the need for cooperation among peoples and societies is more stark than ever. Yet US government sabotaged the recent Hague assembly on global because its corporations opposed the already very low levels of greenhouse gas emission agreed in Kyoto! We must do better than entrust production and exchange to entities that systematically and fundamentally work to erode solidarity, discourage cooperation, oppose regulation except profit-enhancing and monopoly-creating regulation, all in the name of the "Market" and "Efficiency".

It is said that in the age of globalization, nation-states have become obsolete forms of social organization. But is it not the corporation that has become obsolete? Is it not the corporation that serves as a fetter to humanity's movement to new and necessary social arrangements to achieve the most quintessentially human values of justice, equity, democracy, and to achieve a new equilibrium between our species and the rest of the planet? In fact, trust in the corporation is at its lowest point in years, even in the United States, where close to 70 per cent of respondents in a recent survey stated that the corporations have too much influence over their lives. (33)

Of course, taking on the corporation is a formidable enterprise, and the repertoire of tactics will need to be extraordinarily innovative, including such moves as stockholder resolutions, withdrawal of charters, human rights lawsuits, and vigorous anti-monopoly prosecution. The point is the current crisis spells opportunity. The time is ripe to place the disabling, disempowering, or dismantling of the transnational corporation high on our agenda not only as a strategic end but also as a feasible goal, to be pursued with diverse, innovative means. Legitimacy, it must always be remembered, is ultimately the foundation of power structures.

The Struggle for the Future I: Deglobalization

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

Let me end, therefore, by giving sketching the idea of an alternative. It is, however, one that has been formulated for a Third World, and specifically Southeast Asian , context. It makes no claim to originality, drawing from the thinking of many progressive thinkers. In fact, contrary to the common complaint, the elements of the alternative to globalization are there; the challenge is how to integrate them into programs for specific societies. Let me call this alternative route to the future "deglobalization".

What is deglobalization?

We are not talking about withdrawing from the international economy.

- We are speaking about reorienting our economies from production for export to production for the local market; about drawing most of our financial resources for development from within rather than becoming dependent on foreign investment and foreign financial markets;
- about carrying out the long-postponed measures of income redistribution and land redistribution to create a vibrant internal market that would be the anchor of the economy;
- about deemphasizing growth and maximizing equity in order to radically reduce environmental disequilibrium;
- about not leaving strategic economic decisions to the market but making them subject to democratic choice;
- about subjecting the private sector and the state to constant monitoring by civil society;
- about creating a new production and exchange complex that includes community cooperatives, private enterprises, and state enterprises, and excludes TNCs;
- about enshrining the principle of subsidiarity in economic life by encouraging production of goods to take place at the community and national level if it can be done so at reasonable cost in order to preserve community.
- We are talking, essentially, about an approach that consciously subordinates the logic of the market, the pursuit of cost efficiency to the values of security, equity, and social solidarity. Following Karl Polanyi, we are speaking, about reembedding the economy in society, rather than having society driven by the economy.

The Struggle for the Future II: A Plural World

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

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

We are not talking about something completely new. For it was under such a more pluralistic system of global economic governance, where hegemonic power was still far from institutionalized in a set of all-encompassing and powerful multilateral organizations and institutions that a number of Latin American and Asian countries were

able to achieve a modicum of industrial development in the period from 1950 to 1970. It was under such a pluralistic system, under a General Agreement on Tariffs and Trade (GATT) that was limited in its power, flexible, and more sympathetic to the special status of developing countries, that the East and Southeast Asian countries were able to become newly industrializing countries through activist state trade and industrial policies that departed significantly from the free-market biases enshrined in the WTO.

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

In other words, what developing countries and international civil society should aim at is not to reform the TNC-driven WTO and Bretton Woods institutions, but, through a combination of passive and active measures, to radically reduce their powers and to turn them into just another set of actors coexisting with and being checked by other international organizations, agreements, and regional groupings. These would include such diverse actors and institutions as UNCTAD, multilateral environmental agreements, the International Labor Organization, the European Union, new regional development banks, regional monetary mechanisms such as the ASEAN+3 Monetary Arrangement, and evolving trade blocs such as Mercosur in Latin America, SAARC in South Asia, SADCC in Southern Africa, and a revitalized ASEAN in Southeast Asia.

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

Let me quote John Gray one last time. "It is legitimate and indeed imperative", he says, "that we seek a form of rootedness which is sheltered from overthrow by technologies and market processes which in achieving a global reach that is disembedded from any community or culture, cannot avoid desolating the earth's human settlements and its non-human environments". The role of international arrangements in a world where toleration of diversity is a central principle of economic organization would be "to express and protect local and national cultures by embodying and sheltering their distinctive practices". (34)

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

References

1. C. Fred Bergsten, "The Backlash against Globalization", Speech delivered at the 2000 Meeting of the Trilateral Commission, Tokyo, April 2000. Downloaded from Internet.
2. Ibid.
3. Bradford DeLong, "Crisis Coaching", Worldlink, Nov.-Dec. 2000, p. 10.
4. See, for example, Adam Przeworski and James Vreeland, "The Effect of IMF Programs on Economic Growth", *Journal of Development Economics*, Vol. 62, pp. 385-421.
5. Mark Weisbrot, Robert Naiman, and Joyce Lim, "The Emperor has no Growth", Center for Economic Policy Research, Washington, DC, Sept. 26, 2000.
6. "Global Capitalism: Can It be Made to Work Better?", *Business Week*, Nov. 6, 2000, pp. 42-43.
7. Quoted in John Madeley, "World Bank Edits Out Penalty on the Poor", *SundayObserver*, Dec. 3, 2000.
8. Cited in Giovanni Andrea Cornia, "Inequality and Poverty Trends in the Era of Liberalization and Globalization", Paper delivered at the "United Nations Millenium Conference", Tokyo, January 19-20, 2000.
9. Ibid.; see also, "Number of World's Poor Unchanged in the 1990's", *Reuters*, August 3, 2000.
10. Cornia.
11. Op-ed column, *Washington Post*, reproduced in *Today (Manila)*, Nov. 15, 1999.
12. Paul Kennedy, *The Rise and Fall of the Great Powers* (New York: Vintage Books, 1989).
13. Ralph Nader, speech at International Forum on Globalization Teach-in on "The Social, Ecological, Cultural, and Political Costs of Economic Globalization", Riverside Church, New York, Nov. 10, 1995; quoted in Joshua Karliner, *The Corporate Planet* (San Francisco: Sierra Club, 1997), p. 207.
14. Press briefing, Seattle, Washington, Dec. 2, 1999.
15. Quoted in "Deadline Set for WTO Reforms", *Guardian News Service*, Jan. 10, 2000.
16. Report of the International Financial Institutions Advisory Committee, US House of Representatives,

Washington, DC, 2000.

[17.](#) Bergsten.

[18.](#) "World Bank Admits Failure to Confront Indonesia's Ills", Asian Wall Street Journal, Feb. 11, 1999.

[19.](#) See Christine Bustany and Daphne Wysham, "Chevron's Alleged Human Rights Abuses in the Niger Delta and Involvement in Chad Cameroon Pipeline Consortium Highlights Need for World Bank Human Rights Investment Screen", Institute for Policy Studies, Washington, DC, April 28, 2000; Kay Treakle, "Summary of Events Leading up to the Cancellation of the China Western Poverty Reduction Project", Bank Information Center, Washington, DC, July 20, 2000.

[20.](#) Andree Durbin and Carol Welch, "Greening the Bretton Woods Institutions", Foreign Policy in Focus, Vol. 5, No. 33, Sept. 2000.

[21.](#) Bergsten.

[22.](#) Ibid.

[23.](#) Ibid.

[24.](#) Bergsten.

[25.](#) Letter of International Coalition against Global Compact, July 26, 2000.

[26.](#) James Wollfensohn, speech during the Castle Debate, Prague, Sept. 23, 2000.

[27.](#) For an account of how little movement there has been, see Morris Goldstein, "Strengthening the International Financial Architecture: Where do We Stand?", Institute for International Economics, Washington, DC, October 2000.

[28.](#) See Shalmali Gutta, "The End of Imagination: the World Bank, the International Monetary Fund, and Poverty Reduction", in Prague 2000: why We Need to Decommission the IMF and the World Bank (Bangkok: Focus on the Global South, 2000), pp. 37-40.

[29.](#) Horst Koehler, "the IMF in a Changing world", World Finance, Autumn 2000, p. 7.

[30.](#) Thomas Kuhn, The Structure of Scientific Revolutions (Chicago: University of Chicago Press, 1971).

[31.](#) John Gray, False Dawn (New York: New Press, 1998), p. 207.

[32.](#) Ibid.

[33.](#) "Too Much Corporate Power", Business Week, Sept. 11, 2000, p. 53.

[34.](#) John Gray, Enlightenment's Wake (London: Routledge, 1995), p. 181.

[Back to top](#)

[TNI Home](#)