Globalisation Part 1 – Introduction

The trend of economic 'globalisation' has been the focus of heated debate and protest in recent months. Bodies such as the World Bank, World Trade Organisation (W.T.O.) and International Monetary Fund (I.M.F.) are the subject of much criticism for their role in the globalised economy. Here we shall view the policies of these institutions within the context of the development of global capitalism since World War II. A study of the economic forces that lie behind globalisation will demonstrate that we need to do more than simply call for the abolition of the World Bank, W.T.O. or I.M.F. There is, in fact, little scope for countering the negative effects of the global market economy within capitalism which is why we should seek an end to capitalism itself rather than somehow seek to reverse the tide of globalisation.

Protests, such as those in the year 2000 at Seattle and Prague, often claimed to be about opposition to capitalism but they were actually much more focused upon a particular trend within capitalism—what they refer to as 'globalisation.' The International Monetary Fund (I.M.F.), World Trade Organisation (W.T.O) and the World Bank are global bodies that are viewed as the agents of this globalisation process. The so-called 'free trade' agreements, such as the General Agreement on Tariffs and Trade (G.A.T.T.) and the North American Free Trade Agreement (N.A.F.T.A.) are seen as catalysts for increasing globalisation. Here we shall explore how these institutions and agreements arose within capitalism, how they have impacted upon the global economy and whether there are alternatives to the policies they embody.

Firstly, it is worth considering the meaning of this 'globalisation' that they are often said to be pushing us towards. The term is often used in a general way to refer collectively to a set of economic trends. One aspect of 'globalisation' is the greater maneuverability of capital around the world. Another related element is the removal of restrictions to global trade. 'Globalisation' is also about the diminishing importance of national frontiers as far as the operations of companies are concerned. In short, globalisation means that the economic activity of companies is to be increasingly understood as taking place on an international , rather than a national stage.

In response to this kind of definition, it has been pointed out that globalisation is nothing new. There has, after all, been a general increase in international trade since the middle ages when trade in goods such as spices and wine grew. Still, as shall be shown below, there is a justification for the current 'globalisation' debate, focusing as it does upon certain post-war trends within the global economy.

Indeed, the key debate is not whether globalisation has occurred or not but what the significance of it is and whether there are alternatives. Defenders of the 'globalised', or 'free market,' capitalism claim that it provides a level playing field from which all nations can gain. Opponents view 'globalisation' as biased towards the interests of corporations from the large industrial nations, such as the U.S.A. and Japan, at the expense of poorer countries.

(Here the collective term of 'The South' shall be used to refer to the poorer countries of Africa, Asia and Latin America, that have often been referred to as 'developing countries,' or the 'Third World.' This is the word used within much of the current literature on the global economy. Again, to adopt a commonly used convention, 'The North' shall be used to refer to the advanced industrial nations, including Western Europe, North America and Japan.)

An exploration of two key trends within this ‘globalisation’ enables us to build a picture of the forces lying behind globalisation. The first of these trends is the rise of what is widely referred to as ‘free trade’, as defined by international trade agreements—most notably the G.A.T.T. rounds (from 1947 onwards.) The second trend is one that has taken place in countries of the South and is termed ‘structural adjustment.’ This is a process, initiated by the I.M.F., which sets out criteria for countries of the South to become participants in the ‘globalised economy.’

The anti-globalisation lobby rightly point out that the global market economy is a cause of many social and environmental problems. Their assumption is often that these problems could be resolved by modifying global capitalism. The viability of some of their proposed solutions to the ills of a ‘globalised’ capitalism are considered in context of our analysis of its causes.

Globalisation Part 2 – The move towards free trade

In this first section we shall review the tendency towards increased world trade since World War II. We shall consider the economic forces that lay behind this trend and how far this trade can be termed ‘free trade.’

1. What does ‘free trade’ mean?

The term ‘free trade’ is the exchange of goods at their market price, in the absence of ‘distortions’. Such distortions include tariffs (adding to the import price), import quotas (restrictions on the amount a state will allow to be imported) and export subsidies (so exports can be sold at a deliberately lower price). These are examples of what are known as ‘protectionist’ measures (so-called because they are put in place by governments to improve the terms of trade for their domestic industries.) Protectionism often has an associated cost for the state that adopts it, given that its trading partners will be likely to introduce their own protectionist measures in retaliation. While protectionism might favour the short term interests of a nation, it raises the possibility of retaliation and hence a trade war. Such a trade war obviously reduces the amount of trade between states which can damage the interests of all the nations involved.

2. The ‘benefits’ of free trade

The theory of the benefits of free trade was founded upon Ricardo's theory of 'comparative advantage'. He argued that a state can maximise its profits by specialising in those industries in which it has the greatest advantage in efficiency (i.e. profitability) relative to other states. This means that, even if State A is less profitable than State B in all sectors of the economy, the profits for both A and B will be maximised if each specialises in the areas in which it is best (or least bad) and trades with the other.

Comparative advantage theory relies upon a set of unrealistic assumptions. One of these is the assumption that all economies are already making the most efficient possible use of their resources (human labour, capital, technology etc.) If they are not, then, as has been pointed out by critics of the Ricardian theory, a protectionist policy might be justifiable to allow fledgling industries to develop to a point where resources are being used to their full potential.

Still, the fundamental point made by Ricardo remains pertinent. This is that profits will usually be maximised when production within a country concentrates on areas where productivity and hence profits are highest. With this point, Ricardo has provided an important reason why capitalism benefits from trade. Ricardo's theory is supported by empirical evidence. For example, a recent study by J.Sachs and A.Warner took a sample of 111 countries which they classed as either 'open' or 'closed' according to how far they had liberal terms of trade. They discovered much faster growth (i.e. more profits)—among the 'open' economies.(1)

The benefits of free trade for capitalism, to which Ricardo drew attention has been an important factor in the huge post- Second World War push for ever greater, transnational profitability. International mobility of capital, goods and services (i.e. free trade) has characterised this period of capitalist development. As we shall discover, though, this trend was brought about forcefully by the world's largest economic powers who were only prepared to adhere to the Ricardian textbook in so far as it suited their interests.

3. Start of the post-war shift

The place to start a review of trade developments since the Second World War is with the economic alliances formed in the aftermath of the Second World War. As Sklar argues, there was an especially concerted effort among the United States of America (U.S.A.), Europe and Japan to establish worldwide economic hegemony. The liberalisation of capital and goods markets was an integral part of their strategy. The U.S.A. and Britain agreed to start cutting down on tariffs in 1944 as part of the famous Bretton Woods agreements. Further measures were then taken, such as in 1949, when 30 per cent of European trade was freed from restrictions.

The reduction of tariff barriers after the formation of the (European Economic Community) E.E.C. in 1958 increased trade by the order of 25–35%. Within E.F.T.A., (the free trade zone formed by seven of the non-E.E.C. European countries, including at that time the United Kingdom) lower barriers resulted in extra imports of around 10–15% for the countries concerned.(3; p31)

The U.S.A. was somewhat slower to lift trade restrictions given that there was already a high demand for U.S. goods after the war. As is pointed out by Armstrong et al, it was Kennedy in the later sixties "whose round of cuts saw the average level of tariffs on manufactured goods falling by one third and by half on machinery and vehicles."(3; p154)

Very high rates of tariff covering about 7% of goods in the United States and United Kingdom almost disappeared, and the proportion of trade (excluding agriculture and fuels) which attracted tariffs of 15 per cent or less rose from 54% to 85% in the USA, from 37% to 85% in the United Kingdom and from 71% to 97% for the EEC. (3; p154)

World trade grew by an average of 8.7% between 1963–72. This growth then slowed sharply from 1973 (it averaged 3.8% per year from 1973–88.) In 1973 the Trilateral Commission was founded, to continue the work of building what Sklar calls the ‘new economic order.’

As Sklar puts it:

the (Trilateral Commission) planned and encouraged an utter restructuring of the world’s political and economic agenda with much of its new power arrangements built to favour transnational corporate activity.(4)

As Sklar shows, the objectives of the Commission are evident in their various reports and policy documents. A call for the lifting of restrictions on capital mobility is made in *Towards a Regenerated Economic System*:-

countries that want economic development would be well-advised to welcome foreign firms on appropriate terms(5)

You do not need a degree in economics to work out what might have been meant by ‘appropriate’ in this context. It is made clear in the following statement by D.Rockefeller, one of the leading U.S. politicians in the Trilateral Commission:

international bankers, corporations, and investors have little need for tariffs and other trade barriers. Their interest lies in finding the most efficient, profitable, productive, and convenient spot for their investment(4)

George Ball, undersecretary of state for Economic Affairs in the Kennedy Administration and a director of Lehman brothers Kuhn Loeb, a large investment house, told the British National Committee of the International Chamber of Commerce in 1967:

In these twenty postwar years, we have come to recognise in action, though not always in words, that the political boundaries of nation-states are too narrow and constituted to define the scope and activities of modern business… (4)

Although protectionism has re-emerged at certain times since the 1940s, as occurred in U.S./Japanese and U.S./ South Korea trade wars during the 1980s, the overall trend has been towards a reduction in protectionist measures. Tariffs have been reduced and quotas are used less widely. An important factor in this has been the General Agreement on Tariffs and Trade. (the G.A.T.T.) that shall now be considered.

4. G.A.T.T. and the liberalisation of trade

The General Agreement on Tariffs and Trade (or G.A.T.T.) was established in 1947. G.A.T.T. ’rounds’ of negotiation continued until the 1990s and each successive round sought to enshrine the principles of free trade in international laws, designed to be applicable worldwide. In the G.A.T.T. a one-country one-vote system was tried initially (until 1959) but the big trading powers saw this as inimical to their interests. The system that finally emerged worked more by a consensus arrangement than by voting. The United States, Japan, European Union and Canada tended to hold the decisive influence. (20; p39)

The G.A.T.T. rounds have had an important role in the move towards trade liberalisation.

Six rounds of General Agreements on Tariffs and Trade (G.A.T.T.) negotiations, from 1947 to 1967, for example, brought tariffs on all dutiable U.S. imports down from their 1932 high of 59.0% to 9.9% in 1970.(6)

Founded just after the Second World War, the first forty years of G.A.T.T. were primarily concerned with tariffs and related matters. As Lori Wallach has shown, the original articles of G.A.T.T. when it was founded in 1947 contain the basic principles that were gradually put into practice. Most notable are the following:

Article One establishes the rule of 'Most Favoured Nation'—one country cannot discriminate between domestic products and 'like products' imported from another G.A.T.T. country. 'Like products' were defined in 1971 to be limited to consideration of product characteristics and does not allow consideration of how the product is produced or harvested.

Article Three contains the principle of 'National Treatment' which states that:

one G.A.T.T. country may not use tariffs, taxes or any regulations to provide different treatment to imports than it would provide to domestically produced goods.(6)

Environmentalists had hoped that Article 20 would allow for exceptions to the above principle in the case of environmental protection. It allows for "measures necessary to protect human, animal and plant health or life." Article 20(h) allows for waivers "undertaken in pursuance of obligations under any intergovernmental commodity agreement."(14) Again, this had encouraged environmentalists who hoped it might be extended to international environmental agreements and protocols.

The well-publicised tuna-dolphin case, in which the Mexican government appealed against the U.S. Marine Mammal Protection Act of 1972, put the hopes of environmentalists to the test:

in August 1991, a three-person, secret G.A.T.T. dispute panel in Geneva ruled that the (1972 act) was an illegal barrier to trade because it restricts importing tuna into the United States that are caught using techniques that kill large numbers of dolphins.(6)

As Ralph Nader puts it,

G.A.T.T. …. set out rules limiting countries' ability to exclude imports on the basis of labour, human rights, or environmental conditions in the country of production.(6)

The judgement in the dolphin-tuna case was just one of many such examples. The agreements allow another country to challenge as infringing upon the trade environmental, health or safety laws such as those of the U.S. They therefore have the effect of 'harmonising' environmental and safety standards, a euphemism for bringing those nations with more stringent regulations down to the level of the least stringent.

The Uruguay Round of G.A.T.T., concluded in 1992, brought new economic sectors, most notably food, agriculture and services such as banking, insurance and shipping, within the remit of the G.A.T.T. This agreement also addressed the issue of liberalising international capital movements, due to the demands of multinationals to be free to investment anywhere in the world. (This issue was to be taken up later by the proposed Multilateral Agreement on Investment which was never ratified- see below.)

Introduce elements of non-free trade.

5. Trading Regions

Anderson and Norheim investigated the growth of intraregional and intetrade for the world's major economic regions since the 1930s (1993a: 1993b):. Theirresults show no strong move towards regionalization: trade has grown vigorouslybetween regions as well as within them. While the intensity of intraregional trade rosein the postwar period (figures for Europe in the nineteenth century show virtually nointraregional bias), between 1979 and 1990 there was only a small rise in intraregionalintensity within the EU and actual falls in Asia and America. Interestingly the intensityof intraregional trade is lower in Western Europe than in America or Asia, so that theinstitutionalization of regional markets does not necessarily appear to lead to closedregions. This is reinforced by other evidence, specifically indices for the propensity totrade extraregionally. These indices show ,a rising propensity for extraregiondelin America and Asia, and a fluctuating propensity in Europe over the postwar period. These figures, consistent with other estimates, do not support the regionalization thesis(cf. Lioyd. 1992).168

As well as the G.A.T.T., international trade liberalisation has also occurred on a regional level through, most notably, the European Union, the North American Free Trade Agreement (N.A.F.T.A.) These regional trading blocks reduce barriers in participant countries although can serve to discourage trade between regions.

Regional trading blocks were consolidated during the 1990s. Most member states of the European Union agreed to join a single currency. In 1994, Canada, the U.S. and Mexico, agreed to sign up to N.A.F.T.A. This agreement as Nader puts it:

basically a mini-G.A.T.T., except that N.A.F.T.A. offers even greater privileges to business and allows for fewer restrictions on corporate operations in the three countries.(6)

Some steps have also been taken towards establishing trading zones in South America (M.E.R.C.O.S.U.R.) and South East Asia—the Association of South-East Asian Nations(A.S.E.A.N.) However, free trade agreements are far from being agreed in these areas. A M.E.R.C.O.S.U.R. agreement in South America would require compromise with U.S. interests which currently has strong trading links with the region.(25) In South East Asia, there is a tradition of protectionism in certain sectors and reconciling the various interests of different states will not be straightforward.(26)

The development of these regional trading blocks should not be forgotten amidst the talk of 'globalisation.' However, it has been shown by Anderson and Norheim that there has been no strong move towards regionalisation since the 1930s. Their results are summarised by Held et al:

While the intensity of intraregional trade rose in the postwar period (figures for Europe in the nineteenth century show virtually no intraregional bias), between 1979 and 1990 there was only a small rise in intraregional intensity within the EU and actual falls in Asia and America. Interestingly the intensity of intraregional trade is lower in Western Europe than in America or Asia, so that the institutionalization of regional markets does not necessarily appear to lead to closed regions.(27)

While G.A.T.T. has brought about greater trade liberalisation since the 1940s on a global level, this trend has by no means been universal. Furthermore, as explained below, it has been punctuated by reversions to protectionism by states, as and when it has suited their interests.

6. The 1970s: Retreat to protectionism

The difficult global economic conditions of the 1970s caused the major industrial nations to become more protectionist for a time. As Nossiter wrote in 1987: “Trade barriers had been coming down steadily through much of the postwar period, but once again, the 1973–74 oil shock and the sharp slump it produced turned history back on itself. Ever since, obstacles to trade have been rising steadily.” (17; p159)

Many of the G.A.T.T. rules were ignored during the 1970s:

the economic malaise of the 1970s weakened the GATT system. The rule of concerted agreement was ignored, and rich nations acted on their own to block fabrics, clothes, consumer electronics, steel, autos, and other products that newly industrializing nations export.(17; p18)

Nossiter cites a study by Sheila Page which estimated that “about 34 percent of all imports to the industrial world had to thread their way through non tariff barriers in 1974. Five years later,” Nossiter explains, “this had climbed to 41 percent. In 1984, Jan Tumlir, GATT’s chief economist, calculated that as much as 45 percent of all international trade was subject to cost-increasing barriers, not counting tariffs. This is a remarkable level for a world whose industrial rich profess the virtues of unimpeded trade.” (17; p18) This wave of protectionism even led to doubts about whether G.A.T.T. could survive. For example, Jan Tumlir, in an interview with Bernard Nossiter in Geneva in the 1980s said “GATT is becoming extinct. That’s how it looks. Deals on universal negotiations. That’s played out.” (17; p173—interview with author.)

Looking back on the strengthening of G.A.T.T. that took place with the Uruguay round in the 1990s we can now see that this move back towards protectionism during the 1970s was not to be as long lasting as Tumlir expected. The subsequent establishment of the W.T.O. has taken further the move towards reducing protectionist measures.

7. W.T.O. from 1995

the WTOis a much more powrerful institution in so far as its dispute panels have the authority-tomake binding judgements in cases where trade rules are subject to dispute or transgressed.In this respect the WTO is a sign;ficant ;nst;tutionatforce for trade liberalization (Hoekman and Kostecki. i995; Qureshi. 1996).p165

Further deregulation of trade followed after 1995 when the World Trade Organisation (W.T.O.) was set up by the Uruguay round of G.A.T.T. The W.T.O. was, as The Ecologist puts it, the result of the

U.S.’s assessment that the interest of its corporations were no longer served by a loose and flexible G.A.T.T. but needed an all-powerful and wide-ranging W.T.O.(20; p37)

Held explains the greater institutional power of the W.T.O., as compared to G.A.T.T., given that “its dispute panels have the authority-to make binding judgements in cases where trade rules are subject to dispute or transgressed”(28) What was known within G.A.T.T. as “special treatment” for developing nations, which enabled them to negotiate at least some special tariffs for industries they needed to protect, was eroded by the W.T.O. accord. Furthermore, the jurisdiction of the W.T.O. was extended to the Trade-Related Investment Measures (T.R.I.M.s) and Trade Related Intellectual Property Rights (T.R.I.P.s), measures which are explained below.

8. Agreement on -Trade-Related Investment Measures (T.R.I.M.s)

T.R.I.M.s outlawed certain forms of protectionism. One such outlawed practice was the regulation of exports to ensure that a certain percentage of the components used in the manufacturing of a product was locally produced.

As *The Ecologist* explains:

These rules were successfully employed by the Newly Industrialised Countries (NIC's) to raise income from capital intensive exports, develop support industries, and bring in technology, while still protecting local entrepreneurs' preferential access to the domestic market. In Malaysia, for instance, the strategic use of local content policy enabled the Malaysians to build a 'national car', in co-operation with Mitsubishi, that has now achieved about 80 per cent local content and controls 70 per cent of the Malaysian market. Thanks to the T.R.I.M.S. accord, these mechanisms are now illegal.(20)

9. Trade Related Intellectual Property Rights (T.R.I.P.s)

This accord was designed to enforce an international system of 'intellectual property rights.' Intellectual property can be defined as follows:

Intellectual property confers on individuals, enterprises or other entities the right to exclude others from the use of specific intangible creations.(http://www.southcentre.org.sg/.)

'Intangible' here means an idea or piece of information that can be incorporated into a tangible object rather than simply the object itself. The T.R.I.P.s accord applied, for example, to industrial designs such as semi-conductors and computer chips. It granted a 'generalised minimum patent' protection of twenty years.

Transnational corporations in particular stood to benefit from the accord as it was in the main, their goods that this accord enabled them to patent. As *The Ecologist* observes, "the T.R.I.P.s accord is a victory for the U.S. high-tech industry, which has long been lobbying for stronger controls over the diffusion of innovations." (20; p37) The United Nations Conference on Trade and Development (U.N.C.T.A.D.) describes the accord as a "premature strengthening of the international intellectual property system… that favors monopolistically controlled innovation over broad-based diffusion."

It has therefore been argued by critics that T.R.I.P.s is not actually 'free trade' legislation at all but is instead a licence enabling large multinational companies to appropriate 'intellectual property' that originated in the countries of the South. That it is a reflection of the interests of multinational companies of the North rather than an impartial set of rules is pointed out by the website Southcentre.org T.R.I.P.s legislation was not applied to certain types of rights (namely "utility models" (mechanical designs) and "breeders' rights" (e.g. for new plant varieties). SouthCentre.org states:

The absence of these two categories may be explained by the relative lack of interest on the part of the major industrialized countries (and the industrial.

lobbies that actively promoted the TRIPs negotiations) in these categories.(29)

It is pointed out that T.R.I.P.s make illegal the exact practice that was key to the industrial development of countries such as the U.S.A. and Gernmany. As the Ecologist explains:

A key factor in their industrial take-off was their relatively easy access to cutting edge technology. The U.S. industrialised, to a great extent by using but paying very little for British manufacturing innovations, as did the Germans. Japan industrialised by liberally borrowing U.S. technological innovations, but barely compensating the Americans for this. And the Koreans industrialised by copying quite liberally and with little payment U.S. and Japanese produce and process technologies. (20; p37)

10. Anti-Dumping

The Anti-Dumping agreement is another treaty that is said to be used by the North (and the U.S.A. in particular) as a means of protecting their industries against those of the South. It allows governments to prohibit exports with a price that is said to be 'unfairly low.' This provides a convenient level of ambiguity for the U.S.A. to shut out very competitive exports from countries where labour costs are far cheaper and it has been argued that U.S. use of the anti-dumping law has predominantly been for this reason:

One study of the U.S.'s anti-dumping law, conducted by the right-wing Cato Institute, found that, of 107 affirmative anti-dumping findings between 1995 and 1998, only two could be deemed to have been real causes of dumping. The others were simply exporters whose prices were too competitive. (19; p9)

The evidence of the T.R.I.P.s and Anti-Dumping agreements being skewed towards the interests of multinational companies, as well as the history of states reverting back to protectionism when it suits their interests both show that the implementation of international trade agreements reflects the powerful sets of interests that determine them. As is shown below, transnational companies are central to this set of interests.

11. Transnational Corporations

A reduction in protectionist policies has tended to suit the hugely powerful transnational corporations (or T.N.C.s). By 1994, T.N.C.s accounted for one third of global output and their global annual sales had reached 4.8 trillion dollars (which is, incidentally greater than the total level of international trade.)(2) These corporations are responsible for a large proportion of world trade today. By 1997, T.N.C.s as a whole carried on two-thirds of world trade (12; p112)

These corporations often divide up their productive operations across the globe, choosing different locations according to factors such as the different skills, labour costs, taxation regimes and environmental regulations. For this reason, nearly half of the trade of T.N.C.s takes place *within* their company networks. (12; p112) Both the internal and external trade of T.N.C.s has profited greatly from the liberalisation of trade.

More detail from Global Transformations

T.N.C.s have also profited from the removal of many restrictions on foreign investment. By 1997, the largest 100 multinational corporations alone controlled about one third of all foreign direct investment. Increasingly, the corporations are able to 'shop around' for the most favourable country for them to set up their operations. Typical of the 'globalised' outlook is the comment by Volkswagen boss Ferdinand Pisch who in 1994 calmly blocked wage demands presented by his Czech workforce. Skoda, he warned, must not lose its comparative local advantage, otherwise "we would certainly have to consider whether production in somewhere like Mexico would not be more profitable" (12; p131)

12. Is it really so 'free'?

In spite of the free trade rhetoric used by the United States and the E.U., these nations and the companies whose interests they so often represent have shown themselves quite capable of reverting to protectionist strategies when it suits their interests. As Bello points out, certain trading activities of T.N.C.s are themselves 'distortionary' in that the price involved is not the true market value of a good. This occurs, for example, in the 'internal' trade of TNCs when goods are sold at artificially depressed prices to a subsidiary company. (10; p85) This might be done, for example, to avoid payable duties on such trade.

Bello provides another clear example of the pro-T.N.C. bias in the G.A.T.T. legislation:

While the areas of great interest to Northern transnationals have been largely resolved in their favour in the G.A.T.T., there has been little movement in textiles, where change toward freer markets would benefit the South.(10; p85)

Thus, the U.S. have shown themselves capable of reverting to protectionism when it suits the interests of U.S. multinationals. Another case in point was the stance of the U.S. government in a trade dispute with the E.U. on the export of Chiquita bananas. Chiquita, a U.S. multinational company exporting bananas grown in Central America, used their political muscle to combat the European Union's (E.U.) favourable trade terms for rival Caribbean firms. They persuaded the U.S. government to slap 100 percent duties on such products as sheep's cheese from the E.U. to the U.S. The American Financial Group, who own Chiquita, have gave $1 million to Democratic and Republican politicians to fight the Caribbean preference which the they claim has lost Chiquita $1,000 million in earnings since the E.C. ruling of 1983 in favour of Caribbean bananas.

Behind the threats and counter-threats of this trade war the U.S. and the E.U. are playing for higher stakes than are represented by bananas and sheep's cheese:

Andrew Hughes Hallett, professor of economics at Strathclyde University, believes we need to peel back the skin on this row to understand it. 'I suspect it isn't about bananas at all and it isn't about protecting poor farmers either in St. Lucia or Honduras. It's about political pressure in Washington and Brussels… In the EU this dispute is tied up with the power of the agricultural lobby. It's like a bargaining chip. France is prepared to support Britain which is keen to get a favourable deal for its former colonies, so Britain will be more supportive of France on other issues affecting French farmers.(21)

This Chiquita bananas example illustrates the huge influence of transnationals in the U.S. political system. Occasions such as these, where the North reverts to protectionism when it suits its interests, not to mention periods such as the 1970s when the U.S.A. reverted to a protectionism on a larger scale, reveal a strategy that is not one to satisfy Ricardian purists. They reveal that 'free trade' in itself is not the primary goal of the developed nations under capitalism. The primary goal is, of course, profitability.

The European Union have also shown that they are capable of reverting to protectionism. Since the founding of the W.T.O., the E.U. have imposed duties on a range of imports, such as those from Asia, which contradicts the 'free trade' principles that they often espouse.(12; p149)

Due to the size of the transnational companies in relation to the global economy as a whole, it is their profitability that has been such a major factor both in the decisions of national governments, as well as in the development of international frameworks such as the G.A.T.T. and more recently the W.T.O.

The goal of profit cannot be anything other than the key determinant of economic decisions within capitalism (Why Profits Get Priority) which explains why a combination of both free trade and protectionism have been embraced by nations since capitalism arose, the post-war period being no exception.

However, there has, as has been shown, a general trend towards trade liberalisation since the war, as this has been seen to create a climate conducive to profitability for capital, or at least for capital based in the rich north. In terms of economic growth, industry based in the South also grew as a result of the increase in trade. Developing countries' share in world exports of manufactured goods rose from 10% in 1980 to 22% in 1994. (From Third World to World Class—Emerging Markets, P. Marber p94)

Higher growth rates (which mean higher profits under capitalism) were, for example, expected to follow the Uruguay Round of G.A.T.T., as shown by a study published by the Organisation for Economic Co-Operation and Development (O.E.C.D.) This predicted that world Gross National Product (G.N.P.) would rise $213 billion in 10 years as a result of the Uruguay Round of G.A.T.T. —an increase of 0.7%.(8) As Phillipe Legrain, special advisor to Mike Moore, director-general of the W.T.O. writes:

a new W.T.O. round could bring even bigger benefits. The Tinbergen Institute estimates developing countries would gain $155 billion a year from further trade liberalisation—over three times the $43 billion in average annual overseas aid.(22)

Yet critics of globalisation argue that the benefits of this increase in world output disproportionately favoured the North. It is also pointed out that the profits generated by the growth of exports from the South were often not sustainable. The work of the international agencies that have been set up with an aim (or at least a purported aim) of spreading the 'benefits' of growth to the South therefore need to be examined.

Globalisation Part 3 – The IMF, World Bank and Structural Adjustment

1. Before the IMF

The World Bank and I.M.F. are both international institutions who receive funds from a number of different states, with contributions generally being proportionate to the size of those countries' economies. They were set up with the intention of providing finance for developing states, which were usually to be in the form of loans rather than actual grants.

The I.M.F. was founded in 1945 and now involves 183 countries. Essentially it acts as an agency representing the interests of the world's financial institutions. As Susan George writes:

One might… accurately describe the Fund's role as that of a messenger, watchdog, international alibi and gendarme for those who do hold financial power… (The) bedrock of the world monetary system is the private banks, with states (including their central banks and treasuries) acting as guarantors. The fund works on their behalf." (16, p.47)

The World Bank is, as Bernard Nossiter put it, a 'sister agency to I.M.F.', (17) having similar quotas and voting structures.

The World Bank and I.M.F. have played an important role in shaping macro-economic policy in the South (i.e. policy towards taxation, public spending and trade.) Indeed, their interventions have been important in bringing about the kind of 'free trade' world that is embodied in the G.A.T.T. agreements. The World Bank and the I.M.F. have been able to influence the economies of developing countries through the loans (and sometimes, in the case of the World Bank, grants) that they have made to states of the South.

The pattern of lending grew sharply in the 1970s when there was a steep increase in World Bank loans that grew from U.S.$2.7 billion a year in the early 1970s to $8.7 billion by 1978. (10; p13) As Bello points out, in these early stages, Bank policy, which was largely a reflection of U.S. interests, had important political as well as economic objectives. Strong national movements led by the likes of Sukarno of Indonesia and Nasser of Egypt, as well as more typically Soviet-style state-run regimes that sided with the U.S.S.R. in the Cold War, were demanding fundamental changes in North-South relations. Bello et al refer to this as the 'other cold war' in which the World Bank, led by former U.S. president Robert McNamara in the 1970s can be seen to have initiated policies to 'contain' the South through a policy of increased loans. Provision of loans gave the North increased involvement in these states, which was taken even further by the I.M.F., as discussed below.

Whilst there were some loans from the World Bank to the South during the 1970s, a larger proportion of loans were from private, commercial banks. By the 1980s, the scale of developing states' debts to (in particular their debt to the private, commercial banks) meant that a further round of loans was need to meet their repayments. The World Bank and I.M.F. stepped in at this stage to bail them out by greatly stepping up their supply of credit to the already indebted states, as Bello describes:

the flow of commercial bank credit to the Third World plummeted, while that of the official finance institutions increased sharply: in 1981, commercial banks supplied 42 per cent of net credit flows to the Third World and official finance institutions 37 per cent, but by 1988 the private banks provided only 6 per cent of net debt flows and official finance institutions 88 per cent of the total. Most of the inflow of official money was used by debtors to service their debt to the private banks. Between 1982 and 1986 Third World countries received U.S.$25 billion more from official creditors than they paid out to them, while they paid the commercial banks $183 billion more in interest and amortization than they received in new bank loans.(10; p69)

The I.M.F. had not, on the whole, been involved in the loans of the 1970s (supplying less than 5% of the finance to developing countries between 1974 and 1979–16; p48) but became an increasingly important agent in the management of the debts of the South from the early 1980s. The notorious ‘structural adjustment’ policies that were initiated by the I.M.F. in most of the Southern debtor countries, had the aim of making debtor states more profitable and so able to make more loan repayments in the medium to long term.

2. What are SAPs?

S.A.P.s have been applied to many countries across the globe, from Chile to Russia and from Somalia to the Phillipines, from the 1980s onwards. Surveys of these programmes, such as that of Chossudovsky(11) show that certain key policies were consistently included in each S.A.P.

Privatisation. State owned companies were sold to the private sector. Often, this would pave the way for them to be bought up by foreign capital. It also helped to generate revenue for the state and hence contributed to debt repayments.

Removal of subsidies. Subsidies previously granted by the state to various sectors of the economy were disallowed, with many local producers suffering as a result. Favourable loans and credit that were previously provided for small businesses were also curtailed.

Removal of tariffs. This policy was designed to encourage imports and exports. Goods previously produced within a country for consumption at home were increasingly imported. Production at home became more specialised and geared to the export market, with a range of cash crops being encouraged—examples include cocoa in Ghana, tobacco in Zimbabwe, prawns in the Phillipines being encouraged. (As explained above, the G.A.T.T. agreements had reduced protectionism which also encouraged the adoption of more export-orientated policies.)

Reduction in state expenditure. Another means for the creditors to ensure future loan repayments was to impose a further policy of reducing state expenditure.

Devaluation of the national currency. This was usually necessary to compensate for a balance of payments deficit.

Chossudovsky summarises the effect of S.A.P.s on the economy of debtor states, pointing out how many industries that produced for domestic markets within the South were pushed to bankruptcy As a result of an S.A.P., he writes, economies are “opened up through the concurrent displacement of a pre-existing productive system. Small and medium-sized enterprises are pushed into bankruptcy or obliged to produce for a global distributor, state enterprises are privatised or closed down, independent agricultural producers are impoverished.” (11; p16)

A widely documented outcome of S.A.P.s is the large cut in state expenditure. This invariably goes far beyond the reduction in subsidies to the domestically-orientated industries referred to by Chossudovsky above. Public goods such as health and education were drastically cut back in debtor states, as part of a policy of ‘fiscal tightening.’ As a result, Michel Chossudovsky points out, “even the World Bank concedes that the communicable diseases control programmes of developing countries for diarrhoea, malaria and acute respiratory infections have deteriorated.” The consequences for education systems are equally evident, with teacher pupil/ ratios worsening. The full scale of the impact of reduced public expenditure is, of course, much too great to be documented here.

There is certainly no shortage of evidence of the suffering faced by the working class in countries of the South in the wake of S.A.P.s An example could be made of virtually any country where an S.A.P. has been adopted and indeed they are by writers such as Walden Bello and Michel Chossudovsky. Bello writes about Chile:

“While it socialized the losses of the rich, the authorities dumped the burden of adjustment on to the poor and the middle class via a radical cutback in public spending, a tough freeze on wages, and a steep devaluation of the peso. The 24 per cent contraction of domestic expenditure provoked a 15 per cent drop in G.D.P. and triggered unemployment, which rose to embrace over 10 per cent of the workforce in one year and remained at over 25 per cent for three years. And the 50 per cent real devaluation of the peso was translated mainly into a reduction of real wages by close to 20 per cent.” (10; p45)

Bello adds that “more than 50 per cent of the unemployed received no subsidy and the rest obtained only minor benefits”(10; p45)

S.A.P.s certainly caused the working class to suffer in debtor states but improvement of their welfare was not a real objective of these policies. It is, after all, the very nature of captialism that working class interests—i.e. higher wages, environmental protection and better public services will conflict with the interests of the minority, owning class. (Why Profit Gets Priority.) To understand S.A.P.s further, we need to evaluate them against the aims that they were designed to achieve.

3. Did S.A.P.s achieve their aims?

Different forms of measurent are needed to determine the effectiveness of S.A.P.s in serving the interests for which they were designed. The main measure of success considered by the The World Bank and I.M.F. would have been medium to long term economic growth statistics. (You need look no further than the literature produced by these organisations to see that economic growth is the yardstick by which they guage the outcome of their policies.) They would also have been paying close attention to the impact of the policies on foreign investment in the debtor states. These statistics are to do with the investment of capital within a country which is of course, a prerequisite for profits to be made.

According to the pro-‘free market’ mantra, an improvement in growth would eventually ‘trickle down’ to the working class majority, via wages. It is, of course, deeply questionable whether such a ‘trickle down’ occurs and there is, in fact, little or no evidence for such a ‘trickle down’ having taken place. (From Third World to First World.) Still, we should examine the impact that S.A.P.s had on investment and growth in the countries concerned.

4. Increase in Foreign Direct Investment

One objective of the policies certainly succeeded—that of increasing Foreign Direct Investment (F.D.I.):

Between 1973 and 1991, the world stock of F.D.I. grew in current dollars from $211.1 billion to $1,836.5 billion, a growth rate of roughly 13 per cent per year. From the perspective of the advanced capitalist countries, the origins of the vast majority of F.D.I., this stock grew substantially faster than G.D.P. amounting to about 6.7 per cent of G.D.P. in the early 1970s and rising to nearly 9 per cent at the beginning of the 1990s.”(13; p27)

MacEwan has calculated that this 1991 F.D.I. figure is 8.5 per cent of total world output. He remarks that this could be viewed as a return to early twentieth century levels, given that it was 9 % in 1913.(13; p27) Still, it is a significant rise relative to the 1960s and the economic climate of more liberalised trade as well as ‘structural adjusment’ in the South were important factors in bringing this about.

The Multilateral Agreement on Investment (M.A.I.) drawn up by the O.E.C.D. during the late 1990s, was an attempt to rollback still further the remaining hindrances to foreign direct investment. The M.A.I. negotiations for the agreement collapsed—this was held as an important victory by the critics of globalisation whose pressure contributed to the proposal being questioned and eventually withdrawn. However, the European Union is still pushing for a watered-down version of this proposal to be agreed with the hope of paving the way for an eventual agreement.

5. The effect on growth

For an explanation of what is meant by economic growth, see Where Do Profits Come From? We shall now examine whether economic growth increased in countries where S.A.P. policies were implemented. Bello suggests that numerous I.M.F. studies provide the evidence that economic growth rates have not been improved by S.A.P.s.

Bello et al write:

Comparing countries which underwent stabilization and adjustment programmes with those which did not, over the period 1973–1988, (I.M.F.) economist Mohsin Khan found that ‘the growth rate is significantly reduced in program countries relative to the change in non-program countries.’ He concluded that while balance of payments and inflation rates are likely to improve in the first year of adjustment, these programmes ‘do involve some cost in terms of a decline in the growth rate.’ *Mohsin Khan quoted in Peter Robinson and Somsak Tambunlertchai, ‘Africa and Asia: Can High Rates of Economic Growth Be Replicated?, Occasional Papers, International Center for Economic Growth, No.40 (1993), p.24.* ” (10; p32)

Having surveyed the various studies on the subject, Chossudovsky reaches a similar conclusion:

Although there have been a few studies on the subject over the past decade, one cannot say with certainty whether programmes have “worked” or not… On the basis of existing studies, one certainly cannot say whether the adoption of programmes supported by the Fund led to an improvement in inflation and growth performance. In fact it is often found that programmes are associated with a rise in inflation and a fall in the growth rate.(11)

Mohsin Kahn’s study appears to offer strong evidence against the use of S.A.P.s, even in terms of the holy grail of free market capitalism, ‘economic growth.’ It should be noted that, one important factor behind Mohsin Kahn’s results was the marked success of certain countries that did not undergo S.A.P.s during the 1980s, notably certain ‘tiger economies’ of East Asia, such as Malaysia, South Korea, Taiwan and Hong Kong. By contrast, the majority of countries in the poorest continents—South and Central America and Africa have undergone adjustment programmes. There were certainly other important factors behind the relative success and failures of these two sets of states, aside from the presence or absence of adjustment programmes, which make any such comparison a poor test of the ‘success’ of S.A.P.s.

An exploration of all of these factors would be an entirely separate study in itself but they would certainly include the relative economic starting positions of the states in the 1960s, prior to the involvement of World Bank/ I.M.F. in their policies as well as the stability of their political systems. (See below for further discussion of the course taken by the Asian tigers, some of which avoided the ‘free trade’ and ‘structural adjustment’ policies encouraged by the North.)

6. The effect of S.A.P.s.

Rather than Mohsin Kahn’s cross-country comparison as a way of defining the success or failure of a S.A.P., it would be more accurate to define their success relative to how an adjusted country would have fared were no S.A.P. to have taken place. This does, of course, present difficulties of it’s own, given that we are asked to compare against a scenario that will never exist. No definitive conclusion can be reached about what the growth rates of adjusted countries would have been without the I.M.F. Still, we can point to certain factors which suggest that growth rates would have been unlikely to be much better in the absence of S.A.P.s. We shall now do this by considering the impact upon growth of three key elements of S.A.P.s: reduced state subsidies, the move towards export-orientated industries and currency devaluation.

7. Reduced state subsidies

The nationalised or subsidised industries in the South that S.A.P.s sought to privatise or withdraw subsidies from were often inefficient and less profitable than the market demanded. While, as has been pointed out, the impact on the working class of reductions in state expenditure was devastating, it helped states to further reduce their tax burden. This general reduction in the level of taxation contributed to the increased F.D.I., as pointed out above without which growth rates would have been lower in those countries which received investment.

Another significant factor in considering how Southern countries would have fared without S.A.P.s is remembering that these countries would still have been faced with their large debt burdens. Their debt was indeed a significant factor in the expenditure cutbacks required by the I.M.F. and meant that there was only limited government capital available for any kinds of ‘development’ project that might constribute to building the right infrastructure for increasing growth. Any capital that was available had to be supplied by creditors who required future repayment.

The need for future repayments on debt gave rise to an important shift. The huge reductions in state subsidies to industry and the breaking down of protectionist barriers did cause domestic industries to suffer. Restricting the role of the state in this way did, nevertheless, take precedence over short term economic growth. The programmes gave priority to export-orientated industries over many of the industries which primarily served domestic markets (often including a large proportion of a states’ agriculture). This was the new path, viewed as the surest route to profitability, which happily married with the T.N.C.s desire to expand their production and markets.

8. More exports

There are many examples of states specialising in the production of a single good for export: An extreme case was the copper industry in Zambia which came to represent 90% of total output. The figure for copper in Chile was 50%. Coffee in Colombia, El Salvador, Guatemala, and Haiti became crucial to these economies, as did cocoa in Ghana, bauxite for Guyana and tin for Bolivia. (17; p148*)*

The export-orientated policy has been widely criticised for forcing developing countries to become vulnerable to shifts in the market price of these cash crops. Furthermore, the worldwide implementation of these policies in many cases caused worldwide over-production and so the push towards cash crops started to undermine itself. This happened, for example, to cocoa production, which was simultaneously expanded in numerous countries. As a consequence, there was a 48 per cent decline in the world cocoa price between 1986 and 1989″ (10; p47) and countries such as Ghana, where the I.M.F. had encouraged a greater reliance on this single crop, suffered as consequence. This criticism has been countered by the argument (put forward by Bernard Nossiter amongst others) that a fall in the price does not necessarily mean a reduction in profits, given that demand for the good could increase. Yet the newly export-orientated economies of the South did in fact suffering due to a fall in commodity prices, with sub-Saharan Africa being one notable example.

Much of the criticism of I.M.F./ World Bank policy points to the failure to bring long term economic stability to developing countries. The preservation of a diversity of industries in these countries would have certainly made their economies more robust in the face of the continuing, unpredictable shifts in the market. However, there was often a trade-off between having this diversity and achieving the kind of profitability which would satisfy the World Bank and other creditors. Many of the critics of the drive towards profitable exports underestimate the power of such a short term opportunity for profit within capitalism. An inherent part of the capitalist system is for rival companies to make higher profits in the short term, so as to be able to out-grow their competitors. For this reason the very instability that critics quite rightly despair of is inherent to capitalism itself. (See Booms and Slumps—What Causes Them?)

There had been a tremendous economic incentive for the initial round of lending in the 1970s, as is borne out by the huge growth in exports from the South during this time.

GATT examined forty-six developing countries who account for most of the third world's output, apart from oil. Between 1966 and 1981, their manufactured exports multiplied twenty times, from $3.8 billion to $78.7 billion. Although inflation accounted for perhaps two thirds of this expansion, the result is still remarkable. Their share of world manufacturing exports rose from 6 percent to 11 percent, nearly double. Raw materials exports expanded six times, from $14.9 billion to $92.2 billion; their share of world exports was unchanged at l2 percent.(G.A.T.T.—*Prospects for Increasing Trade Between Developed and Developing Countries* (Geneva, Switzerland: 1984), quoted in 17; p.24)

Bello et al, who are amongst the many critics of S.A.P.s acknowledge exports were an effective means of generating profits that were used to make substantial loan repayments to the commercial banks who had provided them with credit during the 1970s:

This policy was enormously successful, effecting as it did an astounding net transfer of financial resources from the Third World to the commercial banks that amounted to U.S.$178 billion between 1984 and 1990; By 1992, the tenth anniversary of the debt crisis, the exposure of U.S. banks in the South had dropped from its 1987 level of 140 per cent of equity to 29 per cent. For all intents and purposes, the crisis was over for the creditors.(10; p69)

9. An S.A.P. example: Vietnam

Vietnam provides an example of this profitability being achieved. Chossudovsky notes that G.D.P. grew after a S.A.P. was implemented, “largely as a result of the rapid redirection of the economy towards foreign trade (development of oil and gas, natural resources, export of staple commodities and cheap-labour manufacturing). Despite the wave of bankruptcies and the compression of the intemal market, there has been a significant growth in the new export-oriented joint ventures.” (11; p58)

The fact that this growth was achieved largely at the expense of Vietnam’s manufacturing industry, was not a problem in the eyes of those who provided credit to the country, who were solely concerned with receiving a profitable return on their loans. In fact, the dismantling of industries such as oil, gas, natural resources and mining, cement and steel production presented an opportunity for them, in the words of Chossudovsky, “to be reorganised and taken over by foreign capital with the Japanese conglomerates playing a decisive ane dominant role ” He continues: “The most valuable state assets were to be transferred to joint-venture companies.” (11; p52)

Japan benefitted from the S.A.P. in Vietnam:

“The tendency is towards the reintegration of Vietnam into the Japanese sphere of influence, a situation reminiscent of World War II when Vietnam was part of *Japan’s Great East Asia Co-Prosperity Sphere*. This dominant position of Japanese capital was brought about through control over more than 80 per cent of the loans for investment projects and infrastructure. These loans channelled through Japan’ s Overseas Economic Cooperation Fund (O.E.O.F.) as well as through the Asian Development Bank (A.D.B.) supported the expansion of the large Japanese trading companies and transnationals.” (11; p57)

Vietnam was not the only such example—many of the ‘adjusted’ countries developed export sectors that were highly profitable, at least for a certain time. Yet, even for the capitalist interests of the North, there is little or no positive result that can be drawn from several of the world’s poorest states. Zambia is a case in point, having been forced to request eleven reschedulings of debt between 1975 and 1987 (16; p117)

10. Currency devaluation

A pre-condition of I.M.F. loans was often a devaluation of borrower nation’s currency. This was usually done by linking the currency to a more widely used currency (this would usually have been the U.S. dollar) and setting the value lower than the previous level. On other occasions, a devaluation simply meant allowing the value of the currency float to a free market level, given that the debtor state had been artificially ‘propping it up’ on the foreign exchange markets, so as to reduce the cost of imported goods.

Devaluations were often introduced by the I.M.F. to counter policies of ‘overvaluation’ that were adopted by numerous governments in the South prior to the arrival of the I.M.F. This overvaluation policy is described by an O.E.C.D. report, cited by Nossiter:

governments discovered another device to make life in the capital more agreeable. They maintain overvalued currencies. They demand more francs or dollars for their nairas and cedis than these currencies would fetch in a free market. This discourages farmers from producing crops for export, from investing their own labor on irrigation works or buying seed and fertilizer. The return from export crops in cedis, nairas, and the rest is painfully small. For the period 1976 to 1980, the World Bank calculated that Ghana paid its cocoa farmers 40 percent of what they would have received in world markets; Tanzania gave its coffee producers 23 percent; Mali made cotton growers accept 43 percent, and Malawi its tea planters 28 percent. Conversely, the overvalued currencies make imports a bargain in the cities. Elites can enjoy cheap Audis or a Mercedes-Benz, inexpensive air conditioners, television sets, and even food from abroad.(Zambian Mismanagement (1965–80)—OECD, Development Cooperation, 1983, p.20—quoted in 17; p109)

As discussed below, S.A.P.s shifted the emphasis of Southern economies towards exports and a devaluation made them more competitive. Devaluations also aimed to counter what were often high rates of inflation in the South and ensure monetary stability that, from the point of view of thier creditors, was essential for managing their debt.

Devaluations had a drastic effect on domestics prices in many of the countries that underwent an adjustment programme. One extreme (but not unique) example was Peru, where the impact was dubbed the ‘Fujishock’ (named after President Alberto Fujimori who agreed to implement the programme in August 1990.) Chossudovsky notes that, in Peru, “fuel prices increased 3l times overnight whereas the price of bread increased 12 times. The real minimum wage had declined by more than 90 per cent in relation to its level in the mid-1970s” (11; p38)

Critics of globalisation often focus upon particular policies such as devaluation. Whilst the short term impact of the resulting price rises was devastating, it needs to be acknowledged that this social impact was not the primary concern to the I.M.F. and the banks they represent. It was a necessary part of the re-negotiation of loan agreements to ensure that the future repayments would be forthcoming, in so far as was possible.

Indeed the O.E.C.D. report cited above points out that the pre-I.M.F. policy of overvaluation conflicted with the interests of peasant farmers, who were unable to sell the produce on export markets and were forced to settle for a much lower income as a result. In the case of Zambia, “Farm prices were held so low that peasant buying power dropped 65 percent.” On the other hand, due to overvaluation reducing the cost of imports: “The system, in other words, drains incomes from poor farmers to the better-off city-dwellers” (quoted in 17;109)

Overvaluation of a currency, as shown, also holds disadvantages. More recently, the I.M.F. intervened in the Russian economy as it appeared to be on the verge of collapse and sought to prop up the Russian ruble at what critics described as an ‘overvalued’ level. Third World Network criticise this policy:

In Russia, the IMF insisted on maintaining an overvalued fixed exchange rate, requiring that country to raise interest rates as high as 150 percent—leading not only to excessive foreign debt burdens, but maintaining a speculative bubble in the financial sphere, and drained the real economy of investment capital. The overvalued ruble kept imports artificially cheap, hobbling domestic production, and exports overly expensive—until the currency collapsed in 1998. A similar policy was supported in Brazil—with the government raising interest rates more than 50% and borrowing billions from the Fund to stabilize its overvalued currency, only to have it collapse just a few months later.(24)

That overvaluations, as well as devaluations, have disadvantages, suggests that capitalism offers no straightforward solution to the question of fixing currency values. Criticisms of devaluation policies point out the problems that arise from it but not the reasons why the I.M.F. enforce them.

11. S.A.P.s—for the minority interest

As with the question of the motives behind capitalism's move towards free trade, the policies imposed upon the South by the I.M.F. through Structural Adjustment Programmes can only be understood in terms of the economic interests of certain sections of the global capitalist class. Among these interested parties were the financial institutions who lent money to the South during the 1970s, the multinational and other companies looking to exploit the resources (both labour power and natural resources) of the South, as well as sections of the capitalist class within the states of the South themselves, who owned some of the export orientated industries within those countries.

The banks (most significantly U.S. banks who supplied the South with the majority of their loans during the 1970s) needed to ensure that the countries of the South were making enough profit to be able to repay their debts. This explains why S.A.P.s shifted the emphasis of Southern economies towards production for export. Such industries were widely viewed as where the 'comparative advantage' (and hence largest profits) of these countries lay. The I.M.F. are often targetted by the anti-globalisation lobby, yet they were simply the agency who conducted a policy that was necessary for the major Northern banks. (It should also be noted that Southern debt originates from the 1970s before the I.M.F took on this role.)

Besides the banks, other multinational companies of the North were themselves interested in gaining from such industries by setting up operations there themselves. Examples of this include the U.S. multinationals who moved into Central and South America to exploit the primary resources there, such as fruit and timber. To maximise their profits in these countries, such companies needed to ensure that the state took on the most minimal role when it came to taxing and regulating them. Here, S.A.P.s and the G.A.T.T. can be viewed very much within the same context—that of providing a profitable climate for the businesses operating within a 'developing' country. The G.A.T.T. guaranteed only minimal regulation of the activity of transnational corporations. Similarly, S.A.P.s were a globally recognised assurance that there will be no 'unnecessarily' high levels of pulic spending and hence a lower tax burden.

Another parallel can be drawn with the supposedly 'free trade' policies of the North, when we consider how far S.A.P.s sought to impose a 'free market' model upon the South. Again, when we look beyond the free market rhetoric with which these policies are often introduced, it can be seen that this is not exactly the classic 'free market' model of economic textbooks. To characterise it as such ignores, as has been observed by many critics of globalisation, the common practice of I.M.F. loans being used to subsidise export-orientated industries. These subsidies were important in the establishment of many of the export orientated industries of the South. Critics of globalisation have often suggested that the development of Southern economies could have been quite different had these subsidies been granted to the industries within these countries that produced for domestic markets. Such a policy is one of the suggested ways that the worst effects of globalisation could be avoided. These suggestions for reforming the global economy are considered below.

Globalisation Part 4 – Is there an alternative?

1. Is Globalisation avoidable?

The real impact of this 'globalisation' does, of course, extend well beyond the negative or positive impact on economic growth. Growth statistics are of no direct benefit to the working class. Neither can economic growth be the holy grail that it is so often assumed to be when it is achieved at the expense of environmental destruction and neglect of the needs of a large proportion of the global population. (See Who Owns the World?.)

The anti-free trade lobby are right to point to the conflict between the drive towards free trade and other environmental and social needs. After all, if the purpose of free trade is to increase profits, such a conclusion is quite predictable. As Larry Elliott put it, writing in *The Guardian*:

In reality, globalisation… represents the final triumph of capital over labour, since the corollary of the deregulation of finance is the shackling of trade unions . It means the national governments are left powerless in the face of multinationals who will relocate at the first whiff of interventionist policies.(9)

So what is the alternative to 'globalisation'? For the World Socialist Movement, socialism is the only solution to the problems brought about by globalisation. (What Socialism Means). That socialism is the only solution becomes even clearer after examining the proposals for combatting the effect of globalisation within capitalism.

2. Keynesianism

The Keynesian proposed route to economic development is closely tied to Keynes' suggested approach to alleviating the booms and slumps of capitalism. (See Booms and Slumps—What Causes Them? for a critique of the Keynesian view of economic crisis.) Economic slowdown, according to this school of economic thought, is the result of a lack of demand for the goods that are being produced. The Keynesian approach involves government intervention in the economy to try and stimulate demand where possible.

Arthur McKewan, in his book *Neo-Liberalism and Democracy*, discusses this Keynesian approach. Two proposed Keynesian methods for stimulating demand that he considers, include lower interest rates or increased government expenditure, although he can see problems with both:

difficulties appear most clearly with policies directed towards the management of aggregate demand: attempts, for example, to stimulate economic expansion in a country through lower interest rates may drive capital abroad in search of higher returns; attempts to stimulate through expansion of the government deficit may raise imports, diverting some of the impact outside the country.(13; p68)

One form of Keynesian argument that has often been used against the policies of the World Bank/ I.M.F is known as the under-consumptionist argument. This brand of Keynesianism *is* proposed by McKewan. He argues that the inequality resulting from lower welfare payments and higher unemployment, as well as the undermining of domestic industries, is inherently damaging to prospects for economic growth. Given that the rich save a higher proportion of their income, he argues, demand for consumption goods will be lower than if national income were distributed more evenly. Lower demand, he continues, means lower potential for economic growth.

This crude form of under-consumptionism has been criticised by David Perrin who points out that demand does not solely consist of demand for consumption goods by individuals to satisfy their direct personal needs. He writes:

aggregate demand is not… solely determined by the consumption of workers and the capitalists, but by their consumption plus the investment of capitalists."(p89; 23)

Indeed, for growth to be achieved over anything approaching the medium term, the right conditions for investment by capitalists, as well as consumption by workers needs to be ensured. This leaves little scope for governments to increase the tax burden, as would be required by McEwan's redistributive policy. Once many countries of the South had accumulated the large scale of debt built up during the 1970s, such a policy would in fact have been completely impossible, in any case.

3. The 'East Asian Model'

Another anti-globalisation proposal advocates a more protectionist strategy for states of the South. It has been widely argued that the protectionist strategy adopted by East Asian economies such as Japan, South Korea, Thailand and Malaysia was an important contributory factor in their huge success during the 1980s and early 1990s. It was this success that led them to become known as the 'Asian Tigers.' The countries of the Asia-Pacific region, for example, (Taiwan, South Korea, Hong Kong and Singapore) registered an average GDP growth 7 per cent a year (1960–82.)

Martin & Schumann describe the policy of the Asian tigers as "Massive state intervention at every level of economic activity." "For them," he continues, "integration into the world market is not the end but only a means that they use cautiously and after careful consideration."(12; p143)

The Japanese model for economic development saw it make a rapid transition from an agricultural into an industrial society, by policies described by McKewan:

In the post-Second World War era, the Japanese government rejected free trade and extensive foreign investment, and instead promoted its national firms. In the 1950s, for example, the government protected the country's fledgling auto firms from foreign competition. At first, quotas limited imports to $500,000 a year, and then in the 1960s quotas were replaced by prohibitively high tariffs. Furthermore, foreign investment in Japan was virtually prohibited; allowed only in so far as it contributed to the development of the domestic industry. Japanese companies were encouraged to import foreign technology but they were required to produce 90 per cent of parts domestically within five years. Success was also obtained through protecting the Japanese computer industry. In the early 1990s, as the industry was developing, a foreign machine could bepurchased only if a suitable Japanese model was not available. I.B.M. (a large, western computing firm) was allowed to produce within the country, but only when it licensed basic patents to Japanese firms (and I.B.M. computers produced in Japan we covered by the restrictions on purchases of foreign machines)(13; p38)

Japanese policies were to bear an important influence upon the surrounding East Asian countries that followed in the footsteps of Japan. Korea, for example, closely followed the Japanese precedent, experiencing an “extremely rapid growth rate over an extended period an average over 9 per cent per year in the growth of real per capita income between 1965 and 1995.” McKewan explains, “its role in world markets of such goods as automobiles and electronic equipment attest to a considerable degree of economic success. A heavy state role in regulating the country’s international commerce, which led to a rapid transformation of technology, appears to have been a fundamental part of this success.”(13; p38)

Malaysia was another country to follow the Japanese lead, as Bello explains:

Malaysia is one of the few Third World countries that escaped stabilization or structural adjustment by either the World Bank or the I.M.F. in the 1980s. In fact, it continued to maintain a protectionist trade regime, practised state-guided industrial targetting in key sectors such as the car industry and imposed strong controls on the operations of foreign investors. But Malaysia is now experiencing a 10 per cent growth rate, a development which is largely a result of the inflow of Japanese capital during the 1980s. Some U.S.$2.2 billion flowed in between 1985 and 1990, or over $100 per citizen of Malaysia.(10; p34)

While the ‘Asian’ type of development is proposed as an alternative to the ‘free trade’ model, it should be remembered that much of the East Asian growth was fuelled by exports.

Evidence from Auty.

Initially, it was through the processing and export of natural resources such as sugar, milling, coconut oil and tin that growth was achieved. As Yoshihara Kunion points out in her study of South East Asia:

Much of the resource exploitation was carried out by foreign companies, and the royalties they paid to South-East Asian governments funded industrial projects and fuelled economic growth.(15; p119)

These Asian economies were able to benefit from trade and the arrival of foreign capital whilst still imposing some regulation to protect their domestic industries. The assumption of those who advocate this more protectionist route to industrialisation for the South is that such a strategy could also have been adopted by other developing countries in Africa and Latin America.

In response to this suggestion it firstly needs to be noted that many countries in Africa and Latin America *did* adopt protectionist policies during the post-war years. Nigel Harris, in his book ‘The End of the Third World’ refers to this strategy as one of ‘import-substitution,’ involving as it does the use of protectionist measures to encourage the development of domestic industries to produce for domestic needs and so reducing dependence upon imports. He shows that, given the history of industrialising states (including Britain and the U.S.A.) using import substitution strategies to foster growth of their manufacturing industries, this was an obvious route for states of the South to choose to take if they were to achieve a similar kind of development.

Two examples that Harris explores in depth are the large Latin American economies of Brazil and Mexico. He shows that both of these states adopted strategies that leant *more* towards import substitution than those of the Asian countries. The exports of Brazil and Mexico peaked in 1980, as compared to the previous thirty years, when they were 9.6 and 8.2% respectively. This compares starkly to the figures of “32, 47, 72 and 162 per cent for South Korea, Taiwan, Hong Kong and Singapore” (18; p71.)

Still, an emphasis upon exports did not prove to be necessary during the postwar period from the1940s until the early 1970s. Harris highlights the rapid growth rates achieved by Brazil:

Brazil increased its gross national product on average by 6.3 per cent annually from 1932 to 1979 roughly 7 per cent between 1948 and 1961, and from 1974 to the eighties, with an 11 per cent rate from 1968 to 1974.(18; p72.)

It was a similar story in Mexico:

Mexico experienced two decades of annual growth of 6–7 per cent 6 per cent in the fifties, nearly 8 in the sixties, 6–7 in the first half of the seventies, and 8 per cent from 1977 to 1981.(18; p72.)

During the 1970s problems hit both states, as the global economy slowed down. Harris shows that Brazil and Mexico were did not significantly alter their import substitution strategies in the face of declining demand for the goods produced by their heavy industries. These heavy industries continued to be heavily subsidised, not least due to an extensive network of vested interests that were tied into the long established policy. States such as Korea and Taiwan had also subsidised certain heavy industries which they saw as key to developing diverse national economies. By contrast, as Harris points out, they were able to respond much more quickly to the world slump of the 1970s and reverse this policy. This, he argues, was an important factor in their being able to avoid the extent of public sector debt that was to plague Mexico and Brazil during the 1980s which stemmed from their persistence with subsidising unprofitable industries during the difficult period of the mid-1970s.

With regard to Latin America then, it is unfounded to argue that the problems in achieving development that they experienced were due to an absence of protectionism. Harris shows that, in fact, their policies were less geared towards exports than those of the Asian countries. Richard Auty in *Patterns of Development* supports this, showing that the more export-orientated nature of the economic policy of the Asian countries was a key factor in their success. Some trade protection was given to these industries initially but not to such an extent as they became uncompetitive, as was the case in Latin America.(30)

In any case, Harris points out, the strategy of import substitution would not have been viable at all in the many smaller economies of the South (including many African countries), which were unable to produce the full range of the goods they needed due to their size. African countries tended to specialise in agricultural production. A renowned thesis of the development economist Raul Prebisch has shown that, from the 1930s, a generally large worldwide supply of agricultural products led to much less favourable terms of trade for producers than those enjoyed within the manufacturing sector. These circumstances led to difficulties for the countries of the South. The Asian economies were able to achieve a shift away from agriculture and towards manufacturing which was an important factor in their success. Whilst the reasons for this sustained success, driven by their exports, would require an entirely separate study to be identified, it is clear that they were not simply an absence of protectionism.

Another oversight of those who propose that, within recent years, the South could have better achieved development through protectionist strategies is the difference that they miss between the world economy of the 1980s onwards and that of the 1930s. As Harris puts it:

The world of the 1980s is qualitatively different from that of the 1930s. The division of labour between manufacturing centres and primary-commodity-producing peripheries, as well as the political sway of multinational empires, enforced measures of economic isolation on the great economic blocs the dollar, franc, sterling, mark and yen areas—and particular countries. Today, these simple divisions have disappeared. The impact of slump has been not to recreate the old empires, nor regional trading blocks, but rather to increase the integration of a multitude of independent powers. It is this emergence of a new set of geographical relationships underlying a new world system of production that has left the old import-substitution strategy on one side.(18; p130)

A protectionist strategy carries fewer benefits in a more integrated global economy, and provokes retaliation from economic rivals. The trade barriers imposed by the Asian economies did not go unnoticed by the U.S.A. in the 1980s. In 1988, the U.S. Treasury accused Taiwan and Korea of manipulating their exchange rates to gain ‘unfair competitive advantage’ in international trade. This drew a response from the Korean government who had to force an appreciation of the Korean won. Between 1986 and 1989, the won appreciated by more than 40 per cent and Korean exporters suffered as a result.

In 1989 Korea, Taiwan, Singapore and Hong Kong, were removed from the General System of Preferences (G.S.P.), which, as Bello explains “extends preferential tariff treatment to imports from Third World countries in order to assist their development.” (10; p75) In the U.S.-Korea Super 301 Agreement of May 1989 Korea agreed to add to the sectors of the economy that were open to investment and to simplify the procedures for foreign investors.

Many sectors of the East Asian economies were effected by unilateral U.S. decisions to alter trade rules. South Korean agriculture, for example, suffered due to the flood of U.S. exports, as had numerous other countries in Latin America and Africa previously. The effect on the South Korean economy as a whole was, in fact evident in the wiping out of it’s trade surplus with the United States. The surplus of U.S.$9.5 billion in 1987 turned into a deficit of $335 million by 1991.(10; p80)

U.S.A. tactics in this trade dispute show a state that was not simply ‘upholding the principles of free trade,’ as it’s leaders would like to claim. Bello writes:

Aggressive trade tactics directed at all comers gave the ‘free-market’ administrations of Ronald Reagan and George Bush the distinction of being the most protectionist since the days of Herbert Hoover.(10; p85)

To summarise, although protection of certain industries was an important factor in the remarkable growth rates achieved in East Asia, export-orientated production should not be overlooked as a key factor in this success. Critics of globalisation often call for protectionism, ignoring that this can jeopardise exports. The potential for retaliation to protectionism is shown in the case of the U.S.A.’s actions in the trade disputes with Japan and Korea. There is particular dependence upon trade agreements among smaller developing countries, where self sufficiency is an unrealistic goal. Even in the larger economies of Brazil and Mexico, the lure of achieving self-sufficiency proved to be their undoing in the late 1970s when East Asian economies who adapted most effectively to changing conditions by moving away from protectionism. In so far as certain East Asian economies still persisted with some level of protectionism, we have seen that the U.S.A. countered these policies during the 1980s, being fully prepared to exercise its power through a trade offensive, as the world’s largest economic power. The success of the East Asian economies was itself heavily dented by the economic slump that it suffered during the mid 1990s (Boom goes bust in Asia.) As Harris points out, the changing economic conditions that, have further diminished the potential effectiveness of protectionism. All of these factors mean that the so-called ‘Asian model’ should not be viewed as a panacea offering poor countries of the South a straightforward alternative to the free trade/ S.A.P. policies they have been forced to accept.

4. Regulation of the world financial system

Another suggested way of countering the effects of globalisation is through some kind of regulation of the world financial system. The suggested forms of regulation are not forwarded as complete solutions to the vast range of problems arising from global capitalism but are viewed by some economists as a means of gaining a degree of control over the world economy.

In a world where the daily turnover of foreign exchange transactions is of the order of $1 trillion a day of which only l5 per cent corresponds to actual commodity trade and capital flows (10; p20), it is not surprising that people point to the financial system as a cause of instability. The vast majority of financial transactions in shares, currencies or any financial commodity do not usually reflect the true value in the real economy that they seek to represent. See the article (Boom Goes Bust in Asia) for an explanation of this point. A large proportion of the excessive number of financial transactions are trades in derivatives which are predictions about the future trends of financial commodities and therefore more likely to be even more of a distortion of values within the real economy.

Some economists have sought a way of restricting the number of financial transactions within the global economy. Fewer financial transactions, it is suggested, would mean less volatility in the price of financial commodities. One idea is that of the ‘Tobin tax’—a one percent levy on all foreign currency transactions—put forward by the American economist and Nobel prizewinner James Tobin. As Martin & Schuman acknowledge (in spite of themselves being in favour of the tax), there would be difficulties in implementing such a policy on a global basis:

if just one major financial centre were free of the tax, the currency trade would gravitate there. And even if the G7 countries all introduced a Tobin tax, the financial sector could formally switch its business to offshore branches from the Cayman Islands to Singapore and so undermine the intended restricting effect. Failure is therefore ‘programmed into’ such a tax on currency transactions, an economist at the Deutsche Bank cheerfully predicts.(12; p83)

Not only would there be difficulties in implementing the Tobin tax on a global level but it is questionable whether such a tax would provide the kind of stability that is assumed by economists such as Tobin. Price volatility for financial commodities is symptomatic of the unplanned nature of production within capitalism rather than simply the volume of transactions in financial commodities (see Boom and slumps—What causes them? and A capitalist criticises capitalism.)

Another suggestion has been made by George Soros—who, ironically, gained fame through his widely publicised, speculative financial dealings. (see A capitalist criticises capitalism.) He, as well as other writers, have suggested that the creditors involved in I.M.F. loans should be more liable if their investment fails. He suggests that if the banks who lent money to countries to support their drive towards export-orientated production should had had more at stake themselves, the scale of their loans (and hence current third world debt) would have been lower. What has happened instead, he points out, is that I.M.F. packages have bailed out creditors and so encouraged “irresponsible” levels of lending.

Yet the difficulties inherent in achieving financial regulation at the global level, as pointed out above with regard to the proposed Tobin tax, would also apply to this policy. Soros' suggestion would certainly need to be implemented right across the banking system if it were to succeed—it would otherwise simply mean that developing countries requiring credit would just have to search a bit harder for it.

5. Trade Zones and Regulations

Environmentalists often argue for a 'fairer' system of world trade in which other environmental and social needs are accounted for. For example, L.Wallach refers to the 'Group of 250' non-governmental organisations who wrote a letter to the U.S. government. They called for sanctions to ensure compliance with regulations, funding for their enforcement, taxes and duties on environmentally damaging practices and so on. In other words, they expect that the goal of increasing profitability can be compromised.

Others, such as James Goldsmith (well known businessman, self-styled environmentalist and leading light in the British 'Referendum Party' prior to his death in 1999) have called for a still greater compromise. He advocated that those areas "with economies which are reasonably similar in terms of development and wage structures" should each form trading regions with little or no imports or exports of goods between them. He suggested that:

Trading regions would enter into mutually beneficial bilateral agreements with other regions in the world. Freedom to transfer technology and capital would be maintained. (However)… commercial organisations wishing to sell their products in any particular region would have to produce locally, importing capital and technology, and creating local employment and development. That is the way to create prosperity and stability in the developing world without destroying our own.

"(To) gain access to our markets," he continues, "foreign corporations would have to build factories, employ our people and contribute to our economies."

The presentation of this 'model' of regional trading areas raises two questions. First, how could it be brought about? Second, how could it be maintained? The protectionist measures that Goldsmith called for each region to enforce would hinder the ability of successful companies to export their goods. This, in turn, erodes their profits especially since such companies operate on an increasingly transnational basis. What would possibly make them agree to such measures? Indeed, the huge influence they currently have upon world trade negotiations suggests that the proposals would never be implemented for this reason alone.

Even if Goldsmith's proposals were somehow accepted on a world basis, there would be a continuous incentive for producers and governments alike to break the rules. If overseas producers offer goods to a region at a lower price than their own equivalent, how could a government stop such goods being purchased on the black economy? The difficulty of establishing restrictions on ozone depleting chemicals has proved to be a case in point (Ozone depletion) <ozone.htm>. A black market in CFCs has developed, in spite of many large multinationals now investing in alternative, less damaging chemicals. In contrast, Goldsmith's system would lack any such vested interest to back it. It seems that it would only take one company to infringe Goldsmith's rules before the rest also reverted to the task of maximising profits, through operating on a global basis.

6. Conclusion

This brings us to the fundamental problem for all of the proposals that seek a solution to the problems brought about by globalisation within capitalism. Given the globalised nature of the economic system that they seek to hold in check, such solutions must be implemented at the international level. Yet proposed global reforms of capitalism overlook the built-in conflict of interests within the system, both between the capitalist class minority and the working class majority and within the different sections of the capitalist class itself. As described in sections 2 and 3 of this study on trade and structural adjustment, the prominence of the sectional interests of the capitalist class of the industrial states of the North has been crucial in shaping the kind of globalisation that has led to so much outrage amongst protestors. These interests have pushed the globalised economy towards trade liberalisation since World War II (though this trend has been interrupted by reversions to protectionism, most significantly during the 1980s). These interests have also pushed for huge cuts in state expenditure and economic intervention in the South, when faced with a danger of these states being unable to meet their debt repayments. These interests (or, perhaps, the interests of another section of the capitalist class) could puncture any agreement to regulate the market for social ends. More likely, they will punctuate any attempt to reach such an agreement in the first place.

The vested interests of the capitalist class in general have consistently undermined progress in the attempts of the United Nations to initiate international environmental agreements (see Environment section.) As it happens, there is little political will to achieve some kind of modification of the global market, even when compared to the small amount of hope among some politicians to make progrees on global environmental issues. The imperative for politicians is, rather, to push for trade agreements that best represent the interests of capitalism within the state they represent.

It should be acknowledged that it is the economic interests of certain sections of the global capitalist class that brought about the rise of free trade since the war. The pressure on (not to mention involvement in) various political processes by transnational corporations demonstrates this. The power of lobby groups representing industrial interests in the U.S.A. over government is well documented. Douthewaite, for example writes:

lobby groups such as the Global Coalition, which was set up by a PR firm, Burson-Marsteller, and which represents the American Forest & Paper Association, the American Petroleum Institute, Texaco, Chevron, Chrysler, the U.S. Chamber of Commerce, Exxon, General Motors, Ford and more than forty other corporations and trade associations are a formidable force.. Lobbyists spent millions of dollars in the run-up to Kyoto (the summit on global warming) on advertisements saying that the treaty would mean a ’50 per cent per gallon gasoline tax’ and higher prices on food and clothing, claims which could well be right.(14; p216)

While protectionism may suit the interests of certain sections of the capitalist class at certain times, there is a general need among all capitalists across the globe to avoid such regulation on their business of profit-making that has given rise to free trade agreements such as G.A.T.T. This is why the agreement came about and has expanded in scope.

The policy of structural adjustment was similarly unavoidable once the South had taken out loans during the 1970s. An illustration of this inevitability is provided by Bello. What he describes as “the dismantling of the economic role of the state” has, he continues, “taken place under leaders as politically diverse as the Peronist Carlos Menem in Argentina, the social democrat Michael Maniey in Jamaica, the socialist Jerry Rawlings in Ghana, the Nasserite Hosni Mubarak in Egypt, and the technocrat Carlos Salinas de Gortari in Mexico." (10; p70)

Structural adjustment is clearly more than just the policy choice of certain individual staff at the I.M.F. Equally, the G.A.T.T. agreements were more than just the policy choices of the particular politicians who held power at the time. Economic pressure within capitalism gave rise to these agreements and institutions. The absence of an I.M.F. would have meant less assurance of debt being repaid which could have led to the states of the North resorting to military force to preserve their interests. The absence of a G.A.T.T. agreement would make a more protectionist world more likely. Given that states use protectionism to serve their own interests rather than for the moral imperative urged by the anti-globalisation lobby, there would be no clear benefit to be gained from a more protectionist world economy. The problems of capitalism such as poverty and alienation would still be present (as indeed they were in the pre-war years when protectionism was the norm.) In any case, the globalised economy was an inevitable outcome of the need for capitalism to expand profits and cannot be simply reversed through reforms of capitalism. Globalisation must be understood as a product of the global division of ownership—a division that must strive to perpetuate itself as long as capitalism exists.

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See also: No Logo a review of Naomi Klein's critique of global capitalism