The New Rulers of The World

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Globalisation. You hear about it on TV and you read about it in the papers. We are all part of one big global village, where national borders and national identities no longer matter. But what is globalisation? And where is this 'global village'?

In some respects you are already living in it. The clothes in your local department store were probably stitched together in the factories of Asia. Much of the food in your local supermarket will have been grown in Africa, while the flowers could come from Latin America. It's easier than ever to buy music from Mali, read novels from Colombia and watch films from Iran. The world is shrinking, and globalisation is making it shrink, but only for the benefit of a minority.

An investment decision made in London can spell unemployment for thousands in Indonesia, while a business decision taken in Tokyo can create thousands of new jobs for workers in north-east England. The global village is essentially a business project espousing a 'global economy' that is simply an updated form of capitalism.

For business people, globalisation might seem a very natural development – particularly if you live in a country like Britain, with its long international history as a trading nation and imperial power. Yet the consequences of globalisation are far-reaching, and many of them are only now coming to the surface. Bringing the world closer together may throw up new opportunities for cultural and economic interaction. But this is really internationalism, which should not be confused with the 'global economy', which exposes us to the negative aspects of life on a shrinking planet, whether it be the common threat of global warming, the international traffic in women and girls for sexual exploitation (500,000 to Western Europe alone each year) or the spread of AIDS throughout Africa and Asia.

More and more people across the world are acknowledging the threats posed by globalisation. Anti-globalisation demonstrations at the World Trade Organisation's Ministerial Meeting in Seattle in November 1999 were reported on TV screens across all continents. Similar protests have followed at G8 summits and outside the annual meetings of the International Monetary Fund and World Bank. The protesters come from many different countries and many different backgrounds, but they are united by one aim: to ensure that globalisation works in the interests of all the world's people, not just a fortunate few.

What is globalisation?

At the heart of the globalisation debate lies the issue of economic globalisation, modern capitalism, the unifying factor behind all the anti-globalisation protests of the last few years. While different peoples have done business with each other for centuries and trade is as old as history itself, today's globalisation presents new challenges. Based on the development of new technology, especially communications technology, today's globalisation is more far-reaching than ever before.

Global trade

The dramatic growth in international trade over the past few years is one of the most striking features of globalisation. While the world's economic output grew at an average 2.4% per year during the 1990s, global trade increased at well over twice that rate. The pattern is forecast to continue for the next 10 years too, with global trade growing at around 6.8% per year, more than double the projected growth in world output.[1]

This increase in cross-border trade has been facilitated by international policy negotiations held under the General Agreement on Tariffs and Trade (GATT), the forum which has decided global trade rules since 1948. The Uruguay Round of GATT negotiations, which was concluded in 1994, removed many barriers to 'free' trade, such as import tariffs and quotas. As a result, the volume of world trade has risen by over 50% in the space of just six years.

The globalisation of trade is the result not only of these new trade rules introduced by the world's governments. It is also dependent on two more concrete factors: the development of communications technology, which allows orders to be relayed across the world in seconds, and cheaper transportation, which allows those orders to be fulfilled at greatly reduced cost. Sea freight unit costs have fallen by over 70 per cent during the past 20 years, while air freight costs have fallen by 3-4% year on year.[2]

Global production

The same factors also lie behind the globalisation of production. Multinational corporations can now set up factories in almost any country in the world, relying on increased levels of automation to take the place of the skilled workers who were formerly required to run the machines. Again, cheaper freight costs and instant communication facilities have allowed companies to coordinate production at different sites across the world. In fact, a third of global trade is not trade at all, but the international movement of goods between different parts of the same multinational.

One example of this can be found in the US car industry. When one typical US car was analysed to see how 'American' it was, it turned out that nine countries were involved in some aspect of its production or sale. Roughly 30% of the car's value went to South Korea for assembly, 17.5% to Japan for components and advanced technology, 7.5% to Germany for design, 4% to Taiwan and Singapore for minor parts, 2.5% to the UK for marketing and advertising services, and 1.5% to Ireland and Barbados for data processing. Only 37% of the car's marketing value was generated in the USA.[3]

As with trade, the growth in global production has also been aided by the Uruguay Round of GATT negotiations. In the past, national investment regulations governed where and how a company could start production in a foreign country, and many countries regulated foreign investment on grounds of economic interest, cultural sensitivity or national security. As the pace of globalisation has intensified, multinationals have sought to have these restrictions removed so they can gain access to new (and cheaper) sites of production. The transfer of manufacturing plants from Western Europe to the developing countries of Asia is a direct result of this new freedom of investment.

Who are the multinationals?

A multinational (or 'transnational') corporation is a company which operates in more than one country, as opposed to a purely domestic business which has no operations abroad. There are now 63,000 multinational corporations in the world, and between them they are responsible for two thirds of global trade and 80% of investment. They are the economic force behind globalisation.

Many of the world's multinationals have developed into giant enterprises spanning the globe. The largest have annual sales greater than the entire economic output of many medium sized countries. On this calculation General Motors is bigger than Norway, Ford is bigger than South Africa and Shell is over twice as big as Nigeria.[4] Of the largest 100 economic actors in the world today, 51 are corporations and 49 are countries.

Multinationals share many interests, and pool their considerable power to lobby governments for policies which favour them. Bodies such as the International Chamber of Commerce, the European Roundtable of Industrialists and the Transatlantic Business Dialogue bring together the leaders of the world's most powerful multinationals to influence global policies on trade and investment. Western governments have responded by giving multinationals an ever greater role in formulating international policy. It is now acknowledged that many of the de-regulation policies introduced by the world's governments over the past decade have come as a direct result of lobbying work by these groups.

Global finance

The third main plank of economic globalisation is its financial aspect: the free flow of finance capital around the world. Once again, communications technology has made it possible to conduct financial transactions across the world at the click of a mouse. Over $1.5 trillion is traded on the world's foreign exchange markets every day.[5]

While much of this activity has more relevance to currency traders than to the real world, the finance provided by private investors (also known as foreign portfolio investment) has been critical to the economies of several countries. While foreign investment by multinationals accounted for half of non-government capital flows to the developing world in the eight years prior to the East Asian crisis of 1997-98, foreign portfolio investment accounted for a third. Countries such as Argentina, Brazil, Uruguay, Mexico, Thailand and South Korea actually attracted more investment from private investors than from multinationals.[6]

Liberalisation

All three aspects of globalisation share a common theme: the 'freeing up'– de-regulating – of movement across national borders, whether it be for trade, investment or finance. This entails the removal of rules which national governments have traditionally held in place to regulate the activity of foreign firms and to protect their own local economies. Globalisation in its current form means intervention by foreign capital in national economies.

The new order is beset by euphemisms, which can often mean the opposite of the new jargon term. Liberalisation – more commonly known as the 'free trade' agenda – sounds reasonable in itself. Much of the language used to describe it suggests that it is a positive trend: the removal of 'restrictions', 'barriers' and 'obstacles' to what should be 'free' trade.

These throw up a smoke-screen. The important question: free for whom? Critics argue that the 'freedoms' of liberalisation are really just freedoms for the multinationals which stand to benefit from a relaxation of rules regulating their activities. While this enables them to gain greater access to new markets free from any restrictions on their conduct, there is no evidence that liberalisation of trade and investment offers the world's poorest communities the freedoms they need: from hunger, poverty and insecurity.

The central problem with the free trade agenda is that it pits the world's most powerful corporations against the fledgling industries of developing countries, and removes the regulations protecting them. Liberalisation has often been compared to putting a flyweight in the ring with Muhammad Ali, and then removing the gloves. Not surprisingly, the results have often left the weaker participant reeling.

The removal of regulations governing the activities of multinationals also exposes local communities to abuse and exploitation at their hands. The UN's 20-year attempt to introduce binding regulations on multinationals finally came to nought in the 1990s, when the world's richest nations saw to it that the UN's draft code of conduct for multinationals would never be adopted by the international community. Since then multinationals have only signed up to voluntary codes of their own choosing.

Who's driving globalisation?

Multinational corporations act as the principal motors of globalisation. Officially, however, it is governments which formulate the international rules on trade and investment, and they do so in various forums. Chief among these is the World Trade Organisation (WTO), which was set up as a result of the Uruguay Round of GATT negotiations. The WTO's role is to increase the liberalisation of trade through further negotiations, and to remove barriers currently standing in the way of free trade. As such it is the prime mover of pro-globalisation policies, and the prime target of a wide variety of interest groups from concerned citizens to anti-globalisation protesters.

Jakarta, Indonesia. The living conditions of workers in Jakarta's great sweatshop factories

The World Trade Organisation (WTO)

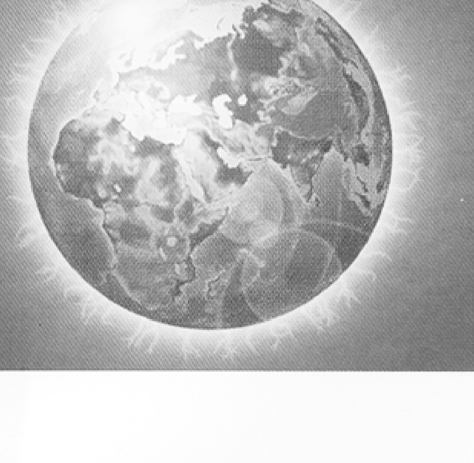
The WTO came into being on 1 January 1995 as the successor organisation to the General Agreement on Trade and Tariffs (GATT) negotiations which had governed international trade from 1948. The great majority of the world's countries are WTO members, and most of the rest (including China and Russia) have applied to join. Membership involves signing up to a package of free trade agreements covering anything from agriculture to intellectual property rights.

According to the WTO's own description of itself, "The WTO provides a rules-based multilateral trading system. All members have both rights and obligations. The alternative is bilateral commercial relations based on economic and political power – small countries are then at the mercy of the larger trading powers."[7]

Yet critics point out that the WTO's decision making system already puts small countries at the mercy of the larger trading powers. The WTO makes decisions by 'consensus' among its members rather than by voting. In practice this means that the rich nations band together and negotiate policies which they then impose on other member states. Many Third World delegates were excluded from the key trade negotiations at the WTO's November 1999 Ministerial Meeting in Seattle – even when the negotiations were about the future of their own countries. US negotiators then tried to bully them into accepting deals which had been worked out in their absence.

Despite the massive international resistance which led to the collapse of the Seattle Ministerial, the WTO is still intent on launching a new round of trade negotiations at its Fourth Ministerial Meeting, to be held in Qatar during November 2001. Developing nations are calling on the WTO to hold back from launching a new trade round, so that poorer countries can have time to deal with the implications of the last one.

As emphasised by S Narayanan, India's ambassador to the WTO, the greatest challenge is to ensure that the WTO is indeed operated as a rules-based as opposed to a power-based system. "Unless the present inequalities are removed in the WTO," argues Narayanan, "I do not believe in a new round."[8]



Although the WTO is the body officially responsible for increasing globalisation, two other institutions play an equally important role in ensuring compliance with the free trade agenda. The International Monetary Fund (IMF) and the World Bank provide developing countries with loans for 'development'. In order to qualify for the loans, however, the governments of those countries are required to carry out programmes of drastic economic reform drawn up for them by the IMF. These have been known for years as structural adjustment programmes (SAPs).

SAPs commonly require governments to restructure their economies so as to maximise foreign earnings and minimise government expenditure. This entails a three-fold process: first, the encouragement of an export-oriented economy with free and open markets for foreign imports; second, the privatisation of state industries, often leading to mass unemployment; third, cuts in public services such as health care and education, and an end to subsidies for food and fuel. The IMF maintains that this restructuring will benefit the national economy in the long run.

Communities, governments and campaigners in the developing world have long protested that SAPs condemn the most vulnerable sectors of society to inescapable poverty by removing essential social services. After years of denial, both the IMF and World Bank have now admitted the damage which SAPs have caused to the poor of the developing world. Yet although SAPs have been renamed Poverty Reduction Strategy Papers, the basic ingredients remain the same and the two institutions continue to impose them on developing countries. So why do governments sign up to them?

This is the hidden aspect of the Third World debt crisis which groups such as Jubilee 2000 have brought so firmly into the public consciousness. Governments of the world's richest countries have now promised to cancel up to 100% of the debt owed them by many of the world's poorest countries, with Britain leading the way. But this 'offer' has strings, including a government's commitment to the very economic system that has caused many of its problems. In any event, half of all Third World debt is owed not to governments but to the World Bank and IMF. And these two institutions will only offer a country debt relief on the condition that it restructures its economy to fit in with the new global order, along the same lines as described above.

Third World debt has thus become the mechanism for ultimately controlling the economies of the developing world. As such, debt is an essential weapon in the armoury of those pushing for greater globalisation – too important, in fact, to be given up. In a summit meeting with African leaders held in Tanzania in February 2001, the heads of the IMF and World Bank confirmed that they would not cancel the debts owed them by African countries, even though those debts condemn the people of Africa to long-term poverty.[9]

The IMF and World Bank

Both the IMF and the World Bank were conceived at the Bretton Woods Conference of 1944 (and hence are often referred to as the Bretton Woods institutions). Each had a different role to play in the work of global reconstruction after the Second World War. The IMF was tasked with maintaining the stability of the now American-led global financial system, while the World Bank (full name: the International Bank for Reconstruction and Development) was to help rebuild certain economies and encourage what is called 'development'. In fact, both institutions, headquartered in Washington are often seen as branch offices of the US Treasury. The richest nations hold sway on both of them. The World Bank president is always an American. Many historians now look back on the Bretton Woods Conference as an agenda for American post-war economic power.

By the time the debt crisis developed in the 1980s, the primary focus of both institutions had shifted to the countries of the developing world. Despite their different mandates, both the IMF and World Bank have long shared a common analysis of what developing countries need to do in order to qualify for loans. Their policies aim to integrate developing countries into the expanding global capitalist economy, but have a disastrous effect on the countries themselves.

Both institutions have now admitted the harm which their policies have caused to the poor of the developing world, and in public both have committed themselves to the goal of alleviating poverty in the future. Yet they have signally failed to put their rhetoric into practice, still providing loans to governments on the same basis as before. The World Bank still gives only 8% of its loans to primary education, health and water/ sanitation projects, while 45% of its lending goes directly to multinational corporations bidding for lucrative contracts overseas.[10]

Both the World Bank and IMF are now fighting rearguard actions to limit the damage to their reputations. Internal IMF papers released in March 2001 acknowledge that its restructuring of economies has often been more to do with political ideology than economics, while the latest World Bank report on Africa admits that the economic conditions it has imposed on African nations have largely failed.[xi] The admissions vindicate international campaigners who have long called for the Bretton Woods institutions to be disbanded.

The impact of globalisation

While there may be disagreement as to the potential benefits of globalisation, there is no dispute that the new order has widened the gap between rich and poor, with a substantial increase in world poverty. Almost half of the world's six billion people now live on less than $2 a day, while 1.2 billion people live on less than $1 a day. In addition, the gap between the richest 20% of the world's population and the poorest 20% has doubled in the past 40 years. The assets of the world's three richest billionaires exceed the gross national product of all 48 least developed countries and their 600 million people.[12]

Inequality between countries

The dramatic growth in foreign investment over the past 20 years is heralded as one of the greatest benefits of globalisation – particularly since in recent years more investment has gone to the developing world. Like so much about globalisation, that sounds positive, but the reality offers a different picture.

The overwhelming majority of foreign investment is still shared between the world's richest nations. Of the record $865 billion of world foreign investment for 1999, $636 billion (76%) went to the industrialised countries of the developed world.[13]

Even within the developing world, it is the stronger economies which receive the bulk of foreign investment. Of the $207 billion in foreign investment which went to developing countries in 1999, the top 10 recipients accounted for $170 billion (82%). Those top 10 countries are: China (including Hong Kong), Brazil, Argentina, Mexico, Republic of Korea, Chile, Singapore, Thailand, Saudi Arabia and Malaysia. All the remaining developing countries shared the rest between them. The 48 least developed countries received next to nothing.[14]

As UN Secretary-General Kofi Annan pointed out in his recent report on the impact of globalisation, the world's poorest countries have not just been left out of the equation. They have also borne the negative impacts of globalisation on their economies.[15] After the Uruguay Round of GATT negotiations was concluded in 1994, economists predicted that the resulting expansion of trade would increase world income by anything between $200 billion and $500 billion by the year 2001. Yet even at that time the UN warned that most of the wealth would go to the world's richer nations, while the poorest would lose out. According to their calculations, sub-Saharan Africa would actually lose $1.2 billion a year as a result of the new trade arrangements.[16]

The export earnings of many countries in sub-Saharan Africa are heavily dependent on just a handful of primary commodities, such as coffee, tea or cocoa. As the terms of loans imposed by the IMF and World Bank have driven more and more farmers to grow these 'cash crops' for export instead of food for local consumption, the markets for them have been flooded and their value has plummeted.

Trade in each of the major commodities is dominated by a handful of multinational companies that have the power to dictate prices to small producers. Prices for primary commodities (excluding oil) have fallen by 50% in real terms over the past 20 years, and the trend is set to continue. For countries dependent on these commodities, globalisation is directly responsible for their economic decline.[17]

Inequality within countries

It is not just inequalities between countries which have increased as a result of globalisation. Inequalities within countries have also increased, in the developing and developed worlds alike. While some people have grown rich on the back of globalisation, many have found themselves worse off. And there is one thing which all commentators agree on: those most likely to suffer from globalisation are the poor.

Among industrialised nations, inequality has been most pronounced in those countries which have adopted the 'free trade' agenda to the greatest extent. New Zealand, which liberalised its economy faster than any other industrialised nation during the 1980s, now has the highest rate of inequality.[18] In the UN's annual human poverty ratings, the USA holds bottom rank among the countries of the industrialised world, with 15.8% of the population calculated to be living in poverty. The UK is close behind it, with a 14.6% human poverty rating.[19]

Inequality has become a key issue in many developing countries too. China is heralded as one of the great success stories of globalisation, and millions of its people have seen substantial rises in income and opportunity as a result of the country's liberalisation policies. Yet as state industries have closed and social security has been cut, tens of millions of Chinese workers have joined the army of unemployed migrants who throng to the cities in search of work. Even after a targeted anti-poverty programme in 1991-94 had brought the number of rural poor back down to around 60 million, the Chinese government still identified rising income disparity as one of the key challenges facing the country in the years ahead.

Supporters of globalisation argue that those most exposed to the rigours of economic liberalisation are most likely to benefit from it. In China, indeed, the coastal regions most linked in to the global economy have shown far greater rates of economic growth than the inland provinces, where mass poverty remains high.

Yet those who have been most exposed to globalisation have also suffered from it the most. As the latest UN report on the world's 48 least developed countries reveals, the poorest nations have gone further than anyone in opening up their economies, and yet they have been driven deeper into poverty.[20] Economic research indicates that rising inequality within countries is no coincidence, but an intrinsic feature of the liberalisation model itself.[21]

Impact on workers

One of the benefits which globalisation has provided poor countries can be found in the new employment opportunities it offers. While multinationals themselves provide only around 20 million jobs in the developing world (no more than 2% of the total workforce), indirect employment serving multinational industries can sometimes bring many more jobs than the companies themselves. An example from Britain shows what can be achieved in this regard: the Nissan car factory built in Sunderland in the mid-1980s employs 4,500 people directly, but suppliers and subcontractors to Nissan have provided another 20,000 local jobs.[22] But this is more the exception than the rule.

Many governments have created special 'export processing zones' in order to attract multinationals to their countries and to encourage domestic industries to produce more for the international market. Bangladesh, one of the world's 48 least developed countries, is hailed as a particular success story in this regard. The country's textiles sector has grown by 500% in the last decade, and now boasts a turnover of $4 billion a year. Some leading brands now do business in Bangladesh.[23]

Most of the 1.5 million workers in Bangladesh's clothes factories are young women from low social classes, for whom the work represents an invaluable source of income and status. But this gain is relative. Around the world as a whole, up to 90% of those working in export processing zones are women. While the jobs are often hard and repetitive, with working conditions as bad as in 19th century Britain, in many instances they are better than the alternatives on offer.[24]

At the same time as globalisation has opened up new employment opportunities, it has introduced new pressures to lower protection to workers. This is most evident in these export processing zones, where workers are often not permitted to organise trade unions. Suppliers to some famous brand companies have been exposed for denying certain human rights to their workers. At times, the voluntary codes of conduct (covering labour rights) adopted by such companies have been shown to be exercises in corporate public relations. These codes are no substitute for properly enforced government regulation and strong trade unionism.

Financial instability

Reliance on global markets brings great insecurity. Nowhere has this been more severely felt than during the East Asian crisis of 1997-98. As a result of extensive liberalisation of the financial sector across the region, foreign capital poured into the newly industrialised countries of East and South-East Asia during the 1990s, peaking at a net inflow of $93 billion in 1996.[25] As turmoil hit the markets, however, the foreign capital departed as quickly as it had come, leaving disaster in its wake.

The crisis hit hardest in Indonesia, which saw $40 billion of foreign capital sucked out of its economy in the six months between November 1997 and April 1998 alone. Real wages fell by 60% across the country; in Surabaya, Indonesia's largest industrial city, the daily minimum wage collapsed from $2 to $0.30. An estimated 40 million people – a fifth of the entire population – fell into poverty.[26] The economy, which shrank by 13% in 1998, is only now beginning to recover.[27]

While many Asian women had benefited from the new employment opportunities of globalisation, it was women who were the first to be made redundant when the economic crisis hit. "This was inevitable," according to the UN's Economic and Social Commission for Asia and the Pacific, "given that women were originally preferred as workers largely because of the greater ease of dismissal." The Commission spoke of growing numbers of Asian women being driven into poverty and prostitution as a result of losing their new-found jobs.[28]

Jakarta, Indonesia. Zaenal, 28, his wife Ferlios, his mother, Juyu Jubaidah, and their two boys Abriyan, 3 and Mohammed, 9 months. The father's wage of £42 a month, including overtime, cannot pay for the blood transfusions the boys need – they are suffering from an incurable blood disorder.

Impact on farmers

Whatever opportunities may have come to workers in the export sectors of various countries, the vast majority of people in the developing world live in rural communities and are dependent on farming for their livelihoods. It is here that globalisation will have the greatest impact in terms of the number of people it affects.

Some farmers have benefited from the export opportunities which globalisation offers. Kenyan farmers have found a niche market in the European demand for year-round vegetables. African and Latin American producers who supply fair trade outfits such as Cafédirect, Oxfam or Traidcraft have managed to secure a stable source of income in return for their crops. But these represent only a relative few.

Many more farmers have seen their livelihoods threatened through exposure to global markets. Coffee grown without fair trade protection is a good example of this threat. The price which farmers around the world receive for their coffee crop is largely dependent on conditions in Brazil, which produces around a quarter of the world's supply. When frost hit the Brazilian crop in 1994, the world coffee price rose. When Brazil floated its currency in 1999, the world coffee price fell.

Fluctuations in the Brazilian climate and economy are outside the control of coffee producers in Africa. Yet their integration into the global market means they have become entirely vulnerable to such events. With the international market price of coffee in long-term decline, farmers who have converted from subsistence farming to coffee production are increasingly unable to feed their families. Many have had to abandon farming and look for casual work in the cities instead.

A tale of two coffees

Fair trade: Prodecoop is a Nicaraguan cooperative formed in 1993 to act as a trading company for over 2,000 farmers in the north of the country. The cooperative sells its entire harvest on fair trade terms to British buyer Cafédirect. This guarantees a stable price and the security of a long-term trading relationship.

Bertilda Gamez Peres is one of the farmers within the co-operative. When asked how her life has changed since producing for Cafédirect, she explains: "We didn't get enough to live on before. Now we get a better price and the money comes directly to us. I can buy more food, I can help support my daughter at university and take care of my son."

Mario Perez agrees: "The fair trade price has helped solve our problems. We've learned techniques for growing coffee, and we earn extra for selling organic coffee. We no longer sit with our hands crossed; we have an alternative."

'Free' trade: Coffee is by far Uganda's most important export, representing around 80% of its foreign exchange earnings. Yona Kateera is a farmer who used to grow coffee near the town of Bushenyi. When the price of coffee was high, he could live comfortably off his earnings and support his family.

When the price of coffee crashed in the early 1990s, Yona found it increasingly difficult to pay for basic medical treatment or send his children to school (especially since new education fees were introduced). While his income dwindled, the price of imported tools and other goods increased. Unable to make ends meet, Yona abandoned farming and joined the ranks of unemployed migrants looking for casual work.

Farmers also suffer when their own markets are opened up to competition from the powerful agricultural industries of the developed world. In 1994 Mexico opened its markets to competition from US agriculture under the requirements of the North American Free Trade Agreement (NAFTA), and within just three years 800,000 Mexican farmers faced bankruptcy as a result of direct competition from the industrial agriculture of the US Mid-west.[29] Similarly, cattle farmers from Burkina Faso to South Africa have been forced out of business as a result of cheaply produced (and heavily subsidised) meat from the European Union being dumped on African markets.

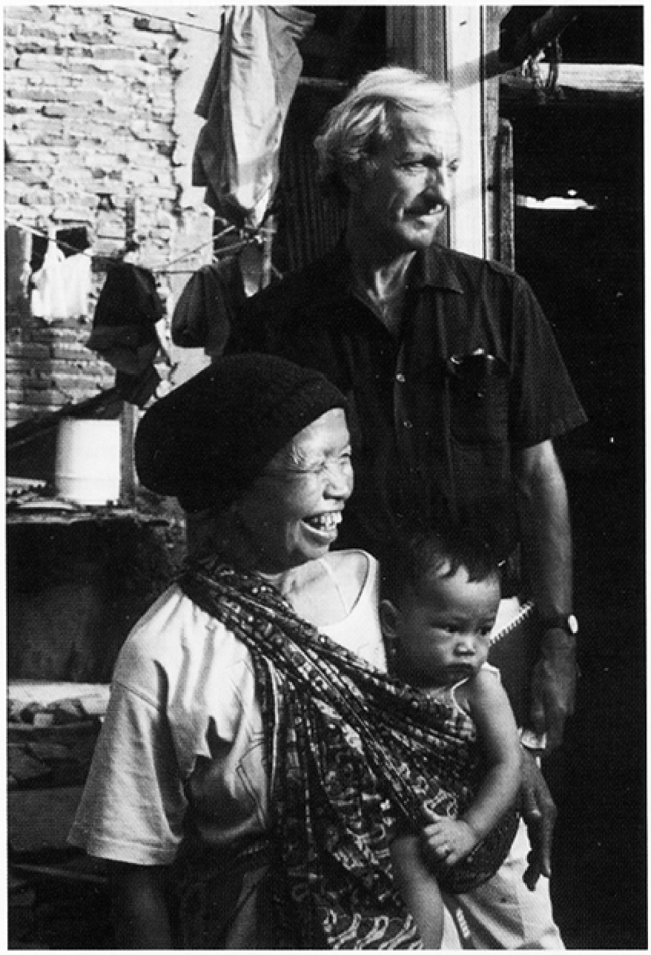
Other pro-globalisation agents have also favoured multinational agricultural companies over the small farmers of the developing world. Within a day of the US Democratic Party receiving a $500,000 'donation' from banana multinational Chiquita, the Clinton government filed a complaint at the WTO against European trade agreements which favour bananas imported from small farmers in the Caribbean. The WTO's disputes settlement body ruled in favour of the multinational, demanding that it should have greater access to the lucrative European market. Up to 200,000 Caribbean farmers, many of them women, may lose their livelihoods as a result of the ruling.[30]

Impact on indigenous peoples

Liberalisation policies have made it easier for multinational companies to start operations even in highly sensitive regions. Some of the most damaging impacts have occurred in areas where large dams, mining, logging and other extractive industries have taken the lands of indigenous peoples. The relentless exploitation of natural resources has usually created few local benefits, but has contributed to the marginalisation of some of the most vulnerable communities.

The execution of Ken Saro-Wiwa and eight other Ogoni leaders in November 1995 following protests against Shell's operations in the Niger delta focused attention on the collusion between multinationals and repressive regimes. Subsequent cases have included BP's operations in Colombia, where the British oil giant was accused of complicity in the murders of local protesters by paramilitary forces, Freeport's mining activities in Indonesia and Premier Oil in Burma.

Most recently, the election of George W Bush to the US presidency has posed a new threat to indigenous people in Alaska. Both Bush and his vice-president Dick Cheney are heavily involved with the oil industry and have promised companies such as BP (which has donated hundreds of thousands of dollars to the Republican Party) a free hand in drilling for oil in Alaska's protected Arctic National Wildlife Refuge. The Gwich'in nation who live in the Refuge are directly threatened by the oil exploration plans and have submitted a written intervention to the UN to protect them from cultural genocide.



Impact on the environment

Globalisation has led to a 50% rise in the volume of world trade in the past six years alone. Yet 'free' trade comes with an environmental price tag. The mass movement of goods across the world is now one of the fastest growing sources of the greenhouse gas emissions behind global warming.

Environmental campaigners argue that this negative impact is doubly unnecessary when so much of the movement of goods is simply trade for trade's sake. In 1998 Britain imported 240,000 tonnes of pork and 125,000 tonnes of lamb from overseas – and in the same year exported 195,000 tonnes of pork and 102,000 tonnes of lamb to other countries. In 1997 we imported 126 million litres of milk, and exported 270 million litres. British chicken is exported as far afield as Hong Kong, Russia and South Africa, at the same time as we import chicken meat from Thailand and Brazil.

As a result, the volume of air freight being flown in and out of Britain has doubled in just 10 years, and is forecast to double again by 2010. The global situation will get worse still when agricultural and manufacturing exports from developing countries gain access to Western markets. Environmental campaigners are calling for an end to global trade swapping as an urgent priority in the battle to limit climate change.[31]

IMF and World Bank pressure on developing countries to increase the export of natural resources such as timber and minerals has also increased the negative impact of globalisation on the environment. Moreover, despite years of criticism of its environmental record, the World Bank continues to support projects with potentially devastating ecological impacts. In June 2000 it approved a $365 million programme for the much criticised Chad-Cameroon oil pipeline, which will cut through the tropical rainforest of Cameroon and threaten farmland and river systems in both countries.

The WTO has made it clear that environmental protection comes second to the demands of free trade: that is, the demands of the multinational corporations. In 1996 the WTO ruled against the USA's Clean Air Act requirement that oil companies produce cleaner petrol, saying that it discriminated against the more polluting refineries of Brazil and Venezuela. The Clean Air Act was downgraded accordingly (WTO rulings are binding on its members). In 1998 the WTO ruled against the European Union's import ban on beef produced with artificial growth hormones, despite scientific evidence that the hormones pose significant health risks. Campaigners fear that important safeguards on the environment and public health could be undermined by the WTO's insistence on putting free trade (and corporate profits) first.

Jakarta, Indonesia.
John Pilger with the grandmother of a little boy whose family can't afford the blood transfusions he needs to carry on living.

What are the issues?

If globalisation is to work for those who need it most, it must be radically different from the way in which it works today. Behind all the impacts described previously lie a handful of key issues which urgently need to be addressed.

Double standards

There is a glaring contradiction at the heart of globalisation as we know it today, and it undermines any hope the developing world may have of benefiting from the new world order. While the rich countries of the world have demanded that poorer nations open their markets to competition, they have refused to open theirs in return.

This is particularly evident in the case of agricultural trade rules, which are heavily distorted in the interests of large agribusiness in the industrialised world. Yet for manufactured goods too, which now account for almost three quarters of developing country exports, the Third World faces tariffs in rich countries which are four times those faced by industrial country exports to the same market. The tariff barriers are highest for products which are fully processed, which is where the greatest profits are to be made. This 'tariff escalation' protects the processing industries of rich countries, but prevents poor countries from developing their own.[32]

The UN has calculated that this protectionism by industrialised countries costs the developing world a staggering $700 billion a year in lost exports from low-tech manufacturing industries alone – enough to wipe out the entire debt of the world's poorest countries overnight.[33] Add to this the amounts which developing countries could earn from agricultural exports to the developed world, and it becomes clear how loaded the world trade system is in favour of the rich.

The WTO was also supposed to have banned the use of government subsidies as a means of giving producers in richer nations an unfair advantage. Yet the countries of the developed world have continued to use subsidies as a means of protecting their industries against competition. The world's richest nations spend a massive $350 billion per year on subsidies for their own farmers – seven times what we give to the Third World in aid.[34]

Indeed, looking at the balance sheet of what we give and what we take from the world's poorest countries makes charity appeals such as Comic Relief's Red Nose Day pale into insignificance. The IMF calculates that developing countries gain a net total of $50 billion a year in capital from non-governmental sources,[35] as well as $50 billion in aid.[36] In return, as noted above, the trade practices of richer countries cost the developing world over $700 billion per year,[37] while annual debt repayments amounts to a further $350 billion.[38] Add to this the corporate tax havens which cost developing countries an annual $70 billion,[39] and the developing world is losing at least $1 trillion ($1,000 billion) a year to the developed world.

Growing corporate power

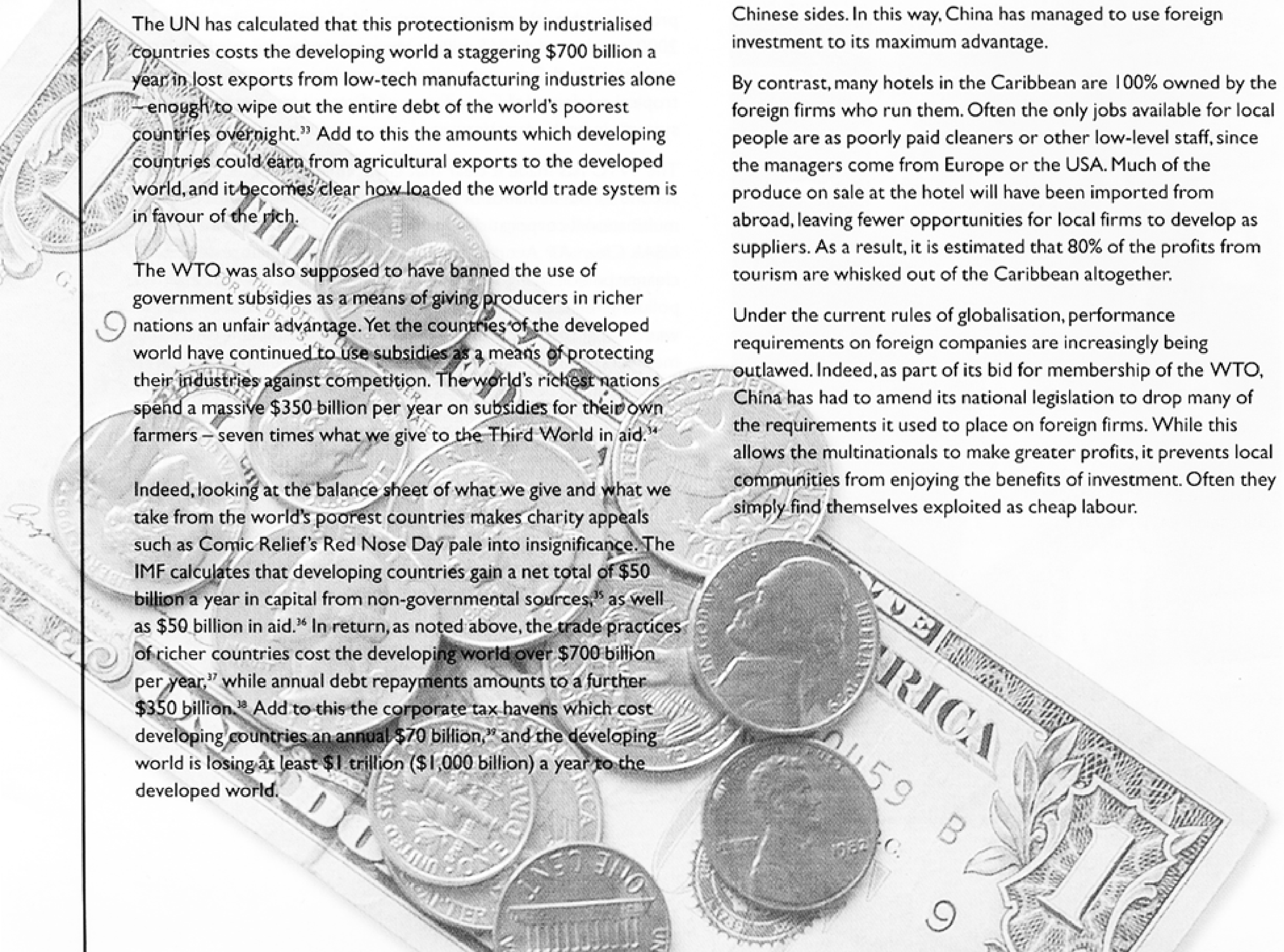
Multinational corporations are the driving force behind globalisation, and many commentators agree that they have benefited from it most. Larger than many host nations, the multinationals are often in a powerful position to dictate terms. Payment of bribes or 'commission' has fuelled corruption and secured favourable terms for multinational companies in their operations around the world.

The consequences of this growing corporate power can be seen clearly in relation to their foreign investment role. At its best, investment by a foreign company can provide jobs, stimulate economic growth and offer developing countries access to key technology and skills. At its worst, multinationals just exploit the cheap labour or natural resources which poor countries offer, and leave them nothing in return. So how can we ensure that all investment follows best practice?

Many governments have made performance requirements of multinationals so as to ensure that their presence works for the benefit of the host community. For example, any hotel chain wishing to start up business in China has had to do so in partnership with a Chinese enterprise. Most of the staff employed at the hotel must be Chinese, and the resources needed to run the hotel must be bought from local producers, ensuring that local people benefit from the new jobs on offer. Because the hotel is jointly owned, its profits are shared between the foreign and Chinese sides. In this way, China has managed to use foreign investment to its maximum advantage.

By contrast, many hotels in the Caribbean are 100% owned by the foreign firms who run them. Often the only jobs available for local people are as poorly paid cleaners or other low-level staff, since the managers come from Europe or the USA. Much of the produce on sale at the hotel will have been imported from abroad, leaving fewer opportunities for local firms to develop as suppliers. As a result, it is estimated that 80% of the profits from tourism are whisked out of the Caribbean altogether.

Under the current rules of globalisation, performance requirements on foreign companies are increasingly being outlawed. Indeed, as part of its bid for membership of the WTO, China has had to amend its national legislation to drop many of the requirements it used to place on foreign firms. While this allows the multinationals to make greater profits, it prevents local communities from enjoying the benefits of investment. Often they simply find themselves exploited as cheap labour.



Privatising public goods

There was international outcry in 1997 when the text of a secret agreement on investment was leaked and published on the Internet. Behind closed doors, the world's richest nations had been negotiating a Multilateral Agreement on Investment (MAI) which would give multinational corporations unprecedented powers over governments and local communities across the world. Under the MAI there would be no stopping multinationals from taking over the domestic industries of their choice. Performance requirements on foreign companies would be banned.

The MAI negotiations collapsed in late 1998 in the face of international resistance from community groups, campaigners and MPs who recognised the threat it posed to democracy worldwide. Yet since that time, multinationals have been exploring new ways of opening up lucrative markets which are still closed to them. And they are taking a particular interest in the public services sector of Europe.

Trade is generally understood to mean trade in goods, whether raw commodities or manufactured products. However, the Uruguay Round of GATT expanded the scope of negotiations to include trade in services, which now account for over 20% of all world trade. Examples of trade in services include banking, tourism or telecommunications, where a foreign company will be providing the service in question – for instance, the presence of HSBC (the Hong Kong and Shanghai Banking Corporation) on the British high street in place of what was the Midland Bank.

However, the services sector is far broader than financial services or communications. In fact, it includes the public health, education, water and sanitations services – public goods that have traditionally been seen as too important to commit to the free market.

The WTO's General Agreement on Trade in Services (GATS) commits governments to open up their public services to foreign 'investment'. Like most WTO agreements, GATS was designed to favour the interests of multinational corporations – particularly, in this case, those of the USA. As noted by David Hartridge, Director of the WTO's Services Division, "Without the enormous pressure generated by the American financial services sector, particularly companies like American Express and Citicorp, there would have been no services agreement."

Under the cover of current GATS negotiations, the world's multinationals are trying to expand their access to countries' public services. The USA's Coalition of Service Industries brings together the main multinationals working in the US services industry. With encouragement from the WTO itself, they have targeted the national health services of European countries as their prime objective for privatisation in the current negotiations on GATS.

In many of the world's poorest countries, privatisation of essential public services has already taken place as a result of structural adjustment programmes imposed by the IMF and World Bank. The effects of this privatisation programme have been disastrous, as the World Bank itself admits. The introduction of school fees where there was previously free education has driven many poor families to withdraw their children from school, while hospital fees have put basic health care beyond the reach of millions.

Although they acknowledge the harm which privatisation has brought to poor communities in the Third World, the World Bank and IMF still insist on prescribing it as an economic model. Water privatisation is just one example. The World Bank notes that water in Haiti's capital Port-au-Prince costs up to 10 times as much from the private sector as it does from the public supply, and that poor families in Mauritania now have to spend a fifth of their household income on water.[40] Yet both the World Bank and the IMF continue to force water privatisation on developing countries. During 2000 alone, the IMF made water privatisation or full cost recovery a condition of loan agreements to 12 African countries. The World Bank has promised Ghana an extra $100 million in loans if it privatises its water supply.

The other key privatisation which threatens the developing world is the privatisation of knowledge. At the same time as liberalisation has opened up access to the markets and resources of the developing world, the WTO's controversial TRIPs agreement (on Trade Related Aspects of Intellectual Property Rights) has closed down developing countries' access to the new technology and medical advances which could greatly benefit their people.

Countries such as India, Brazil and Thailand have developed their own pharmaceutical industries over the course of many years, producing generic medicines for a fraction of the cost of brand-named drugs made by multinationals. The drug flucanazole, which is used to treat HIV-related meningitis, costs around $50 for 100 tablets in India, while the brand-name equivalents cost $700 in Indonesia and $800 in the Philippines – prices far beyond the reach of most people in those countries.[41]

Yet the WTO aims to restrict the right of developing countries to produce cheaper drugs for their own people, forcing them instead to accept private ownership of brand-named medicines through long patents. In 1998 the WTO ruled that the Indian government must amend its national legislation in line with the TRIPs agreement to give greater rights to pharmaceutical companies' patents.

In March 2001 a group of 39 drugs companies launched a court case under the TRIPs agreement against the South African government's Medicines Act. Nelson Mandela introduced the Medicines Act in 1997 in order to allow South Africa to obtain the cheapest medicines to fight AIDS, tuberculosis and other infectious diseases. The Act requires pharmacists to prescribe a cheaper generic version of brand-named drugs wherever possible, and empowers the South African health minister to override pharmaceutical patents when public health is at stake.

With over four million of its people known to be HIV positive, the South African government is arguing that the Medicines Act is essential to the protection of public health. Yet the drugs companies contend that South Africa must fulfil its responsibilities as a WTO member and put private patents before public health. The UN has spoken out against the TRIPs agreement as a violation of human rights.

Can globalisation work?

While most people agree that globalisation should be made to work in the interests of the world's poorest communities, there is no evidence that the 'free trade' agenda offers any solutions to the problems of world poverty.

Champions of globalisation point to the newly industrialised countries of East Asia as examples of how even the poorest nations can grow rich through export-oriented policies. Yet those 'economic miracles' were in fact based on years of domestic development before they opened up to global competition. The liberalisation model imposed on today's poorest countries denies them that breathing space to develop at their own pace. Instead, it exposes infant domestic industries to direct competition with the world's strongest multinationals, and leaves small farmers at the mercy of global markets over which they have no control.

In common with many other Third World leaders, Tanzania's President Benjamin Mkapa has identified this as a central threat of globalisation in its current form: "The prospect of integrating our countries to the global economy is extremely dim. Meanwhile, such industries as we have will be affected by imported products that run our companies out of business. It is leading to the deindustrialisation of our countries."[42]

Even for those whose export sector is strong, the globalisation model is failing as more and more countries compete for limited world markets. Falling commodity prices make it impossible for many economies to benefit from globalisation, as they see the long-term value of their exports in terminal decline. As the UN's most recent trade report explains, "There are too many exporters struggling to gain access to the markets of the rich countries, and the kind of extreme price movements previously suffered by commodity producers have also begun to upset the plans of manufacturers."[43]

One example of this can be found in the Bangladesh clothing industry mentioned above. Bangladesh's textiles success has been largely based on preferential access to the US and European markets. Under WTO agreements this preferential treatment is set to end by 2005, at which point Bangladesh will be thrown into direct competition with countries such as China, with its massive production capacity. Current predictions suggest that half of all Bangladesh's export companies might disappear under the challenge. Given that textiles account for 75% of all Bangladesh's current exports, the impact on people's livelihoods will be widely felt.[44]

What are the alternatives?

The current model of globalisation threatens the world's most vulnerable communities, and many of them have long protested against its impacts. In the 10 months following the WTO's Seattle Ministerial, there were at least 50 separate episodes of civil unrest in 13 poor countries, involving more than a million people.[45]

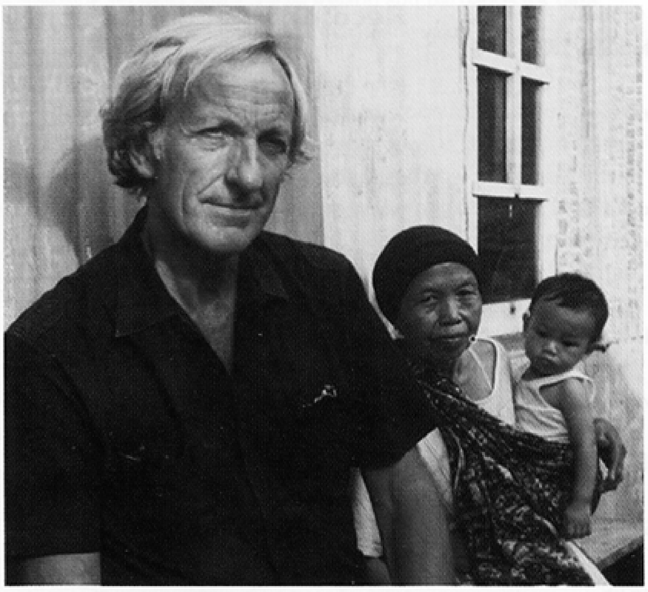
Most recently, thousands of indigenous people converged on Ecuador's capital Quito to protest at the liberalisation measures imposed on them by their government and the IMF. The protesters occupied local IMF offices and mounted roadblocks, and eventually forced the government to back down.

Advocates of globalisation argue that a rules-based system is needed to govern international trade. Many critics agree, but point out that the current rules serve the interests of multinational corporations, not the people of the world.

Fairer and more sustainable alternatives do not imply a return to the protectionism of previous eras. Nor should they be confused with the xenophobia of far right groups which adopt anti-globalisation rhetoric for purposes of their own. Whatever their eventual form, the alternative rules-based systems for globalisation must put the world's poorest people first.

- **Put people first** – The WTO should become a truly democratic organisation, its present form abolished, and the rules changed so that benefits from the global economy are shared fairly and evenly according to need.
- **Restore national control over development** – Countries must be allowed to determine their own development paths, free from the ideological interference of the IMF and World Bank. Countries must be allowed to make performance requirements of multinationals investing in their territories.
- **End protectionism in the world's richest countries** – The tariff barriers which block developing country exports to the markets of the rich world must be removed, and targeted support provided to workers in industrialised countries who are affected by the change. There needs to be fundamental reform of agricultural systems, with the aim of making food supply fairer to farmers in the Third World, as well as safer and more sustainable. In particular, European and US governments must end the agricultural subsidies which give their farmers an unfair advantage over producers in the developing world.

What can I do?



- **Give priority to the poor** – The rules of globalisation should make more provision for the special needs of the world's poorest countries. The European Union's promise of duty-free access to exports from the 48 least developed countries is not enough. This should be extended to more countries and matched by all rich nations.
- **Make multinationals accountable** – Companies have globalised, but the rules regulating their activities haven't. UN agreements contain sound rules on workers' rights, human rights, consumer protection, indigenous peoples and the environment. But there is no means for consistent enforcement of these standards. There should be a new international mechanism to regulate the activities of all multinationals across the world, with government enforcement supported by independent monitoring to ensure that they abide by it. Genuine development institutions are needed with genuine democratic accountability.
- **Build democratic space for genuine debate** – All decisions at the IMF and World Bank are taken on the basis of 'one dollar one vote', which guarantees the world's richest countries an inbuilt majority. The WTO has acknowledged that it too has tended to marginalise the interests of the developing world. Without the democratic space to discuss alternatives to the free trade agenda, there will be little chance of making globalisation work in the interests of the poor. Genuine development institutions are needed, with genuine democratic accountability.
- **Regulate capital markets** – Financial markets must be regulated to ensure that the East Asian crisis of 1997-98 can never be repeated. In addition, mechanisms such as the Tobin Tax should be introduced: a small tax on all financial exchange transactions which would raise around $1 trillion each year for development purposes and reverse the current flow of finance from the developing to the developed world.

Public action is a powerful tool in making governments think again on international issues. In the past couple of years alone, public campaigns have secured reductions in Third World debt, a global agreement limiting trade in genetically modified organisms and an international treaty banning landmines. Organised resistance has prevented both the Multilateral Agreement on Investment and (for now, at least) the WTO's potentially damaging new trade round. Communications technology – one of the key factors behind globalisation – has made it possible to co-ordinate opposition to corporate-led globalisation on a global scale.

All of these achievements depend on individuals taking action for a just world. Some of the actions are simple; others involve getting more information and taking your interest further. All of them make a real difference.

- **Buy fairly traded goods** – This is the easiest action people in Britain can take in their everyday lives. Simply choose fairly traded tea, coffee, bananas and many other products to ensure a fair deal and a secure future for farmers in the developing world.
- **Use your consumer power** – Every purchase you make can send a message to retailers and the companies which supply them. Find out from magazines such as *Ethical Consumer* which companies should be supported and which are best avoided, and ask retailers to stock products made by responsible firms.
- **Use your money wisely** – You now have ethical alternatives for banking, investment and pensions as well as your weekly shopping. Make sure your money helps rather than harms the world's poor.
- **Spread the word** – The British government plays a key role in international forums, yet few members of the public are aware of our responsibility. Tell your friends, family and neighbours and encourage them to get involved.
- **Join in campaigns** – There are ongoing campaigns to change the rules of globalisation in favour of the poor, and many have already notched up genuine victories. Ask to be put on the mailing list of the campaigning organisations listed below, and use the contact addresses to get more information on globalisation.
- **Write to your MP** – There is no better time to contact your MP than at the beginning of a new parliament. Let them know your concerns, and ask them to get answers for you but, as you will more than likely get a standard letter, don't leave it there. If your MP won't act, find one who will – there are a few.
- **Take direct action** – Join Global Resistance, which organises demonstrations. Take the time to attend the demonstrations and make your voice heard. The World Development Movement has a network of local community groups around the country working on the issues explored in this booklet. Contact them at the address given overleaf.

Where can I get more information?

World Development Movement
25 Beehive Place • London SW9 7QR
(020 7737 6215) • www.wdm.org.uk

Ethical Consumer
Unit 21 • 41 Old Birley Street
Manchester M15 5RF
(0161 226 2929)
www.ethicalconsumer.org

Ethical Investment Research Service (EIRIS)
80-84 Bondway • London SW8 1SF
(020 7840 5700) • www.eiris.org

Global Resistance
PO Box 29689 • London E8 2XR
(020 8980 3005)
e-mail: office@resist.org.uk
www.resist.org.uk

Friends of the Earth
26-28 Underwood Street
London N1 7JQ
(020 7490 1555) • www.foe.co.uk

Labour Behind the Label
38 Exchange Street • Norwich
Norfolk NR2 1AX
(01603 610 993)
www.labourbehindthelabel.org

Corporate Europe Observatory
Paulus Potterstraat 20
1071 DA Amsterdam • The Netherlands
(00 31 20 612 7023)
www.xs4all.nl/~ceo/

Human Rights Watch
33 Islington High Street • London N1 9LH
(020 7713 1995) • www.hrw.org

Fairtrade Foundation
Suite 204 • 16 Baldwin's Gardens
London EC1N 7RJ
(020 7405 5942) • www.fairtrade.org.uk

New Internationalist
(subscriptions)
Tower House • Lathkill Street
Market Harborough LE16 9EF
(01858 438 896) • www.oneworld.org/ni/

Trades Union Congress
Congress House • Great Russell Street
London WC1B 3LS
(020 7636 4030) • www.tuc.org.uk

Christian Aid
35 Lower Marsh • London SE1 7RT
(020 7620 4444)
www.christian-aid.org.uk

Oxfam
274 Banbury Road • Oxford OX2 7DZ
(01865 311 311) • www.oxfam.org.uk

CAFOD
2 Romero Close • Stockwell Road
London SW9 9TY
(020 7733 7900) • www.cafod.org.uk

Save the Children Fund
Mary Datchelor House • 17 Grove Lane
Camberwell • London SE5 8RD
(020 7703 5400)
www.savethechildren.org.uk

Third World Network
228 Macalister Road • 10400 Penang
Malaysia
(00 60 4 226 6728) • www.twnside.org.sg

United Nations Development Programme (UNDP)
1 UN Plaza • New York, NY 10017 • USA
(001 212 906 5315) • www.undp.org

United Nations Conference on Trade and Development (UNCTAD)
Palais des Nations
CH-1211 Geneva 10 • Switzerland
(00 41 22 907 1234) • www.unctad.org

World Bank
1818 H Street NW
Washington DC, 20433 • USA
(001 202 47 1234) • www.worldbank.org

International Monetary Fund (IMF)
700 19th Street NW
Washington DC, 20431 • USA
(001 202 623 7000) • www.imf.org

World Trade Organisation (WTO)
Centre William Rappard
Rue de Lausanne 154
CH-1211 Geneva 21 • Switzerland
(00 41 22 739 5111) • www.wto.org

Recommended Websites

John Pilger
www.johnpilger.com

Canadian Centre for Policy Alternatives:
www.policyalternatives.ca

Council of Canadians:
www.canadians.org

Corporate Europe Observatory:
www.xs4all.nl/~ceo

Corporate Watch:
www.corpwatch.org

Focus on the Global South:
www.focusweb.org

Friends of the Earth:
www.foe.org

Institute for Agriculture and Trade Policy:
www.iatp.org

International Centre for Trade and Sustainable Development/ICTSD:
www.ictsd.org

International Forum on Globalisation:
www.ifg.org

Public Citizen:
www.citizen.org

Third World Network:
www.twnside.org

Transnational Institute:
www.tni.org

World Development Movement:
www.wdm.org.uk

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The New Rulers of the World

A Carlton programme for ITV
Transmitted July 2001

Writer & Producer: **John Pilger**

Director: **Alan Lowery**

Film Editor: **Joe Frost**

Cinematographer: **Preston Clothier**

Sound Recordist: **Grant Roberts**

Associate Producers: **Laurelle Keough**
Christopher Martin

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