Oppose Corporate Tyranny!

Why the World Bank, the IMF & the WTO Should Be Abolished

Sean Healy et al

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Resistance Books 2000
ISBN 187664608X
Resistance Books, resistancebooks.com

Introduction

By Sean Healy

Suddenly, capitalism has lost its air of invincibility and looks positively fragile. Ruling class attempts to portray its colonisation of every corner of the world, and every corner of social life, as an inevitability ("it's not us, it's globalisation") has run straight into a burgeoning international protest movement.

This pamphlet is about this: it's about the corporate takeover of the planet and the institutions through which that takeover is being accomplished — and it's about the movement to stop it and overturn it.

The spotlight is on the three institutions which have been the primary targets of the international protest movement: the World Trade Organisation, the World Bank and the International Monetary Fund. This pamphlet explains what they do and analyses where they fit into a mechanism of corporate rule.

These "terrible triplets" have been the targets of the most high-profile protest actions in the industrialised world: the November 1999 mass protests in Seattle which helped scuttle the WTO's launch of a new round of "free trade" talks and the April 2000 demonstrations in Washington, DC, which turned up the heat on the IMF and the World Bank.

These three have also been the targets of less high-profile but just as significant protest movements, even uprisings, in the countries most affected by their policies, in the South: the January uprising in Ecuador against the IMF-enforced "dollarisation" of the economy, the general strike in Bolivia in April against the World Bank-enforced privatisation of the water supply, general strikes and mass protests against IMF rule in Nigeria and Indonesia, farmer demonstrations in India against WTO rules on seed technology, and the growing international movement for the cancellation of the Third World debt. We recount here but one of these examples, the closest one: the IMF's devastation of Indonesia and the movement in that country to stop it.

This pamphlet presents an argument as to what the future of these institutions should be: in brief, they are instruments of capitalist rule by their very nature, they cannot be transformed into promoters of development, they must be closed down.

As one writer has put it, the "terrible triplets" are like leaky nuclear reactors, the only way to contain the danger they pose is to decommission them, to put them out of business permanently.

It's an important discussion — because all three institutions, and the governments and corporations behind them, are making serious efforts to convince critics that "we can change". The World Bank, the IMF, even the previously impenetrable WTO are all now embracing such goals as "poverty-reduction" and "consultation with civil society".

Some, even within the protest movement, have so far been fooled, tempted by offers of "seats at the table" and involvement in redesigning the institutions and their programs, without being aware that they're being used as part of a public relations strategy to sell a new, smiley-face capitalism.

And that, in large part, is the point of this pamphlet. For this international protest movement to be effective, it needs not only to grow in size, stature and spread. It also needs to understand who its enemy is — not a set of policies, but a system — and transform itself into an international revolutionary movement.

Finally, this pamphlet includes a briefing on the World Economic Forum, the grouping of 1000 top multinational corporations, whose Melbourne conference has given us in this country the chance to taste the international protest movement for ourselves.■

‘Free trade’ rules rob poor, protect rich

By Sean Healy

While capitalist economists and mainstream press finance writers may have fervently embraced “free trade” as a cure for all ills, the multinational corporations and Western governments are far more pragmatic and cunning: they write the rules of international trade then support whatever mix of “free trade” and protectionism most rapidly puts money in the bank.

Official pronouncements from the World Trade Organisation (WTO) portray trade as the great leveller, allowing rich and poor countries alike to determine their fortunes and futures. WTO agreements, the organisation claims, are about lowering the barriers to trade and ensuring that the WTO’s 134 member-states don’t discriminate in their trade dealings.

Rather than building a broad agricultural and industrial base which can substitute for imports, “free trade” doctrine requires countries to focus on their “comparative advantage” — those goods and services which they are best placed to sell on the world market — to generate the export earnings to fund imports.

However, as Uruguayan writer Eduardo Galeano put it, “The problem with the specialised division of labour between countries is that some countries specialise in winning and others in losing”. The winners are prepared to do pretty much anything to keep it that way.

Winners & losers

Thanks to five centuries of colonial exploitation, imperialist intervention and International Monetary Fund-enforced structural adjustment, the poorest countries are disadvantaged to begin with when it comes to trade.

This article first appeared in *Green Left Weekly*, July 19, 2000.

Colonialism has left the Third World with weak or non-existent industrial capacities and dependent on exports of a handful of agricultural and mineral commodities. In the 48 least developed countries (LDCs), the top three export commodities account for about three-quarters of the total exports of each country; 20 products account for almost three-quarters of the combined exports of all LDCs.

The Third World trades these commodities for the First World's finished manufactures, high-technology goods, industrial machinery, luxury commodities and services. The prices of these goods are all much higher. The long-term and irreversible trend in prices is in favour of the more highly value-added commodities and against primary commodities.

Making matters worse, IMF-enforced policies since the 1980s have caused more and more Third World countries to compete in the export market for the same small group of primary commodities, forcing prices down further. Prices for such commodities are extremely volatile: the prices for coffee and cocoa, for example, were 40% lower in 1999 than in 1997.

The 1999 United Nations Conference on Trade and Development (UNCTAD) Trade and Development Report reveals a considerable worsening of the Third World's terms of trade, even as trade liberalisation policies have taken hold. The balance of payments of the Third World countries have, since the 1970s, worsened on average by the equivalent of 3% of their gross domestic products, and the average annual growth rate is 2% lower.

This has been the case in those Third World countries, particularly in Asia, that have concentrated on manufacturing exports. Since the beginning of the 1980s, the terms of trade of Third World countries relying mainly on manufactured exports have fallen by 1% per annum on average, according to UNCTAD.

Greater dependence on exports has worsened the flow of trade-related wealth from poor countries to rich countries and further marginalised the poorest countries. The sub-Saharan African LDCs' share of world trade, for example, has fallen from 0.6% of world trade to 0.3% (compared to the 19% share commanded by the most advanced economies, the 29 members of the Organisation of Economic Cooperation and Development) in the past two decades, even though exports account for 30% of the region's gross domestic product.

Concessions

This unequal starting point is made far worse by ruthless negotiating by Western governments acting on behalf of their largest corporations, which seek to extract maximum trade openings from the Third World (and each other) for minimum concessions.

Analyses of the Uruguay Round of trade talks, which formed the WTO in 1995, estimate the dollar value of world trade opened by the agreements to be between US$200 and $500 billion between 1995-2004, a 1% increase in world income.

The benefits, however, will be very unevenly spread. The United Nations Development Program estimates that 70% will go to the major industrialised powers while the LDCs will be worse off by US$600 million.

Many of the trade agreements negotiated within the WTO have reduced Third World restrictions on imports from the West, thereby significantly improving Western corporations' access to Third World markets.

The General Agreement on Trade in Services (GATS), for example, opens markets in telecommunications, financial services and information technology to multinationals such as AT&T, Citibank and Microsoft, and prohibits governments from favouring local service providers. Without such support, providers in the Third World cannot compete with the size and might of Western corporations.

The agreement on trade-related investment measures (TRIMs) also favours the big players. It prohibits governments from specifying a percentage of local materials that have to be included in manufactured products and from specifying that companies have to export at least as much as they import. These are both measures commonly used by Third World governments to promote local industry.

Rulings by WTO trade dispute bodies have strengthened the trend by limiting the grounds under which countries can impose tariffs. A September ruling, for example, outlawed India's attempt to impose tariffs to protect itself from a balance of payments crisis caused by ballooning imports. A 1997 ruling, implemented in December, overruled European Union policies which gave preferential market access to mainly small banana exporters from the Caribbean; the case was brought by the US government on behalf of US multinational Chiquita (formerly the notorious United Fruit).

While WTO agreements force the Third World to adopt "free trade" policies, they allow First World governments to maintain considerable protectionism. Most of the tariffs and non-tariff barriers which have been lowered by Western governments are in classes of goods and services that Third World countries cannot access. They are reciprocal agreements between the big powers themselves.

The major trading powers — the EU, the US, Canada, Japan (together dubbed the "Quad") — maintain enormous tariffs on those goods in which the Third World supposedly has "comparative advantage" such as agricultural produce, textiles and clothing and light manufactures.

When the Uruguay Round agreements are fully implemented, the average tariff on imports from the LDCs into the industrialised countries will be 30% higher than the average tariffs on imports from other industrialised countries. For Third World countries as a whole, the average tariff will be 10% higher. UNCTAD estimates that Western protectionism costs the Third World US$700 billion each year in potential export earnings.

Agriculture

The WTO's Agreement on Agriculture allows the major powers, particularly the EU and the US, to simultaneously expand their exports while blocking imports. The agreement does specify that signatories have to convert all non-tariff assistance to producers into tariffs, making them more transparent, and to gradually reduce tariffs (by 36% over six years for industrialised countries; by 25% over 10 years for Third World). It also specifies a reduction in export subsidies by 20% for industrialised countries and 13.3% for Third World countries.

Western governments have found many ways to skirt their commitments — all legal under the agreement. For example, tariff reductions have been concentrated in areas where tariffs were already low, while "tariff peaks" remain in areas important to them, such as sugar, meat and milk. Many forms of domestic subsidy, such as those related to pest control, and research and development, are excluded from the agreement, as are export credit guarantees.

The sheer scale of Western assistance to their agriculture producers means that, by the time the tariff and subsidy reductions kick in, they will have crushed competitors in the Third World. In 1998, total agricultural support in the OECD countries totalled US$353 billion, equivalent to almost 60% of total world agricultural trade.

Under the EU's Common Agricultural Policy, for example, tomato farmers are paid a minimum price higher than world prices, stimulating production. The processors, in turn, are paid a subsidy to cover the difference between domestic and world prices, equivalent to US$300 million in 1997.

West Africa's liberalisation of import controls since 1994 has allowed EU-processed tomatoes to take over 80% of regional supply. EU export subsidies allow them to be dumped onto the market at cheaper prices than the local product. The local tomato industry, encouraged since the 1970s as a way to generate export earnings, has been crushed. Ghana, which had three export tomato-processing plants in the early 1980s, is now the region's largest importer of tomatoes.

The Agreement on Agriculture also allows OECD countries to maintain policies that discourage value-adding by imposing higher tariffs on more highly processed agricultural products. Oxfam International estimates that Third World countries' share in the cocoa stream — cocoa beans, cocoa liquor, cocoa butter, cocoa powder and chocolate — fell from 90% for the beans, to 44% at the liquor stage, to 38% of cocoa butter, 29% of cocoa powder and finally 4% for chocolate.

Expanding protectionism

There are other agreements that similarly legalise Western governments' protection of the interests of their largest corporations.

The Agreement on Textiles and Clothing (ATC), for example, commits Western countries to a phased lowering of the high tariffs and quotas allowed under the Multi-Fibre Agreement (MFA), signed in 1974. Access to Western countries' textiles and clothing markets could increase Third World export earnings by US$127 billion by 2005, UNCTAD estimates.

However, rich countries have largely reneged on their ATC commitments. Over a period which accounts for 70% of the timetable for the phase-out, the US has lifted quota restrictions on only 6% of imports, the EU less than 5%. The minimal tariff reductions already granted have been concentrated in areas with little impact on Third World exporters.

Even if the ATC commitments are fully implemented, the average tariff will have only fallen from 15% to 12%, and will be three times higher than the average tariff on manufactured goods.

The Agreement on Trade-Related Aspects of Intellectual Property (TRIPs) is an even larger exercise in Western protectionism, enforcing tight rules on patents and other forms of intellectual property and maintaining corporations' near-monopoly on high-tech goods and commercial research.

Under the agreement, companies have a right to hold patents, and demand royalties, for a minimum of 20 years; for copyright, the minimum is 50 years. Ninety-six per cent of patents are held in industrialised countries.

The agreement legalises Western companies' patenting of seeds, genes and medicines and allows tough penalties on countries which seek to develop their own generic brands to meet domestic needs by adapting technologies and patents.

There are even agreements which may allow the expansion of Western protectionism. The Anti-Dumping Agreement, for example, legalises the use, particularly by the US, of penalties against exporters deemed to be selling products at "unfairly" low prices. One study of the US'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 cases of dumping. The others were simply exporters whose prices were too competitive.

If the Third World countries are to develop and end their dependence on the imperialist powers, they need positive trade discrimination. That means easier access to Western markets to allow an expansion of export earnings while being allowed to maintain measures to protect and help develop a broad-based industrial and agricultural base.

Through WTO agreements, the most powerful countries and corporations enforce the opposite: they rob Ghanaian peasants and Indonesian factory workers to pay European agribusiness executives and US investment bankers. How's that for freedom? ■

Rich countries' post-Seattle manoeuvring

By Eva Cheng

Tactfully buried in the World Trade Organisation's mountain of internal papers is the snippet that it's considering holding its next Ministerial Conference — its biannual peak decision-making meeting — in Qatar.

In contrast to the relative peace the WTO ministers enjoyed in Singapore in 1996 and Geneva in 1998, their third ministerial, in Seattle in November, proceeded only with the help of plentiful police brutality and virtual martial law. A decision to host the next ministerial in Qatar would undoubtedly be motivated by the desire to prevent further militant mass mobilisations and to stop more people coming to the same conclusion as the Seattle demonstrators — that the WTO exists to facilitate rich countries sucking more blood from the Third World through a lop-sided global trade order.

This side trick over the location of the next summit gives a taste of the endless manoeuvring and, if needed, arm-twisting, blackmailing and bribing which goes on all the time behind the WTO's glamorous front door.

Why join the devil?

It was these very gangster tactics that the imperialist countries relied on to ease the way for the WTO's formation in 1995 — as a body to enforce a much expanded world trade regime. Dubious new areas were added to the existing agreements on manufacturers, including the enormous service sector, investment, intellectual property rights and agriculture. Rules were added to punish violators through high tariffs and other forms of retaliation.

The bait was the reciprocal lowering of tariff and non-tariff barriers between WTO members, and the squeezing out of non-member competitors, who would

This article first appeared in *Green Left Weekly*, July 12, 2000.

have a bleak export future.

Not surprisingly, despite an eight-year resistance, many Third World countries eventually gave in and "agreed" in 1994 to join the new regime: 136 countries are now members.

The deal was sweetened by rich countries' promises to lower their barriers to some key Third World products, as well as a longer transition time for Third World countries to implement agreements.

Over the last five years, the poor countries have honoured their share of the obligations, leaving their vulnerable industries unprotected against technologically superior First World competitors.

The rich countries, however, have made at best token efforts to honour their commitments to the Third World. To help keep more Third World products out, the rich countries have liberally stretched the limits of "contingency" provisions, such as "anti-dumping" measures, exceptional subsidies and safeguards, in clear violation of the spirit in which those measures were first approved.

As Seattle, and the end of the grace period for a raft of market-opening commitments, neared, the need for change had become particularly pressing.

Many Third World members wanted the Seattle ministerial to agree on the need to reassess, slow down and ease their existing commitments which they had such great difficulty implementing. They also proposed to plug the loopholes the rich countries have been actively exploiting and demanded they get serious about honouring their commitments.

Rather than addressing these concerns, the First World members — led by the US, the European Union, Japan and Canada (the "Quad") — were more interested in expanding further the scope of WTO rules, including the launch of a new "Millennium Round" of trade liberalisation talks.

Explosion of discontent

When the Quad once again exploited the WTO's loosely defined decision-making "consensus", turning it into First World dictatorship in practice, the heat rose to boiling point. The brave defiance on the Seattle streets provided a final push.

Guyana's foreign minister Clement Rohee, who in 1999 was the chair of the Group of 77 (G-77) underdeveloped countries' alliance, told the South-North Development Monitor (SUNS) #4577 how some developing countries were, without consultation, forced a few months before Seattle to accept a "non-existing consensus" on the highly contentious selection of the WTO director-general.

(After a long and open battle which left the director-general and the deputy's posts unfilled for four months, the director-general's six-year term was split equally between the Quad's favoured candidate, New Zealand's Mike Moore, and Thailand's Supachai Panitchpakdi, whom most Third World members backed. Moore assumed the post three months before Seattle.)

Rohee said such a manipulative practice was replayed in Seattle through the "infamous Green Room process" (invitation-only small group negotiations headed usually by the Quad and confined to their trusted allies), which totally marginalised the overwhelming membership and hijacked the Seattle conference, reducing many poor country ministers to "mere tourists".

Rohee added, "Further insult was added to the wounds when on the second day of the conference, [US Trade Representative Charlene] Barshefsky [who also chaired the Seattle proceedings] announced she had the right to make changes to the procedures in order to arrive at a Declaration at all costs".

The revolt, inside and outside the conference hall, meant that even a declaration, let alone the launch of a whole new trade round, was beyond the ministerial — in the end, Barshefsky has forced to pull the plug and the conference dissolved in chaos.

Changes after Seattle?

Officially, Moore, who heads a 500-member secretariat, is there to serve all members. But there is little doubt whose interests he's most concerned about.

In the WTO's annual report released in May, he listed "the establishment" on December 2 (during Seattle) of an ad hoc group on Trade and Labour Standards. SUNS in May reported that the establishment of that group was clearly challenged at the ministerial and could not proceed as a result.

Thus with a simple administrative manoeuvre, Moore was able to record as a "decision" (for now) an issue hotly pursued by the Quad but overwhelmingly opposed by Third World members. The latter have been concerned that labour standards could be used as another pretext to legitimise more exclusion of Third World products.

The rich countries had also paid lip service to recognising the crushing difficulties of the least developed country (LDC) members, but little has been done. A post-Seattle review was to provide redress but instead of offering genuine help, the Quad's March 31 "confidence-building" proposals were a step backward.

Responding on behalf of the LDC members in an April statement, Bangladesh expressed "huge disappointment", pointing out how the developed members are backtracking from their repeated public pledge to provide duty-free market access to all LDC goods.

They now only offered market access to "essentially all" LDC products, excepting goods not consistent with their "domestic requirements and international obligations". The LDCs said they had little doubt that the "minute" number of products being excluded are the ones that really matter to them.

In addition, in an apparent move to split the Third World camp, Moore dragged the non-LDC Third World countries into the picture, claiming that they had indicated willingness to enhance LDC access to their markets. Many poor countries said the Quad's "confidence-building" measures surely helped in "breaking confidence".

While the rich countries' manoeuvring hasn't stopped, the revolt in Seattle — even that within the summit halls — scored a victory.

The united action of these Third World ministers helped stall a series of formal negotiations that would otherwise have taken place on new areas such as investment, competition policy, government procurement, trade "facilitation", new industrial tariff cuts, special treatment for biotechnology, and labour and environmental standards. But now, there is no Millennium Round.

Whether this breathing space can be translated into lasting gains depends on the battles ahead, both within the WTO and beyond.

The G-77 summit of Third World countries in Havana in April was one step. Participants characterised the WTO as a tool that the imperialist countries are seeking to sharpen, so as to consolidate the existing world order of inequality and to complement their other tools in the kit, such as the International Monetary Fund and the World Bank.

They believed that the United Nations, despite the undemocratic structure of the Security Council, has offered useful room to give the Third World a voice. They resolved to fight imperialist domination within the bounds of the WTO, as well as to reverse the UN's growing marginalisation.

Whether they have struck an appropriate tactical focus is debatable. But to the extent their work helps counter imperialism and the unjust global order, they should be supported.

Yet these efforts alone are far from adequate to achieve the goal. The crucial link lies in the people's struggle — to develop the consciousness that the global capitalist order is rotten and can be changed, and that there is an urgent need for more people to take part in the bubbling, though young, international movement working towards this goal. ■

World Bank: A wolf in sheep's clothing

By Sean Healy

As protesters from around the world were gathering outside his Washington, D.C., office on April 16, World Bank president James Wolfensohn was rehearsing his riposte: you're not the defenders of the poor, he would tell his critics, we are.

He would point to the WB's shiny new "mission" ("fight poverty with passion and professionalism, for lasting results"); he would reveal how hard the WB is working to "build dynamic coalitions" with member-countries and non-government organisations; he would tell of how brand-new initiatives were going to create "a country-owned, holistic approach based on a long-term vision and strong partnerships, focussed on results".

Most of all, he would speak to them in the WB's new lingo — "civil society", "partnerships", "stakeholders", "social capital" — and hope they drowned.

Some were fooled. A group of non-government organisations (NGOs), InterAction, which includes Save the Children, World Vision and 18 others, wrote to Wolfensohn "deeply concerned at the impression created by some of our NGO colleagues in the streets this week that the World Bank and the IMF [International Monetary Fund] are at serious loggerheads with the entire not-for-profit community".

But most saw Wolfensohn's riposte for what it was: public relations babble.

In contrast to its "twin", the IMF, which unashamedly maintains its obsession with "macro-economic stability", the WB has, since Wolfensohn became president in 1995, made a serious attempt to repackage itself. Now it wants to be seen not as the funder of choice of Third World dictators, nor as the institution that unleashed the debt plague, but as "the world's premier development agency".

But the WB's mission still rests on a simple, false syllogism: "Sustained economic

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This article first appeared in *Green Left Weekly*, May 17, 2000.

growth is essential for poverty reduction", "the private sector is the main engine of growth" and therefore, strengthening the private sector is the key to poverty reduction. The WB can thus be little more than a corporate welfare agency, one run by the world's richest countries in the interests of their business classes, with the leverage to interfere at will in the policies of its ever-poorer debtors and the funds to make sure they keep coming back for more (in the 1999 financial year, it lent or invested US$32.6 billion).

Adjustment

The World Bank Group is a complex of four conjoined financial institutions. Its two largest institutions are the International Bank for Reconstruction and Development (IBRD), which lends money to low- and middle-income countries for social infrastructure and "capacity building", and the International Development Association (IDA), which gives "soft loans" or credits to the very poorest countries.

The two other bodies deal exclusively with private investors. The International Finance Corporation (IFC) finances private investment in member-countries while the Multilateral Investment Guarantee Agency (MIGA) provides guarantees to private investors against loss caused by non-commercial risk.

The IBRD and IDA make two basic types of loans: structural adjustment loans, either to restructure particular sectors (SECALs) or to restructure economy-wide (SALs); and investment loans, which fund the building of specific infrastructure projects.

To qualify for a loan or credit, a country must be a member (the IBRD has 181 members, the IDA 160) and must agree to carry out whatever "conditionalities" the WB makes, up to and including signing a structural adjustment program (SAP) to radically restructure the entire economy in favour of "private sector-led growth", specifically Western capital.

In the 1999 financial year, IBRD/IDA adjustment lending (US$15.3 billion) for the first time exceeded investment lending (US$13.7 billion). Twenty eight countries received an economy-wide SAL and 18 received a sector-specific SECAL, all of which aimed at creating more "business-friendly" trade and investment regimes.

Such loans "helped" Bosnia-Hercegovina to privatise its banks, Morocco to deregulate every sector of its economy, Honduras to "restructure public institutions and employment to improve public finances" (sack public servants), Ghana to lure foreign investment by establishing a low-wage export processing zone, the Solomon Islands to deregulate after the collapse in prices for its export logs and Cote d'Ivoire to sell off its public roads authorities.

The WB claims that 69% of its adjustment lending in the 1999 financial year was "poverty-focussed", insofar as many loans sought to mitigate the disastrous social effects of its own economic dictates. In 1999, it lent Poland US$300 million to pay for redundancy packages for coalminers put out of work by WB-enforced privatisation policies and it lent Indonesia US$600 million to fund a "safety net" for those hit by its US$1.5 billion structural adjustment lending, which demands major cuts to government subsidies on basic commodities.

An internal WB study, leaked to the Financial Times, found that, in 54 SALs and SECALs made between July 1997 and December 1998, "The majority of loans do not address poverty directly, the likely economic impact of proposed operations on the poor or ways to mitigate negative effects of reform". The same study also found that fewer than 20% of adjustment loans included any environmental assessment.

Investment

The remainder of the WB's lending — investment lending — is even more directly aimed at Western corporate gain.

More than half of such lending goes towards projects designed to build the necessary infrastructure for the further penetration of Western capital: telecommunications, energy generation, water supply, roads, and oil and gas pipelines. The WB is the greatest single source of funds for large dam construction, for example.

Many of these projects have devastating social and environmental impacts: dams flood peasant villages without proper compensation, freeways cut through urban slums and multiply car pollution, and roads allow easy access to untouched rainforests.

The WB-funded Chad-Cameroon oil pipeline, for example, involves drilling 300 oil wells in southern Chad and constructing a 1300-kilometre pipeline through forests inhabited by indigenous pygmy people to Cameroon's Atlantic Coast. It crosses major rivers 17 times and yet has no oil spill management plan. There are no plans for any of the wealth created to be reallocated to indigenous social development.

The prime beneficiaries of these investments are Western transnational corporations. The Chad-Cameroon pipeline is a joint venture with oil giant Exxon, which has annual profits four times the budget of Cameroon and 40 times that of Chad. A natural gas pipeline being built through the world's largest wetland, the Pantanal, on the Bolivia-Brazil border, is a joint venture with Enron and Shell.

The IFC is even more obvious in its approach. The largest source of direct investment in private sector projects in the Third World, in the 1999 financial year the IFC led private consortiums into 79 countries, investing US$3.6 billion of its own funds and mobilising much more in private funds.

These investments have included such "poverty reduction" projects as luxury hotels in Egypt, goldmines in Kyrgyzstan, Papua New Guinea and Guyana, oil exploration in national parks in Guatemala and Domino's Pizza franchises in South Africa.

In 1995, Lawrence Summers, now US Treasury secretary and then Treasury undersecretary for international affairs, testified in Congress that for every dollar the US puts in the WB's coffers each year, it gets $1.30 in procurement contracts for US transnationals.

Even when the project is not directly to the benefit of foreign investors, it rarely benefits local people.

Brazil's Movement of Landless Rural Workers (MST), has claimed that a much-vaunted WB "market-based land reform project" has resulted in increased land prices, widespread corruption and greater power for the landowner-dominated local and regional governments which administer the project.

The "China Western Poverty Reduction Project", to which the IDA and IBRD have lent US$160 million, will transfer 58,000 Chinese farmers into a Mongolian and Tibetan autonomous area, reducing the Mongol population from 69% to 4.5% and setting up an inevitable land conflict between the farmers and the nomadic Mongols.

Master plans

The one significant area of WB lending policy which has changed is a greater emphasis on society-wide "development" strategies, in part a response to criticism that it didn't take into account poverty indicators other than gross domestic product per capita.

In 1999, the WB announced two new initiatives: the "poverty reduction strategy papers" (PRSP), to be designed jointly between itself, the IMF and the member-country, and the "comprehensive development framework" (CDF), to be designed by the member-country as an all-rounded "matrix" of economic and social policies. The emphasis in both is supposed to be on wide consultation with "stakeholders", including NGOs and local communities.

The CDF is still in the pilot stage and shrouded in rhetoric. The PRSPs already negotiated, however, show that they simply reproduce the "policy framework papers", the master plans by which the WB and the IMF used to coordinate the policy prescriptions contained in their structural adjustment programs.

Tanzania's interim PRSP, for example, commits it to "maintaining the gains in macroeconomic stability of recent years" ("gains" which have reduced school enrolment from 93% in 1993 to 66% now), privatisation of its water and electricity companies, pro-business tax reform and the "transformation" of the Tanzania Investment Centre, which regulated foreign capital, into "an effective service centre for investors".

The PRSPs contain further dangers, however. By extending their focus from economic policy to social policy, and by requiring member-countries to sign them as a precondition for any loans, the PRSPs extend WB powers to interfere in virtually all aspects of government under the cover of "ensuring good governance", "technical assistance in public management" and "anti-corruption strategies".

As part of reforms which "reduce opportunities for corruption" in Madagascar, for example, the WB has taken from the government the power to allocate rights and licences in the mining, fishing and tourism industries, making the granting of such licences "less discretionary and more automatic".

The poster boy for these new "holistic" initiatives is Bolivia, which is one of 12 pilot countries developing a CDF and is supposedly well-advanced in the negotiation of its PRSP. The WB loves the Bolivian government.

The Bolivian people feel somewhat differently. In spite of the "consultations" the government was supposed to have held with all sectors of Bolivian society as part of its CDF and PRSP process, on April 8 its president declared martial law.

For the previous week, Bolivians had marched, demonstrated and struck against the sale of part of the country's water supply to a joint US-Italian company. The privatisation had been one conditionality of the WB's loan assistance to Bolivia; the people obviously saw this particular "poverty reduction strategy" quite differently from the World Bank. ■

Indonesia: How the IMF feeds graft & corruption

By Pip Hinman

The Seattle and Washington protests against the International Monetary Fund (IMF) and World Bank (WB) have forced their chiefs into damage control. But despite all the PR bunk about the IMF and WB's "non-interference" in national economies, and their "pro-development" and "anti-poverty" agendas, the impact of their interference in the Third World is hard to hide.

Indonesia is perhaps one of the most devastating examples. For more than 30 years, the IMF and the WB helped to prop up — economically and politically — General Suharto's rule. It was only when the country was on the brink of economic collapse and a growing mass movement was about to shaft the dictator that the IMF suspended operations — and then only temporarily.

What has been the impact of the IMF & WB in Indonesia?

The IMF was set up in the wake of World War II as a distinctly anticommunist institution. Its purpose was to supervise the capitalist reconstruction of Europe and, from the outset, it established the right to intervene directly into other countries' economies.

The IMF protests that it does not interfere in countries' economic decisions, but reality shows otherwise. Its board, made up of government financial advisers from capitalist nations, makes decisions about borrowing countries' macro- and micro-economic policies, down the smallest detail, as all loan agreements reveal.

The IMF is an inherently undemocratic institution. Its one dollar-one vote decision-

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Based on a talk presented to the Sydney University Action in Solidarity with Indonesia and East Timor club by Pip Hinman, the national secretary of ASIET. The article first appeared in *Green Left Weekly*, May 31, 2000.

making system gives the United States, which has 20% of the votes, the biggest say in lending policy. Of 182 member countries, the nine most industrialised wield 56% of the votes within the IMF's group of 24 administrators.

The WB works closely with the IMF, receiving advice on how much to lend and on loan conditions. It works in a similarly undemocratic manner, with the richest imperialist countries having the biggest say. Both institutions appoint country managers, but neither they nor the institutions themselves are answerable to the countries that are placed under structural adjustment programs (SAPs).

SAPs, responsible for the de-development of Latin America and Africa, set out in considerable detail the neo-liberal austerity program that the borrowing government has to implement. For instance, in return for relatively low-interest, long-term loans, the Indonesian government has pledged to slash the social budget, privatise state assets, recapitalise insolvent banks, reduce tariffs, maintain low wages and continue the export-oriented character of the Indonesian economy.

Contrary to the "growth miracles" and "export booms" that are supposed to have happened in Latin America and elsewhere, such austerity programs have brought greater poverty, more disease and less development. As Cuba's President Fidel Castro put it at the Group of 77 meeting in Havana on April 12: "After World War II, Latin America had no debt, but today we owe almost US$1 trillion. This is the highest per capita debt in the world. Also the difference between the rich and the poor in the region is the greatest world-wide."

IMF in Indonesia

From 1945 to the 1960s, the nationalist Sukarno government had rejected WB and IMF interference. This resulted in an economic blockade which, together with the collapse of the rubber export industry and the resulting economic and political crisis, forced a change of policy.

Indonesia joined the IMF in 1967, shortly after Suharto seized power in a bloody coup. Suharto looked to the WB and the IMF to assist in the stabilisation of capitalism in Indonesia.

The WB started lending money to the Suharto regime in 1967 and to date it has lent US$25 billion. For some 30 years, right up until the economic crisis hit in mid-1997, the IMF and WB helped the Suharto regime to transform the economy from a people-oriented to an export-oriented one.

The small producer sector was all but destroyed and the country became dependent on importing rice and other basic commodities. Yet, under Suharto, Indonesia was considered a model of development success and the dictator was lauded as the "modern" leader.

Selective economic data was highlighted in the regular country reports, along with unusually optimistic growth reports. Meanwhile, a blind eye was turned to the generals' rampant corruption, cronyism and nepotism.

Even in 1998, after the onset of the economic crisis, the WB predicted that the Indonesian economy would become the fifth largest in the world by 2020. In 1998, the country's economic output contracted by some 16%, the largest single year collapse recorded anywhere in the world. Tens of millions of workers were sacked, tens of millions more were forced into poverty and now, two years later, there are still no signs of real growth.

Time magazine last year estimated Suharto's wealth at US$15 billion. But this estimate is conservative given that the assets of the extended Suharto clan are not taken into account. According to researcher Dr George Aditjondro, the figure is closer to US$100 billion — half of Indonesia's current public and private debt of US$200 billion — and more than the private debt of US$65 billion.

How on earth could one man and his extended family have stolen so much over so many years if not for the help of close friends such as the IMF and WB?

When it became clear in 1998 that the economic "contagion" was going to spread from Thailand to the rest of Asia and beyond, and that the Indonesian economy was already in ruins (some 50% of businesses were on the verge of bankruptcy), the IMF temporarily suspended its program with Indonesia. The previous January, Jakarta had signed a US$43 billion "rescue" package designed to protect the corrupt government.

As one senior IMF bureaucrat put it: "The grim reality of zero growth, 20% inflation and the fact that fuel subsidies are going to be removed will be hard for local people to swallow. But the foreign investors will be relieved."

As it turned out, the Indonesian people did not swallow it. The 17% fuel price rise, the result of a subsidy cut, sparked the mass demonstrations across Indonesia which only ended when Suharto stepped down on May 21. A new arrangement with the IMF was brokered the following August.

Cronyism

Reports from the independent Indonesia Corruption Watch (ICW) group, which is investigating the extent of Suharto's corruption and cronyism, and the WB and IMF's complicity, indicate that some 20-30% of all development aid was siphoned off by Suharto and his cronies. The fact that loans for specific projects were given directly to the central government, which doled out contracts on the basis of political connections, facilitated the corruption.

One example from ICW is illustrative. A WB loan of US$255 million was promoted as a sub-district development program to improve the living standards of 20,000 villages. But apart from the application of some fresh paint and a few streets cleaned up, the benefits went to the paint brush suppliers who, in most villages, were relatives of government officials. With a 25% mark-up, the suppliers made a tidy sum.

ICW says WB officials knew of such problems for years but until the economy collapsed, they reasoned that the benefits greatly outweighed the graft.

The IMF is now leading another US$45 billion “rescue package”. The first tranche (US$349 million) of a three-year US$5 billion loan was delivered in February. The second tranche (US$400 million) was delayed from April to early June as concerns mount about the ability of the Abdurrahman Wahid-Megawati Sukarnoputri government to restructure corporate debt and clean up the notoriously corrupt banking sector and court system.

To date, the Wahid government has lost a string of court cases against business people tied to the former regime. One prominent case was against Marimutu Srinivasan of Texmaco, a textile manufacturing company, who refused to repay debts to the state.

In another, prosecutors lost their case against Djoko Chandra, a fundraiser for the former ruling party, Golkar, despite evidence that Chandra had illegally channelled US$80 million away from the insolvent Bank Bali. This was followed by a court victory for former Bank Bali owner Rudi Ramli, who regained control of his bank from the government despite admitting that he made the payment to Chandra.

Given the Suharto legacy and political enmities within the Wahid cabinet, it’s hardly surprising that progress on eliminating corruption has been negligible. Not that Wahid should be let off the hook; he is as mixed up in nepotism and cronyism as the leadeers of the rest of the five major governmental parties. Wahid’s recent sackings of two leading economic ministers, one from the Indonesian Democratic Party of Struggle (PDI-P) and the other from Golkar, was seen as an attempt to stifle accusations about his own cronyism.

Whatever the reasons behind the economic ministry reshuffle, it’s clear that the government is pursuing the same neo-liberal economic program as its predecessors. However, Wahid is attempting to mask this by whipping up nationalist sentiment and focusing on “national unity” and “reconciliation”.

Against the advice of the US, Wahid attended the G-77 meeting in Havana in April and spoke of the need for greater South-South collaboration. He is also courting governments belonging to the Gulf Cooperation Council (Brunei, Iran, Malaysia, Singapore and Yemen).

But in return for IMF support, and in response to growing pressure at home, Wahid has to at least be seen to be trying to put things in order. The investigation into Suharto's foundations, the trial of lower-ranking officers in Aceh, the investigation of the military's role in East Timor last year, and other human rights inquiries such as the military's attack on the PDI offices in 1996, serve to shift the focus away from the persistent economic problems.

Whether the generals and cronies end up being bought to justice will largely depend on the pro-democracy movement and their international solidarity supporters.

People's opposition

The latest IMF austerity program — which will double the Indonesian people's cost of living — comes on top of the economic crisis bought on by 32 years of corruption, cronyism and nepotism. Already, the United Nations estimates that one-third of all Indonesian children are malnourished, TB is on the rise, as are other curable diseases, and these statistics look set to worsen.

Since coming to power, Wahid has cut subsidies to essentials including rice, electricity, fertiliser and cigarettes. Phone and postal rates will rise in June, to be followed by a fuel price hike. Education fees have risen by 300% (even before the economic crisis, 80% of the population had received less than six years of schooling).

The lion's share of the IMF loan is being spent on propping up insolvent banks. A fire sale of state assets is also planned; bankrupt state enterprises will be sold off for a song to one or other government crony and, with the help of the IMF and WB, be made into profitable enterprises.

But the government faces a struggle to get its anti-people program implemented. While the five main governmental parties (National Awakening Party, Star and Crescent Party, National Mandate Party, PDI-P and Golkar) agree with the neo-liberal program, they are squabbling about proceeds and timing while also trying to insure themselves against the inevitable political fall-out.

The People's Democratic Party (PRD) is the only party to lead an opposition movement to Wahid-IMF rule. A young party which has no parliamentary resources, the PRD has nevertheless made national headlines with its extra-parliamentary campaigning against the subsidy cuts and for its alternative people-friendly economic policy.

The party launched its opposition program on February 21 and has been organising with workers and students against the price rises. Its chairperson, Budiman Sudjatmiko, has received national coverage for the party's alternative economic program, which includes: cancelling the debt (now equal to some 93% of gross domestic product), nationalising Suharto's assets, cutting the military budget, increased funding for social programs, cleaning up corruption without privatising state assets, and no funds for insolvent banks.

Together with students from the Indonesian National Student League for Democracy (LMND) and workers from the Indonesian National Front for Labour Struggle (FNPBI), the PRD has been the main organiser of "the parliament of the streets" — on April 1, when some prices went up, and on May Day. Their actions forced the government to delay the fuel rise.

These are the people on the front line of the struggle against the IMF and WB. Their livelihoods, and those of 210 million others, depend on their ability to develop and strengthen the pro-democracy movement.

We have reason to be optimistic. During the 1990s, a mass movement strong enough to overthrow the Suharto dictatorship politicised the whole of Indonesian society, preparing the way for the bigger and more radical struggle that is now needed.

Our assistance to the forces on the front line of the anti-IMF campaign is critical. The Seattle and Washington protests alerted the world, once again, to the barbarity of the IMF and WB. Just as importantly, they highlighted the failure of the private-profit system to meet people's basic needs.

We should take up Fidel Castro's call to replace the IMF. He said: "A financial system that forcibly immobilises such enormous resources, badly needed by the countries to protect themselves from the instability caused by that very system, should be removed. The IMF is emblematic of the existing monetary system.

"Of crucial importance is for the Third World to work for the removal of this sinister institution [the IMF], and the philosophy it sustains, and replace it with an international financial regulating body that operates on a democratic basis, and in which no one country has the right of veto. An institution that would not just defend the wealthy creditors and impose interfering conditions, but would allow the regulation of financial markets to arrest unrestrained speculation."

Here in Australia, the campaign has to force the Coalition government to turn its $1 billion contribution to the IMF's Indonesian rescue package into a grant. The Australian government representative on the IMF board should be pressured to oppose the imposition of any austerity, deregulation or privatisation measures as conditions for grants or loans from the IMF.

The Australian government should also increase its humanitarian aid package to Indonesia, sever military ties with Indonesia and pressure the United Nations to conduct an international war crimes tribunal to try the generals responsible for last year's carnage in East Timor.

Fix it or nix it?

By Sean Healy

Demonstrators in Washington, D.C., for the World Bank-International Monetary Fund (IMF) joint meeting on April 18-19, will take up where those who protested in Seattle in December against the World Trade Organisation (WTO) left off: they will seek to "shut it down".

The demonstrators will argue that the IMF and World Bank are institutions at the cutting edge of efforts by transnational corporations and imperialist governments to deepen their dominance of the world economy. They can back their arguments with a mountain of data from all over the world.

They are a part of a growing global movement to challenge the claim that "globalisation" is an objective, can't-be-hindered process, rather than an ideological cover for corporate tyranny.

For the moment, this movement has forced the IMF and the World Bank, formed in 1944 at the Bretton-Woods summit, and the WTO, formed in 1995, onto the back foot.

Counter-offensive

These normally impenetrable institutions have at last been forced to defend themselves against claims that their policies and practices have brought poverty and misery to the Third World, accelerated the destruction of the environment, worsened global inequality and prompted a "race to the bottom" in labour and human rights standards.

These institutions are even criticised from elite circles. A bipartisan US congressional advisory report, the Meltzer report, has recommended an overhaul of the IMF's functions, arguing that it withdraw from issuing long-term loans and use its existing assets to relieve debts owed to it. Free trade Democrats and Republicans have rejected the report and are unlikely to adopt its more significant recommendations.

But the IMF, the World Bank and the WTO, as well as the transnational

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This article first appeared in *Green Left Weekly*, April 19, 2000.

corporations and governments which back and control them, are planning a counter-offensive. They are attempting to co-opt critics with promises of reform and offers of a "seat at the table".

The World Bank has pioneered this since it was embarrassed by protests during its 50th anniversary year in 1994. It now claims to focus its attention on "poverty alleviation".

The World Bank has also re-focussed on extensive consultation with non-government organisations (NGOs). According to the December 11 Economist, more than 70 NGO specialists work in the bank's field offices and more than half of its 1998 projects involved NGOs.

The World Bank's claim to have changed was bolstered during the tenure of Joseph Stiglitz as the bank's chief economist, hired in 1997. While hardly a radical, he questioned the Bretton Woods institutions' relationship with the US treasury and criticised Washington's "hypocrisy and double standards". He even described the US and the IMF's disastrous "shock therapy" prescriptions for Russia as a "damning indictment of those who rely on simple text-book models or naive ideology".

Stiglitz was gone by the end of 1999. According to a World Bank insider, writing in the February 10 issue of Left Business Observer, "for Stiglitz to have been reappointed to a second term, [US] Treasury Secretary Lawrence Summers would've had to agree. Summers didn't. In fact, Summers made it clear that if [James] Wolfensohn wanted a second term as World Bank president — to start on June 1, 2000 — Stiglitz had to go."

The IMF has made similar, albeit more recent, attempts to convince critics that it has changed tack. It has changed the names of the Enhanced Structural Adjustment Facility, under which debtor countries are forced to open up their economies to greater Western trade and investment, to the Poverty Reduction and Growth Facility.

IMF managing director Michel Camdessus has said that, with the change, "The IMF is now well-equipped to give a new impulse to the fight against poverty", even though the same poverty inducing conditions will still be attached.

Even the WTO is making noises. US trade representative Charlene Barshevsky, whose dictatorial methods at the Seattle WTO ministerial meeting contributed to its breakdown, promised immediately afterwards "a greater degree of internal transparency and inclusion". US President Bill Clinton has lent his support to the formation of a labour rights working group within the WTO.

Choices

While many campaigners are unimpressed, the co-option mechanisms already in place prove that, as the saying goes, you can fool some of the people some of the time.

For many protesting in Seattle and in Washington, a catch-cry has been “fix it or nix it”, meaning that the World Bank, IMF and WTO either change their ways or be abolished.

However, “fix it or nix it” can also describe the choices facing the movement: does it seek to reform and reorient the imperialist financial institutions or does it seek to ultimately abolish them?

In one corner is the US trade union federation, the AFL-CIO, and what the Economist calls “technical NGOs” (“staffed overwhelming with lawyers” who have become “expert in the minutiae” of trade and finance policy), such as Oxfam International. These organisations are primarily concerned with amending the “rules” of global capitalism rather than junking them.

According to the AFL-CIO’s assistant director for international economics, Thea Lee, writing in the December 6 US Nation, “Our ultimate goal is to incorporate workers’ rights and environmental protections into WTO rules. But we can’t start with that. In the short term we hope to force the WTO to acknowledge that its actions have a bearing on labour standards and begin a conversation that will one day lead to a change in the rules.”

In Seattle, the AFL-CIO’s aim was to secure, in Teamsters’ Union president James Hoffa’s words, “a place at the table” in the form of a labour rights working group within the WTO. The federation was overjoyed when Clinton promised exactly that.

The AFL-CIO’s other battle cries in Seattle were opposition to China joining the WTO and greater protection from imports for US-produced steel. The union tops condemned more militant protesters who “destroyed property”.

In the opposite corner are more radical and activist forces that are wary of co-option and understand that reversing corporate economic dominance involves more that “better” clauses in agreements.

The Third World Network’s Martin Khor argues that incorporating labour rights and environmental standards into WTO agreements — the “social clause” — would hand the major capitalist powers another protectionist stick with which to beat the Third World. Such standards could only be enforced through the WTO’s normal disciplinary process, which includes heavy trade sanctions.

“If our aim is really to improve labour and environmental standards worldwide”, Khor told the November Multinational Monitor, “then we have to choose a venue or a forum that is going to work towards that goal and to be able to succeed. The WTO is not that forum because the WTO is ... mainly an institution dominated and controlled by the big powers.”

Patrick Bond, a South African anti-corporate activist, argues in the February 24 edition of ZNet that calls for such a "social clause" are a "wedge issue" with which "free trade ideologues and bureaucrats ... seek to seduce pliable movement bureaucrats from NGOs, unions and environmental groups with the offer of a `seat at the table'".

Bond describes hopes for "social contracts between big global government, transnational corporations and the leading fractions of unions" as "utopian notions". Capitalist governments and imperialist financial institutions will act in their own interests, and to the detriment of workers and the environment, regardless of what promises appear above their signatures.

A meeting of social movement activists and trade unionists in Johannesburg last November rejected "social clauses" because they believed that "the potential value of clauses was outweighed ... by the damage done to power relations through amplifying the legitimacy and power of the WTO", Bond reported. The November summit of the Jubilee South coalition, which demands the abolition of Third World debt, called for the IMF and World Bank to be abolished.

In the editorial of its special Seattle issue, "Dismantle the WTO", Multinational Monitor warns that until it is able to "shut the agency down", the movement "must be careful in selecting [its] reform agenda. Reforms that add new areas of competence to the WTO or enhance its authority go in the wrong direction, even if the new areas appear desirable."

In contrast, "reforms that limit the WTO's authority ... are necessary and beneficial in their own right and they help create momentum to close down the WTO", the magazine argued. Measures such as "denying [the WTO] the power to invalidate laws passed pursuant to international environmental agreements, limiting application of WTO agricultural rules in the Third World, or eliminating certain subject matters (such as essential medicines or life forms) from coverage".

The radicals argue that the pro-corporate policies of the WTO, IMF and World Bank are due to more than the free market orthodoxy that prevails amongst those bodies' economists. It is because they are controlled by the major imperialist governments, the US in particular. Nobody can convince such bodies to cease to enforce and expand the power of international capitalism.

Australian debate

In Australia, the "fix it or nix it" debate is yet to take off. Most campaigners, while agreed on what they oppose, are still vague about their demands, which include calls for greater democracy, respect for the environment and global equality and for "fair trade, not free trade".

The S11 coalition is organising mass protests to shut down the September meeting of the World Economic Forum of transnational corporations in Melbourne, but it is yet to discuss whether it supports a demand to close the entire institutions, rather than just its meetings.

Pat Ranald, convener of the Australian Fair Trade and Investment Network, told Green Left Weekly that AFTINET calls for a "critical reassessment" of all the WTO's structures and agreements but says that it has yet to formulate a detailed policy on the existence of the IMF and World Bank.

Melanie Gillbank, spokesperson for Aid/WATCH, one of the sponsors of the Washington, D.C., protests, argues that the WTO, and by extension the IMF and World Bank, should be abolished — once attempts to reform have been exhausted. Such attempts to reform are "hard, if not impossible", she said, "because they would have to admit that their past policies have caused major harm".

Asked if reform of the international financial institutions is possible, Friends of the Earth Victoria's Cam Walker told Green Left Weekly that "in all honesty, no, but we can't afford to walk away [from engagement] in the hope [that they] will just go away. We have to slow globalisation."

Walker believe that the growth of public protest indicates that "by building alliances, all sectors are more powerful, certainly more powerful than if they're at the negotiating table. We need to play the game [inside these bodies] but it's no longer the main game."

The Democratic Socialist Party's Doug Lorimer argues that the longer Australian campaigners delay the discussion on what attitude to take toward the imperialist financial institutions, the more likely the movement is to be sidetracked, blunted or co-opted.

Lorimer pointed to Australian union officials, like Australian Manufacturing Workers Union secretary Doug Cameron, the only Australian union leader in Seattle during the protests, who seems eager to follow the protectionist, "insider" path of his AFL-CIO colleagues.

If those who seek to fight the WTO, IMF and World Bank, Lorimer told Green Left Weekly, "don't get it straight about what they are fighting against — that it's not just the rules or the structures that are the problem but that these bodies are part of imperialism's power structure — then they're going to end up supporting reactionary causes, like defending Australian nationalism, or the myths that you can have global justice while a corporate ruling class still rules and you can have capitalism with a human face".

While attempts at co-option may be accelerating, it was the more radical, abolitionist attitude that most attracted the militant, and mainly young demonstrators in Seattle, whose favourite chants included, "Capitalism, no thanks, we'll burn your fucking banks".

United States: ‘Fair trade’ or international solidarity?

By Barry Sheppard

SAN FRANCISCO — The demonstrations in November-December in Seattle against the World Trade Organisation (WTO) have rightly inspired activists in the labour movement.

Many have commented on the coming together of youth and students concerned about the destruction of the environment and US corporations imposing sweatshop conditions in their factories in what used to be called the Third World, with tens of thousands of trade unionists concerned with the loss of better paying jobs, the reduction of real wages and increasing economic insecurity.

The consciousness of most of these forces could be summed up as “anti-corporatism”. The big corporations and banks are seen as dominating the world for their own greedy self-interests at the expense of the majority of humanity. But which way forward for this movement, if indeed it becomes a movement as we all hope it will, has become a burning question in practice. Key to this will be the struggle between two opposite political strategies.

One is the road of “America firstism” and US protectionism, advocated by the top bureaucracy of the American Federation of Labor-Congress of Industrial Organisations (AFL-CIO), and by some ultra-right politicians such as Pat Buchanan. The counterposed strategy is international working-class solidarity, which must include solidarity with the world’s peasant masses and with the nations that are exploited by the imperialist countries.

The answer appears to be obvious for labour activists on the left: we are internationalists, opposed to US nationalism. But it is not so simple. Disagreements

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Abridged from an article being circulated among labour activists in the US. It was printed in *Green Left Weekly*, May 17, 2000.

have arisen over just what internationalism means in the context of this movement.

The sharpest expression of these differences has been whether or not to join what has become the axis of the AFL-CIO's protectionist campaign, the drive to keep China out of the WTO and to prevent Washington from granting China normal trade status with the US. Some left labour activists say "yes" to this campaign. Others, like myself, say an emphatic "no".

Imperialism

Before discussing the case of China, let's recall some basic facts about the world. Fact number one is that the nations of the world are not equal. There are a handful of advanced capitalist countries, with about 15% of the world's population, in which the corporations and banks not only exploit their own workers and small farmers, but suck super-profits out of the so-called developing countries as well.

Since the early 20th century, this system of national oppression and exploitation has been referred to as modern imperialism, and the advanced capitalist countries as imperialist.

The Third World doesn't consist of developing countries, a term which implies that they will catch up with the imperialist countries sooner or later. A better term would be super-exploited countries, for the truth is that the gap between these countries and the imperialist ones is growing, not diminishing.

Within all countries, imperialist and super-exploited, the gap between the rich and the workers and peasants is growing. The neo-liberal policies being promulgated domestically and internationally have exacerbated the situation.

After more than a century of imperialism, the world has now 800 million hungry people, 1 billion illiterates, 4 billion in poverty, 250 million children who work regularly and 130 million people who have no access to education. There are 100 million homeless and 11 million children under five years of age dying every year from malnutrition, poverty and preventable or curable diseases.

The WTO, the International Monetary Fund (IMF), the World Bank and the governments of the imperialist countries are imposing ever worse conditions on the super-exploited countries. Due to imperialist policies, the Third World debt to the banks of the First World has ballooned to more than US$2 trillion, from $567 billion in 1980 and $1.4 trillion in 1992.

The spiralling debt has become a perpetual motion machine of money flooding away from the super-exploited countries, as recalculated interest payments dwarf the principal and new loans are needed to pay off a part of old ones. These debts are a club the imperialist countries hold over the super-exploited, forcing them politically to acquiesce to imperialist policies, such as opening their economies to more imperialist ownership, slashing social spending, etc.

Imperialist profits also flow to the advanced countries as a result of such investments.

Unequal exchange

A third way the super-exploited countries are ripped off is through unequal trade. Even if there were really free trade, which there isn't, because the imperialist countries routinely erect their own trade barriers, the gap between the have and the have-not countries would necessarily widen.

This is because of the big gap in the productivity of labour between the imperialist countries and the rest, due to the difference in when these countries adopted the capitalist system of production. The countries which adopted it first imposed on the others a stunted and distorted version of capitalism that made them dependent on, at the mercy of the First World. They were not and are not being allowed to develop into "normal" capitalist countries.

This gap in the productivity of labour means that when products are traded on the world market between the imperialist countries and the super-exploited ones, the hours of labour exchanged are far from equal. It takes more and more hours of labour in the super-exploited countries to produce the raw materials needed to buy one tractor, for example. While there is some high-tech investment in the poorer countries by imperialist concerns, this generalisation remains true overall.

Moreover, the wages in the super-exploited countries are very low due to the difference in labour productivity, and to massive unemployment. An aspect of this massive unemployment has been the driving of hundreds of millions of peasants off the land because they cannot compete with low-cost agricultural products from the First World.

Another aspect of the displacement of the peasantry has been reorientation of farming to the needs of the world market. These landless peasants stream into and around the cities of the Third World, seeking jobs that are very scarce. One need only think of the slums of Jakarta, Mexico City, Teheran, etc. Imperialist and local capitalist investments in these countries cannot meet the demand for jobs.

Fair trade

So what trade policy would help reduce the gap between the rich and poor countries, even without the overthrow of imperialism on a world scale?

There are two sides to the question. The first is that the super-exploited countries need protectionist measures of their own, to allow their industries to develop in the face of competition from the advanced countries. Otherwise, the gap will grow.

The second is that the imperialist countries should end all tariffs and quotas on goods from the super-exploited countries, especially for goods these countries can produce competitively because they do not require massive capital investment and are labour intensive, such as textiles and garments.

These two trade policies should be complimented by cancellation of the debt the super-exploited owe the super-rich.

In the longer run, trade between the advanced countries and the poorer ones should be based, not on world market prices, which are largely determined by the labour productivity in the advanced countries, but on exchange of equal hours of labour. This would help the super-exploited countries build up their economies and improve their labour productivity.

Cuba succeeded in forcing the former Soviet Union to move in this direction, a fact which is expressed in the assertion by capitalism's apologists that the Soviet Union "subsidised" Cuba. The adoption of such a policy, however, would probably require a victory of the socialist revolution in one or more of the advanced capitalist countries.

Imperialist protectionism

Of course, the imperialists are pressing in exactly the opposite direction from eliminating tariffs on goods from the poor countries, and allowing those countries to implement protectionist policies. They are demanding that the poor countries open their markets, while maintaining protectionist policies for the imperialist countries.

A 1992 United Nations Development Program report (and things have gotten worse since) put it this way: "20 out of 24 industrialized nations are generally more protectionist than they were 10 years ago and their protectionism is exercised largely to the detriment of developing countries ... Overall, we can estimate that world market restrictions cost developing countries approximately US$500 billion a year. Those $500bn in losses are equivalent to around 20% of the global GDP of developing countries and represent seven times the amount such nations currently allocate to spending on priorities related to human development."

A good example is Latin America, where protectionist measures were put in place by many nationalist governments. In addition to tariffs to protect local industries, there were substantial sections of nationalised industries protected from imperialist ownership.

Under the whip of imperialist-dominated international competition and debt owed to the imperialist banks, countries like Mexico and Argentina are privatising like mad, including allowing imperialist investment in former nationalised industries.

And they have been forced into accepting cheaper imperialist goods. This has been good for some sections of the local capitalists, at least while the "Asian flu" can be kept at bay, but it has been a big setback for the living standards of the masses.

It is in this context that we have to view the proposal by the AFL-CIO brass that the WTO should erect tariff barriers against countries where there is child labour and low wages.

Why is there child labour and low wages in the super-exploited countries? Because of imperialist exploitation, of course! Because of this exploitation, many families cannot survive without their children working. And wages in these countries cannot match in dollar terms wages in the US.

The AFL-CIO's call is phoney through and through. It is an attempt to make more palatable the real demand of the AFL-CIO bureaucracy: more protectionism against the poor countries.

What the AFL-CIO should be doing instead is building solidarity with workers and farmers in those countries as they fight for the right to organise to better their conditions. Calling on the imperialists to bar goods from those countries only punishes the workers in those countries. It will mean more child labour and still lower wages.

The talk about child labour and low wages is a fig leaf to cover the top union bureaucrats' collaboration with the US bosses against the workers and peasants of the Third World. For example, the Union of Needletrades, Industrial and Textile Employees (UNITE) officials are lobbying for higher tariffs on garments from the Third World, supposedly to fight against sweatshops and low wages there. But barring those goods does nothing to help workers in those countries to improve their conditions.

This protectionist campaign is being waged in the context where Washington imposes 3000 tariffs on clothing and textiles brought into the US. The countries of sub-Sahara Africa are among the poorest in the world. At a time when they are ravaged by AIDS, and 290 million Africans — more than the entire population of the US — are living on a dollar a day, UNITE has "united" not with the African garment workers, but with the US garment employers' organisation to stop Congress allowing these countries to export clothing to the US duty free (currently there is a 17% import tax).

This proposed bill should be opposed, but not for the reasons UNITE and the garment bosses do. What's wrong with the bill is that it demands that the African countries accept pro-US-imperialist conditions in return for the elimination of the duties.

Jobs & protectionism

Another argument the labour tops use in defence of protectionism is that US jobs are at stake. Capitalists can threaten their workers that they will build plants in countries with lower wages if the workers won't accept the bosses' terms.

The imperialists have built plants all over the world, in other imperialist countries as well as in super-exploited countries, to be nearer potential markets, to take advantage of lower wages and for other reasons. This cannot be stopped by raising tariff barriers.

Calling for protectionism is a substitute for really fighting for jobs here, by calling for a reduction in the work-week with no reduction in pay, a massive public works campaign to improve deteriorating infrastructure and poor housing, etc. But that would mean waging a fight, including on the political level, which is not on the agenda of these labour "leaders".

Protectionist campaigns in the imperialist countries make it appear that the problems workers face there are due to other countries, and not to their own capitalist class, the way the capitalist system works and the capitalist government. It puts workers in the position of defending "our" company or "our" industry, against the world, including the workers of the world. It cuts across what is needed, international working-class solidarity.

China

Just before the Seattle demonstrations, a full-page ad in the New York Times (and possibly other papers I didn't see) calling for protectionism for the US steel industry was signed by various steel magnates — and the head of the United Steelworkers! It claimed that Chinese steel companies were "dumping" their steel in the US.

Every capitalist firm will "dump" their goods — try to undercut the prices of competitors — if necessary and it makes economic sense. Steel from China, Russia and other countries presently has the price advantage of a strong dollar, so their prices can be lower in dollar terms.

The AFL-CIO's anti-China campaign is straight-out protectionism, designed to protect "our" industries from competition. It appeals to anticommunism, the "threat" of "Red China", and the racist fears of the "yellow horde" in the midst of a major anti-China campaign by the right wing, backed by the White House, although with more moderate language.

The most hypocritical of all the "left" arguments on why US workers should oppose China being able to trade with the US and other countries is that we must punish China for its government's trampling on human rights and workers' rights.

Why single out China for such treatment? The AFL-CIO never proposed such a "remedy" for Suharto's Indonesia, Pinochet's Chile, Mobutu's Zaire, Franco's Spain, Rhee's South Korea, Somoza's Nicaragua, the regimes of the Greek, Brazilian, Argentinian, Uruguayan and Guatemalan colonels, and so on.

Does anyone think the AFL-CIO would call for stiff tariffs on oil from Saudi Arabia or Kuwait, countries where most workers are not even citizens and have no right to organise, where half of those considered citizens (women) cannot vote and are subjected to extreme discrimination and brutality? Why not call for a trade embargo on Israel, which has carried out the biggest campaign of ethnic cleansing (of Palestinians) in the world since World War II?

The bigger hypocrisy, however, is to look to the US as world disciplinarian and protector of human and labour rights. Didn't Washington support all of the above regimes, and helped put in power most of them? Didn't Washington atom bomb Hiroshima and Nagasaki, and initiate the atomic arms race? Weren't these actions detrimental to human rights?

How many million Koreans and Chinese did the US kill and maim in the Korean War? Doesn't the destruction of 2 million Vietnamese say anything about human rights? Didn't the USA keep millions under the heel of the Jim Crow system of legalised racial segregation, and doesn't it still oppress blacks and other minorities? And are the other imperialist powers any better?

Why call on these forces to protect human and workers' rights in China or anywhere else? And why does anyone think that trade boycotts and blockades and high custom duties by the imperialist powers will improve human rights anywhere? They raise and lower trade barriers only in their own interests, and are for "free trade" one day and for "protectionism" the next, or sometimes both on the same day.

The anti-China campaign strengthens Washington's hand in trade negotiations with China. The agreements reached with China just before the WTO conference were spelled out by a State Department communique released on November 15. These are some of the unequal trade positions the US forced China to agree to:

- China will reduce, on average, custom duties on imported cars from about 22% to 17%, and from 85% to 20%.
- China agreed to progressively increase quotas for importing cereals, rice and cotton, and that an important part of these imports could not be distributed by the state.
- China will do away with the state monopoly on soy oil.
- China will stop state support of exports.
- US firms will have new access to set up banks, insurance companies and telecommunications.

- US exporters to China have the right to control distribution of their goods.
- Concerning textiles, the USA and China agreed to take measures to prevent disorder on the markets after the elimination of quotas — which Washington takes to mean that China should erect no barriers to the free flow of US-made products, while the US has the right to stop made-in-China products coming into the US.

This is an unequal treaty in the most elementary sense of the term. If workers in China organise to oppose these terms, we should give them all-out support. But they would not be demanding that China not be allowed to trade with the US; they would be demanding more equal terms of trade.

Workers in the US should demand from the US government exactly the opposite of what the AFL-CIO is saying. Instead of trying to block Chinese goods from entering the US, we should be for ending all trade barriers for such goods.

Instead of opposing trade with China, we should attack the unequal terms of trade Washington seeks to impose on China. As against Washington's demands on China to further open its markets to US goods — which is the other side of the protectionist coin — we should defend the right of China and all super-exploited countries to protect their own industries.

The "don't trade with China!" slogan is not just wrong, it is reactionary. It pits US workers against Chinese workers. It cuts across the only road forward for those who want to oppose imperialist globalisation — the international solidarity of all the workers and oppressed.■

How fair is 'fair trade'?

By Sean Healy

As unifying slogans go, "Fair trade, not free trade" has a lot going for it: it's simple, it stands against the injustice of corporate-dominated trade masquerading as "freedom", and it poses at least the beginning of an alternative vision. No wonder it was popular at the November protests in Seattle against the World Trade Organisation (WTO) and that it continues to gain currency.

But while campaigners can agree on a standard definition of what they oppose ("free trade": a trade regime which grants open access to transnational corporations at the expense of pretty much everything and everyone else), a common definition of what they propose, "fair trade", is harder to come by.

Just as there are wildly divergent opinions as to what should be done with the institutions of corporate "globalisation" (fix them or nix them?), what strategies should be adopted (inside at the table or outside on the streets?) and who should be allied with (US President Bill Clinton or socialist president of Cuba Fidel Castro?), so too there are moderate and radical versions of fair trade.

Business plan

The first, and probably original, version seeks to harness consumer power to build an alternative trading system. This is fair-trade-as-business-plan.

"Free trade" is based on the myth of the level playing field, in which buyer and seller come together on equal terms, work out the best price for the goods they're interested in and go away happy. Actual buyers and actual sellers are far from equal, and therefore far from free - markets are controlled by their biggest players. In an "exchange" between a smallholder growing coffee in Ivory Coast and a multinational food company based in Switzerland, there are no prizes for guessing who dictates terms.

This article first appeared in *Green Left Weekly* July 26, 2000

The solution, some argue, is simple: let's build a trading system in which we pay Third World producers fair prices for our consumer goods, encourage value-adding in the countries of origin and support cooperative-based and ecologically sustainable patterns of agriculture.

Groups like the Victoria-based People for Fair Trade, which produces Tradewinds-brand products, do exactly this — they pay a 25-40% premium on top of the world price, buy their stock from cooperatives in Sri Lanka, Papua New Guinea and other poor countries, and market them as "fair trade" items. Even larger concerns operate in Britain, the United States, Canada and other developed countries.

But, while they aid the poor communities concerned, such fair-trade businesses are on the very edges of consumption. People for Fair Trade's June newsletter reports that the larger British group's sales of fair trade coffee have doubled every year for the past six years — but still amount to only 3% of total coffee sales.

Friends of the Earth's Cam Walker supports these trading initiatives noting that FoE has a successful food cooperative based on similar principles. But, he said, "they're not ever going to be the main game".

"The whole structures of trade are geared towards being unfair; individual initiatives are not enough", he told Green Left Weekly. "The immediate level has to be supplemented with a global level, towards changing those structures."

There's a further problem: as fairly traded items become more popular, they attract the attention of the very companies they're supposed to be alternatives to. The giant US coffee chain, Starbucks, a target of protesters' ire in Seattle, announced in April that it will stock a line of fairly traded coffee, for example.

Some have welcomed the company's decision, pointing to the communities who will directly benefit from premium prices. Others, though, see it as little more than public relations, a decision which costs the company little but allows it to protect its all-important brand name. The label "fairly traded" becomes Starbucks' magic wand, with which it waves away criticism of all its other dodgy practices.

Negotiating strategy

The second version of fair trade is the one getting the most coverage in the mainstream media: fair-trade-as-negotiating-strategy.

The International Confederation of Free Trade Unions, other union federations around the world (including Australia's ACTU) and the largest non-government organisations like Oxfam are all on record as supporting a "social clause": that is, writing specified labour standards into existing and future agreements negotiated by the WTO. Particular targets would be countries allowing child labour or forbidding the formation of unions.

By doing so, social clause advocates argue, fairer trade will eventuate. Barbara Shailor of the US labour confederation, the AFL-CIO, compares her organisation's efforts to those at the turn of the 20th century to incorporate minimum wages and the eight-hour day into labour laws.

Doug Cameron, the national secretary of the Australian Manufacturing Workers Union, has added another proposal under the heading fair trade: a "social tariff", in which goods from countries with oppressive labour laws and practices and/or no environmental regulations would attract an extra charge. The proceeds, Cameron proposes, could be used either for development aid or as assistance to Australian exporters that have to compete with goods from such countries.

The social clause proposal proved intensely controversial in Seattle. In an attempt to dampen the protests, Clinton embraced the proposal midway through the ministerial, thereby managing to split the AFL-CIO (which was keen for a place on a WTO labour rights working group) from the rest of the anti-WTO campaigners.

But Third World governments and non-government organisations were near unanimous in their rejection of the social clause idea, condemning it as covert protectionism and yet another Western manoeuvre to deny them access to US and European markets. They pointed out that the US is a signatory to only one of the seven core International Labour Organisation conventions that a social clause would be based on.

Although social clause proposals are controversial, they are far from radical, which is why many left-wing campaigners argue against them, saying that social clauses will change little and legitimise the very institutions that enforce unfair trade.

"The worst thing that could possibly happen is if more power was given to the WTO", the Democratic Socialist Party's Jorge Jorquera told Green Left Weekly. "Labour standards may look good on paper but, in the hands of the US government, corporations or WTO dispute resolution panels, they'll turn into their opposite. They'll be selectively used and they'll make things worse. Can anyone seriously imagine the US allowing such clauses to be used against exploiters like Nike?"

Jorquera, also an organiser of the S11 protests planned for Melbourne when the World Economic Forum meets there on September 11-13, fears Western governments are supporting a social clause in a so far successful attempt to tame union opposition to "free trade". Instead, he argues, the movement should be calling for the WTO to be stripped of its powers and closed down altogether. "There is no way trade can be made fairer while the WTO controls it", he said.

While admitting that FoE "oscillates" on whether to abolish or reform the WTO, Walker is also dubious about the benefits of social clauses. He points out that getting a social clause into WTO agreements means supporting a new round of WTO trade negotiations, the very thing the protesters in Seattle fought to prevent.

"Maybe if there were negotiations going on, you could argue that social clauses and the like should be supported; they might have tangible benefits", Walker said. "But, at present there are no such talks, and we're opposed to any new ones starting. Nothing new should be considered or discussed until we know what the environmental and social effects of the last round of trade talks are."

Walker also said the WTO has "failed dramatically" to implement the environmental stipulations in its existing agreements, which doesn't bode well for any future labour standards. "The test cases so far have resulted in the undermining of specific conditions and environmental standards", he said. "They've proved such commitments are meaningless."

There are even doubts as to whether a social clause or a social tariff would affect the specific abuses they're directed against. Tariffs on unfairly produced goods affect only those sold abroad — but just 5% of goods made with child labour are ever exported, according to the United Nations. The remaining 95% would be unaffected by a social clause.

Radical overhaul

Both Jorquera and Walker argue that if fair trade is to mean anything, it has to be about more than piecemeal measures which don't change the workings of the current trade regime. A radical overhaul is needed.

"You can't have trade which is really fair", Walker said, "until you address why it was unfair to start with. You have to deal with the historical contexts like colonialism or the massive ecological debt the North owes the South for ripping off natural resources. Those debts need to be recognised and paid off."

Jorquera believes that as long as the big corporations dominate production, and as long as Western governments write the rules, the field of trade will be steeply slanted against the poor and wealth will flow to those who already have it.

"That's just what markets do", Jorquera said. "It's what capitalism is all about: it exploits. So long as the rules of trade are the rules of the market, so long as it's about money and profit, there can be no such thing as fairness.

"What the Third World, the whole world, needs is a system of trade and aid and investment which slants things the other way, so that wealth flows to the poor, so that there's a global redistribution of wealth and power. That requires a revolution in the way the economy and society work. It means the economy has to be planned democratically. It means wealth has to be collectively controlled and directed to where it can have the best social use."

The way Jorquera puts it, "You can't stop a juggernaut by rewriting its operating manual. You need to put a bomb under it, then rebuild from scratch."■

‘Welfare’ capitalism & neo-liberal globalisation

By Doug Lorimer

Utilising Karl Marx’s theory of capitalist development, V.I. Lenin concluded 85 years ago that all the features which Marx had forecast in 1865 as characteristic of “capitalist production in its highest development” — joint-stock companies, separation of capital ownership from managerial functions in the direct process of production, monopolies, extensive state intervention in economic activity, the existence of a “financial aristocracy” consisting of “parasites in the guise of company promoters, speculators and merely nominal directors” — had become dominant in western Europe, North America, Japan and in his native Russia.

On the basis of economic data compiled in the early years of the 20th century, Lenin argued in December 1915: “… at the end of the 19th and the beginning of the 20th centuries, commodity exchange had created such an internationalisation of economic relations, and such an internationalisation of capital, accompanied by such a vast increase in large-scale production, that free competition began to be replaced by monopoly”.

The dominant type of capitalist businesses were, Lenin wrote, “no longer enterprises freely competing inside the country and through intercourse between countries, but monopoly alliances of entrepreneurs, trusts” which were carving up the world market between themselves.

“The typical ruler of the world”, Lenin wrote, “became finance capital, a power that is peculiarly mobile and flexible, peculiarly intertwined at home and internationally, peculiarly devoid of individuality and divorced from the immediate processes of production, peculiarly easy to concentrate, a power that has already made peculiarly

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This article is abridged from a talk presented to the Marxism 2000 conference in Sydney, January 5-9, 2000. It was printed in *Green Left Weekly*, March 15, 2000.

large strides on the road to concentration, so that literally several hundred billionaires and millionaires hold in their hands the fate of the whole world".

This new epoch in the history of capitalism, Lenin explained in his 1916 book *Imperialism, the Highest Stage of Capitalism*, would be marked above all by the drive by each of the financial oligarchies of the advanced capitalist countries to use the coercive power and organised violence of the state machines they commanded to maintain their domination over the economic and political life of the backward countries and to increase their wealth at the expense not only of working people at home and abroad, but also in competition with the financial oligarchies that dominated the other advanced countries.

It is often claimed that the extent of internationalisation of production today has far outstripped the levels that existed when Lenin made his analysis of imperialist capitalism, and that his analysis, based on a world market still fragmented into many national economies, is therefore "outdated".

Hype

It is certainly true that there was a phenomenal increase in international movements of money-capital over the last two decades of the 20th century. However, claims that there has been a dramatic increase in cross-border trade in goods and services, or in transfers of productive capital, are vastly overstated.

In 1913, for example, world trade in goods and services amounted to 16% of world output. After a sharp fall in the interwar years, it gradually climbed back up to 15% only in 1990. Similarly, the world's accumulated stock of foreign direct investment was equivalent to 12% of world output in 1913. By 1990, it stood no higher than 10% of world output.

The US economist Doug Henwood has shown that the much-hyped increase in the "globalisation" of the production operations of transnational companies is just that — hype. By 1994, transfers of partly finished goods to or from foreign manufacturing affiliates by companies operating in the US had risen from 12% of US trade in 1977 to 13%, that is, by a relatively negligible amount. Cross-border transfers of partly finished goods within transnational companies operating in the US rose from 2% of US trade in 1977 to 3.2% in 1994.

Today, it should be obvious to everyone that the features that Marx forecast back in 1865 as characteristic of "capitalist production in its highest development" are the dominant form through which the process of accumulation of capital occurs on a world scale.

The bourgeois pundits who describe modern capitalism as a "casino economy" do not acknowledge that this is the end result of the very laws of development of capitalism that Marx discovered. Instead, they attribute it to the changes in communications technology (the so-called information technology revolution) and the deregulation of the world's financial markets, that is, markets in financial assets such as company shares.

The latter, they claim, was made "inevitable" during the 1980s by a combination of the IT "revolution" and the "globalisation" of the production and marketing of goods and services by transnational companies. Furthermore, it is claimed that transnational companies have brought into being an integrated, borderless (at least for capital) worldwide market in which all nation-states have lost their ability to regulate their economies.

Many left liberals and ex-radicals from the 1960s and '70s, while nostalgic for the Cold War period of Keynesian liberal-democratic "welfare" capitalism, have completely bought these claims and accepted the social and economic policies that have accompanied the supposed new rise to dominance of finance capital as being as irresistible as the change in the seasons. But what is now called neo-liberalism was the dominant approach of the capitalist ruling classes, particularly in the richest capitalist countries (Britain and the US), toward government economic policy right up to the mid-1930s.

Keynesianism

Based upon the classical liberal bourgeois economic theory that the unfettered pursuit of private gain by individuals will, through the rationality of the market, ensure the satisfaction of the common good, orthodox liberal economists argued that intervention by the state into the operations of the market to create jobs and protect working people from the vicissitudes of supply and demand of labour power would do more harm than good.

However, these nostrums were abandoned by the imperialist ruling classes after World War II. The recovery from the Great Depression of the 1930s as a result of pumping massive amounts of government credit into the capitalist economy to purchase war goods to defeat their imperialist rivals (and reap huge profits) convinced bourgeois policy makers and economic theorists that there was some worth in the ideas put forward in the mid-1930s by the British economist John Maynard Keynes.

According to Keynes, capitalist governments should undertake deficit spending in hard times to provide funds for production and jobs which the capitalist economy, left to its own mechanisms, could not provide. These deficits, (government expenditures over and above what the government takes in in taxes), would be raised by large-scale bank loans to the government.

In good times, the government would be able to repay the loans at interest and the banks would also profit from the whole exercise. But in a downturn, government deficit spending to create jobs would lead to a flight overseas of money-capital unless the government imposed tight currency exchange controls. Furthermore, in an economy dominated by monopolistic businesses, such Keynesian policies would stimulate an inflation of prices on goods and services unless the big investors who controlled these businesses — the financial oligarchy — could see an expanding market for an increased production.

Throughout the Great Depression, no such expanding market existed, which is why Keynesian policies — the essence of which is to inflate the capitalist economy to stimulate purchasing power — were only applied in a very limited form. Only a major war — or preparations for it — could create such an expanding market, a market for war goods purchased by the state.

There is a widely held myth that the US imperialist rulers sacrificed their own narrow interests at the end of World War II to rebuild the world economy through initiating a range of multinational institutions such as the World Bank, the International Monetary Fund (IMF), the International Trade Organisation and the General Agreement on Tariffs and Trade.

In fact, the US imperialists marched into World War II with their eyes solely on their own interests of world domination. The wartime and postwar trade, financial and political arrangements they initiated were aimed at making the rest of the 20th century one that they would dominate — the "American century".

All of their wartime assistance to their imperialist allies and all of their postwar assistance to their defeated imperialist rivals came with strings attached. These strings ensured that US finance capital would dominate the postwar capitalist world.

For example, in the Marshall Plan (and NATO), Washington simply accepted the necessity of pouring money and armaments into the weakened European countries to protect them from internal "communist takeover" (the Cold War euphemism for working-class revolution). It thus ensured that European workers would be open to exploitation by subsidiaries of US corporations.

Force

Certainly, Washington had to pay a strategic price for helping its imperialist rivals in Europe and Japan recover their positions in the world economy, but it protected its own economic dominance by placing its imperialist rivals' ability to militarily protect their own international economic interests under the control of the Pentagon.

The imperialist policy makers in Washington have always understood that force — the organised violence that is the essence of state power — is a crucial tool of economic policy and a decisive instrument in deciding who will be the winners and the losers in the global competition between profiteers to accumulate capital. That's why, despite the end of the Cold War and all the claims that "neo-liberal globalisation" is weakening the power of nation-states, US capital has continued to strengthen the coercive power of its nation-state, spending more on its military machine than the combined amount of military spending of the next six major powers.

"Neo-liberal globalisation" is just that: the extension to the entire world of neo-liberal economic and social policies. But these policies have nothing to do with, and are not aimed at, weakening the coercive power of nation-states over their own working people, or of weakening the coercive power of the imperialist nation-states over the rest of the world. To the contrary, they are aimed at ensuring that the markets of the rest of the world are open to their goods and investments.

The organisations the imperialist rulers have used to impose neo-liberal policies upon the underdeveloped capitalist countries — the World Bank and the IMF — are not supra-national bodies. They express the power of the imperialist nation-states, above all the US nation-state, within the global economy.

'Welfare' capitalism

In the immediate postwar period, millions of working people in these countries, particularly in western Europe and Japan, were politically attracted to the Soviet model of state ownership and centralised planning as an alternative to capitalism. This posed an enormous threat to stable capitalist political rule in western Europe and Japan.

In the US itself, an explosion of labour struggles had erupted with the end of the war as workers sought, on the basis of the wartime boom conditions, to restore the value of real wages eroded by a decade of depression and five years of inflation. The US rulers urgently needed to buy social peace at home if they were going to win mass acquiescence in their postwar drive to contain and roll back "communism".

This led to the modification of liberal bourgeois ideology in the postwar period from doctrinaire free-market nostrums to the extolling of national Keynesian, social-liberal, state-regulated, "welfare" capitalism.

Determined to contain the influence of pro-Soviet leftists in the labour movement and enlist the bulk of organised labour to support the US-led drive to "contain and roll back communism", imperialist governments — whether led by Laborite "socialists" like Australia's Ben Chifley or rabid anticommunist conservatives like Robert Menzies — struck an unwritten deal with the top echelons of the trade union movement. This deal offered favourable conditions for unions to operate, relative job security for unionised workers, steady improvements in wages and working conditions, and “welfare” safety nets for unemployed or retired workers in return for support for pro-imperialist, anticommunist politics.

Economically, this deal was made possible by the long wave of expansion of capitalist production and accumulation of capital in the imperialist countries from the late 1940s to the early 1970s.

The deal served the political interests of finance capital up until the 1970s. But it then became clear to the imperialist ruling classes that the long postwar boom had run out of steam. As growth in the world capitalist economy slowed, competition between the nationally based rival financial oligarchies of the imperialist countries to dominate markets and fields of investment intensified.

Furthermore, the Soviet model of “socialism” with its bureaucratic mismanagement, political repression and low-quality consumer goods no longer appealed to broad masses of workers in the developed countries as an alternative to capitalism.

By the late 1970s, the material basis for the policies of “welfare” capitalism, and the political needs that had required it, had disappeared. Economically, the imperialist bourgeoisies needed to launch a sustained offensive against organised labour — and the working class as a whole in their own countries more generally — to take back the economic concessions granted during the long boom. Abroad, they needed to roll back the political concessions granted to the bourgeois regimes in the underdeveloped capitalist countries so as to force them to remove even the limited controls these regimes had in place to limit the extent to which imperialist finance capital dominated their economies.

Neo-liberal offensive

This switch proved beyond the capacity of most of the ruling-class politicians and policy makers then in government. It was to be carried out by a new breed of politicians and policy makers who would espouse classical liberal economic and social policies dressed up as “radical reforms” that would “restore prosperity”, and who were not afraid to meet any manifestations of labour militancy or Third World resistance to imperialist dictates with the stick of repression rather than the carrot of concessions.

The election in 1979-1980 of the first of the politicians of “neo-liberal globalisation” — Margaret Thatcher in Britain and Ronald Reagan in the US — marked the beginning of imperialism’s global offensive against wage labour at home and the semi-colonial peoples abroad. Within a few years, all of the mainstream imperialist politicians —

whether they called themselves social-democrats, liberals or conservatives — followed Thatcher and Reagan's lead.

Of course, reversing the effects of policies pursued in the US from the mid-1930s and in most other imperialist countries from the mid-1940s could not and cannot be achieved within a few years, particularly because it generates increasing dissatisfaction and discontent amongst sections of the working class.

The chief source of concern among bourgeois commentators about the "globalisation" of neo-liberal economic and social policies is: will popular resistance explode into open revolts that challenge the stability, or even the survival, of capitalist rule?

Reflecting such concerns, Hans-Peter Martin and Harald Schumann, in their 1996 international best seller, The Global Trap: Globalisation and the Assault on Democracy and Prosperity, appeal to today's imperialist rulers to change course, to abandon their "deregulation of the market" and their "dismantling of the welfare state". They argue that the "subjection of human labour" to the unregulated laws of the market threatens the "social stability" of capitalism and risks provoking economic chaos and political turmoil. They plead with the imperialist policy-makers to recognise that, "... the taming of capitalism through basic social and economic rights was not some act of charity that can be abandoned when the going gets tough".

Possibilities

The imperialist policy-makers are well aware that the postwar controls on the operations of the market economy and the social reforms were not the result of philanthropic concern for the welfare of working people but rather because it was economically possible and politically necessary to contain and defuse the threat to their rule of mass working-class disillusionment with capitalism and widespread support for Marxism.

Like so many other left liberals today, Martin and Schumann fail to recognise that, in unfavourable economic conditions, social reforms are made by the exploiters only when "the going gets rough" for them politically; that is, when they begin to be haunted by the spectre of a revolution by the exploited.

Martin and Schumann correctly point out that as the drive to impose neo-liberal globalisation has deepened, "the contradiction between market and democracy has been regaining its explosive force". That contradiction, however, cannot be overcome within the framework of capitalism, no matter how democratic the political forms superimposed on it.

It can only be overcome by ending the "subjection of human labour to the laws of the market” and replacing it with the subjection of actually socialised human labour to the democratic control of collectively organised labour; that is, with socialism.

The task and challenge that Marxists face in the 21st century is to turn the potential explosive force of the growing popular discontent with the impact of neo-liberal globalisation into an organised, consciously anti-capitalist mass movement — a movement that can explode the capitalist fetters that enslave the creative force of socialised labour. Only if we succeed in doing this will we be able to ensure that the horrors inflicted on humanity by the process of the accumulation of capital in the 20th century are not repeated in the 21st.■

Appendix:

The World Economic Forum: A rough guide

By Sean Healy

1. What is the World Economic Forum?

The World Economic Forum describes itself as "the foremost global partnership of business, political, intellectual and other leaders of society".

The WEF is a ruling class caucus. It is a forum for developing elite consensus on the most important issues of the day — what type of economic policy should be advocated and implemented? what stance should be taken on major geopolitical issues? what response should be made to critics of these policies?

Unlike, say, the International Chamber of Commerce, the WEF is not a business lobby group or representative confederation but rather a focus for elite dialogue. In the last five years, the WEF has become the most important site for discussion between the world's major political and business leaders on how to drive the process of "globalisation", and how to sell it.

UTS academic and activist James Goodman has described the WEF as "Capital's First International".

2. Who are the members of the World Economic Forum?

The WEF has 968 member organisations — all of them amongst the largest and most powerful transnational corporations in the world.

Think of an industry and its dominant players are member organisations of the WEF: petroleum (Exxon, Chevron, Shell), automobiles (Ford, General Motors, Mitsubishi), computers (Microsoft, IBM, Yahoo), media (Time Warner, Viacom),

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Prepared for Melbourne Community Radio 3CR by Sean Healy, *Green Left Weekly*. July 11, 2000.

pharmaceuticals (Pfizer, Dupont), banking (Citibank, Chase Manhattan, Deutsche Bank), mining (BHP, Rio Tinto), agriculture (Novartis, Cargill, Monsanto), food products (Coca Cola, Nestle), clothing (Nike), tobacco (British-American, Philip Morris).

Many of these companies have atrocious records: of environmental vandalism, labour rights violations, unethical and illegal business practices, even gross human rights abuses.

According to Trilateral Commission member and right-wing political scientist Samuel Huntington "Davos people control virtually all international institutions, many of the world's governments and the bulk of the world's economic and military capacities".

3. What does the World Economic Forum do?

The WEF's primary activity is to organise conferences and forums at which senior politicians and corporate heavyweights can rub shoulders, engage in dialogue and mould consensus.

By far its largest event, and the one for which it is best known, is its annual meeting, held each January in the Swiss ski resort town of Davos, which it boasts is "the global summit which defines the political, economic and business agenda for the year". Each year, around 2000 members of the world's top elite attend the Davos summit.

It also holds summits each year in each of its regional areas, which are generally smaller than Davos and focus on regional issues. For example so far this year, it has held regional summits in Kazakhstan (for Eurasia), Rio de Janeiro (for South America), in Washington, D.C. (for the USA), Durban (for Southern Africa), in Salzburg, Austria (for Central and Eastern Europe). The Melbourne meeting is the summit for its Asia-Pacific region.

It also has a range of "sectoral" groups which meet irregularly (mostly at the time of Davos): the Club of Media Leaders, the Informal Gathering of Trade Ministers, the Informal Gathering of Editorialists and Commentators, the Forum Fellows for academics and "experts", the Global Leaders of Tomorrow, the Informal Gathering of World Economic Leaders and Governor's Meetings for each of 13 industries. These bodies frequently issue statements and reach agreements on what should be done in their portfolio areas.

Finally, the WEF has a considerable research and publications program, the most notable product of which is the World Competitiveness Report, an annual report which analyses the economic policies of the world's governments and ranks them for "competitiveness" (ie., their pro-business slant).

4. What happens at Davos?

The Davos summit generally consists of four interlocked "streams" of events: keynote speeches by selected heavyweights (generally the most senior global politicians and the heads of the biggest companies) on the major issues of the day; smaller workshops on specific issues, given both by corporate leaders and by selected "experts"; meetings of the "sectoral" groupings (the most important of which is the Informal Gathering of World Economic Leaders, which includes the senior politicians from the wealthiest countries and the heads of the big international institutions like the WTO); and backroom face-to-face meetings, where companies make deals and agreements of their own.

There is heavy emphasis in Davos summits on "informality" — in the hope that the chumminess can breed a collegiate atmosphere and personal relationships between global "leaders".

5. What happened at Davos 2000?

Davos 2000 was the largest and most important summit in the WEF's history, for one major reason: it became the venue for the global elite's internal discussion about how to respond to the growing opposition to corporate "globalisation", highlighted by the massive protests in Seattle which scuttled the launch of the World Trade Organisation's Millennium Round of trade liberalisation talks.

For the first time ever, a sitting US president (Bill Clinton) came to a Davos summit — with the express purpose of calming people's nerves. His message: corporate "globalisation" must continue but "we" must endeavour to put a human face on it and sell it better.

Other keynote speeches were given by: British PM Tony Blair, WTO director-general Mike Moore, Mexican President Ernesto Zedillo, World Bank president James Wolfensohn, US Treasury Secretary Lawrence Summers, US Secretary of State Madeleine Albright.

The "consensus" which emerged followed Clinton's lead: "globalisation" must continue, must speed up, in fact, but its fruits must be seen to be more equitably distributed and the world's people must be convinced of its necessity.

To that end, what was heavily emphasised were cases of "corporate good citizenship": such as Bill Gates' $750 million donation to a global immunisation campaign or US pharmaceutical giant Merck's new drug which cures river blindness. We're supposed to believe that they do this out of the kindness of their hearts, to forget all of the other things they do and certainly forget that the economic system they preside over enriches them at everyone else's expense.

6. What is the Melbourne WEF summit about?

The Melbourne summit is the meeting of WEF's Asia-Pacific region. It is being held from September 11-13 at Crown Casino.

This is the first time such a summit has been held in Australia (last year's Asia-Pacific summit was in Singapore). The main reason for its venue and scheduling is to coincide with the beginning of the Sydney Olympics.

The official title of the WEF's Asia-Pacific Economic Summit is "Asia Pacific in the 21st Century: Leveraging the New Drivers of Growth" and is being co-hosted by the Business Council of Australia and the Australian Davos Connection.

The organisers are expecting 800-1000 attendees, mainly representatives of the major transnational companies and local businesses but also a range of politicians and other "experts".

7. What will be discussed at the WEF's Asia-Pacific Economic Summit?

The official description has it that the summit will "provide a unique platform for business leaders from the Asia Pacific region and their counterparts from the rest of the world to share their analysis of the new Asia and to identify together, through extensive networking, the opportunities offered for business and economic co-operation".

The topics up for discussion include "Globalisation: What does it all mean for Asia", "Political change and economic transition: Investment risk", "Behind Volatility in the Capital Markets: Adapting to the New Economy", "Asia's Entrepreneurs: What Drives the Success Stories?" and "What Model for 21st Century Capitalism?". There will also be briefings of the economic situations in the major regional powers and many other topics.

Two main issues predominate: what mix of policies is needed for business now that Asian economies are (supposedly) recovering from the 1997 Asian Economic Crisis? and what potential does the "E-economy" have in Asia?

8. Who are the scheduled feature speakers?

There are so far 44 confirmed speakers for the Melbourne summit.

Some are major figures in business, both international and Australian: Bill Gates of Microsoft, Michael Garrett, the Asia vice-president of Nestle, Jean-Marie Messier, the CEO of water giant Vivendi, Ziggy Switkowski, the CEO of Telstra, Kenneth Courtis of investment banker Goldman Sachs, Frank Cicutto, the managing director of the National Australia Bank, Paul Anderson, chief executive of BHP, Heinrich von Pierer, CEO of telecommunications giant Siemens.

Others are senior politicians, particularly from Australia: John Howard, Peter Costello, John Fahey, Richard Alston, trade minister Mark Vaile, Bob Carr, Alexander Downer, Reserve Bank governor Ian Macfarlane. There are also a range of senior politicians from around the region: NZ Treasurer Michael Cullen, Japanese Finance Minister Yoshimasa Hayashi, Singaporean Minister of State David Lim, US Assistant Secretary of State Stanley Roth, Rodolfo Severino, secretary-general of ASEAN, the Association of South-East Asian Nations.

There will also be a series of other "experts", mainly directors of pro-free market "think tanks".

9. What is the history of the WEF?

The first Davos summit was convened by Swiss business professor (and still WEF chairperson) Klaus Schwab in January 1971. It was initially only European-based, convened with the support of the European Commission, expanding globally slowly throughout the 1970s and more rapidly during the 1980s. It took on the name, World Economic Forum, in 1987, from which point it has rapidly grown in scope and significance.

The WEF lists among its proudest achievements: opening business dialogue with and investment in China ("no other organisation has brought so many businesses to China"); a 1982 Informal Gathering of Trade Ministers "which spurs the launch of the Uruguay Round of trade talks, from which the WTO issued; the initiation of ASEM, the annual summit between heads of state and government in Asia and Europe; promoting the integration of the economies of the Southern Cone of South America and the founding of the Mecrosur free trade agreement.

10. What about input from critics?

The World Economic Forum's meetings are invitation-only and closed to outsiders.

The WEF closely vets media attendance at its forums. Most journalists from the major media institutions are only allowed access to selected events and are thus dependent for copy on WEF-vetted releases. Alternative media outlets are routinely denied admittance.

The largest media brands (like CNN and Reuters) are generally allowed media suites of their own but only the most privileged and high-profile correspondents are allowed the "all access" passes. Of course, the media bosses (like Rupert Murdoch or AOL-Time Warner's Steve Case) have the run of the place.

The WEF does occasionally allow a small number of critics from non-government organisations. At Davos 2000, it allowed seven such people in: Indian feminist Vandana Shiva; Brent Blackwelder of Friends of the Earth US; Thilo Bode from Greenpeace International; Martin Khor of the Third World Network; John Sweeney of the US union federation, the AFL-CIO; Vicky Tauli Corpuz, an indigenous peoples' leader and Focus on the Global South's Walden Bello.

Bello says, "There were unstated rules, though, for the NGO representatives present: they had to be civilised and respectful of 'diverse' views and above all grateful they were invited".

"The discordant voices on the left ... were given their brief opportunity to exercise free speech and the bandwagon rolled on," he concludes.

11. What about protests against the WEF?

The Davos summit has begun to attract larger and larger protests from European activists.

In 1998 and 1999, only 200 people were able to get up the mountain to Davos, where they were immediately surrounded by thousands of police and prevented from getting anywhere near the Convention Centre.

In 2000, however, more than 1300 protesters gathered and were able to break through an initial police line and march on the Convention Centre. At the third police roadblock, the protesters were stopped and when not all of them retreated, they were hit by the pepper spray. Afterwards, clashes between police and protesters resulted in some property damage throughout the town (including to the local McDonald's).

The Melbourne protest will be the first major protest against the Asia-Pacific regional summit.■

There is now growing global resistance to the misery imposed by the push by wealthy capitalist governments of the "North" to enforce "free trade" policies on the countries of the "South".

This opposition, symbolised by the Seattle protests, has taken up the role which international institutions of global corporate tyranny, namely the International Monetary Fund (IMF) the World Bank (WB) and the World Trade Organisation (WTO) have played in enforcing the neoliberal policies in the First World, and keeping the Third World enslaved in a debt prison.

In response to this pressure, the IMF, WB and the WTO are attempting to "reinvent" themselves, trying to convince the global watchdogs that they are now humanitarian institutions, or "heroes of the planet".

This collection of articles, from the pages of Green Left Weekly, Australia's leading radical newspaper, argues that regardless of the cosmetic changes, these global institutions of "welfare capitalism" must be abolished.

Resistance books