

## Chapitre 7/Chapter 7

### Les négociations récentes à l'OMC/Recent Negotiations at the World Trade Organization

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First, I shall try to describe very succinctly what the international economic and financial system is, how it works, and to whose benefit. Second, I will suggest ways in which it can indeed be confronted and transformed. Obviously this plan is far too ambitious for a forty minute talk! The great British economist Joan Robinson once said, "To know anything, one must know everything. But to talk about anything, one must leave out a great deal." I'm not an economist, I'm certainly not Joan Robinson and I demonstrably don't know everything, so I can only ask for your indulgence. Where I will be true to Joan is by leaving out a great deal. So here goes.

#### **I. The international economic and financial system.**

The international economic and financial system is dominated by industrial and financial transnational corporations [TNCs] whose simple if unwritten programme is based on a trinity of freedoms. They demand:

Freedom of investment,  
Freedom of capital flows,  
Freedom of trade in all goods and all services including living organisms and intellectual property

Their ultimate goal is to be free to produce, distribute and invest what they want, where they want, for as long as they choose and to be able to move capital, personnel and goods at will. Sub-categories of these essential freedoms naturally include massive privatisation of publicly held companies and public services. Nothing should be excluded a priori from the market - neither health care nor education, human body parts or genetic material; food, seeds, water, air or forests; art, music or sport.

TNCs can usually remain above the law, even when they cause grievous harm and damage to people and the environment. Let us recall the cases of Union Carbide in Bhopal, Shell's actions in Nigeria against the Ogoni people or the recent oil-spill on the French Breton coast as a result of Total-Fina's irresponsibility. These corporations demand deregulation and strict limitations on government intervention, except in the case of corporate welfare such as tax-breaks or publicly funded research support, which should be maintained; although welfare payments to citizens should not. In their view, all taxes, particularly those on employment, are bad, except for taxes paid by consumers, salaried employees and wage earners.

TNCs measure their success by profit rates and "shareholder value", meaning the market price of the company's stock. Some corporations even buy up their own stock to cause the market price to rise. Cost-cutting, especially through massive layoffs, is another way to increase shareholder value and loyalty to employees or to the communities where they happen to be located is a thing of the past.

The United Nations claims there are now about 60.000 TNCs with half a million affiliates, but the ones to watch are the top one, two or five hundred. Of the top one hundred

economic entities in the world, 51 are corporations, only 49 are states. General Motors or General Electric are much larger than Saudi Arabia or Poland, and so on. The top 200 firms are responsible for about a quarter of all the measured economic activity in the world - or Gross World Product.

All told, the 60,000 TNCs counted by the UN employ only about 60 million people world-wide. Let us generously assume that each of these jobs generates another two jobs somewhere else in the economy: this still amounts to only 180 million people employed by TNCs, or well under 10% of the world's available work force. In the space of five years in the 1990s, the top 100 TNCs increased their sales by 20% while slightly reducing their total employment.

So TNCs employ relatively few people compared to their size. They also invest much less in genuine economic activity than most people believe. During the past five years, more than three-quarters of what the press and the UN label as "foreign direct investment" was actually cross-border mergers and acquisitions. The TNCs are constantly in search of greater market shares which they can obtain more easily by buying up other companies than by creating new ones.

The UN does not publish figures on financial TNCs - such as commercial banks, insurance companies, pension funds and mutual funds or brokerage houses, even though their turnover is in the billions of dollars and often rivals the sales of the industrial giants. The last reliable figures I know of date from 1995 and were published by the Bank for International Settlements - the Central Bank of Central Banks in Basle.

At that time, banks, insurance companies, pension funds and institutional investors were handling \$28 trillion worth of funds; a figure which has quite possibly doubled today. As the BIS notes, the managers of this money routinely display "herding behaviour", meaning that they all race for the exit as soon as any unfavourable signs are perceived, particularly in fragile, so-called "emerging markets". As the BIS further explains, a mere one percent shift in the holdings of these giants is equivalent to more than a quarter of the entire stock market capitalisation of all the emerging markets of Asia taken together, and to two-thirds of the value of all Latin American equity markets.<sup>1</sup>

So no one should be at all surprised that sudden financial crises have plagued countries such as Thailand, Korea, Indonesia or Brazil. Considering the volume and the volatility of funds floating around the world in search of profits, the miracle is that these crises are not more frequent.

Not just any profit will do: the World Economic Forum - the Davos people - publish an annual competitiveness index on which, for example, France and Germany get comparatively low rankings [like 22 and 24]. Why? Because in these countries, average rates of return to corporate capital are "only" about 12%. This is not high enough - pension funds and other institutional investors demand rates of at least 15% and in some places have been known to garner 23%. When capital is rewarded in this way, there is clearly not going to be an enormous amount left over for remunerating labour which has, indeed, seen its share of the pie decline over the past twenty years.

So these are a few characteristics of the giant corporations that make the world economic and financial system go round. They are few in number and they hold, of course, disproportionate power. For this reason, I try never to use the word "globalisation" without qualifying it: we are living in the era of corporate-led, corporate-driven globalisation. Although the TNCs have not yet been able to impose totally their political programme, they are adept at using a variety of official and unofficial instruments to impose the three basic freedoms I alluded to at the beginning: freedom of investment, freedom of capital flows, freedom of trade of goods and services.

The three major official institutions helping to push forward the corporate agenda are the World Bank, the International Monetary Fund and the World Trade Organisation. The IMF is the architect of so-called Structural Adjustment Plans in the poorer, highly indebted countries of the South and the East - about 95 countries at the moment. Because of their debt burdens, these countries must earn the IMF's stamp of approval in order to receive loans from any source, and to obtain the Fund's approval, they must adopt its neo-liberal views about economic management. These views, taken together, are also sometimes referred to as the "Washington Consensus".

Rules of the Washington Consensus and of Structural Adjustment include strict fiscal discipline, which means limiting budget deficits and reduced government spending on fields such as health, education and infrastructure; tax reform to benefit corporations and higher income individuals; market-determined interest rates; open borders with regard

to capital flows, imports, exports and foreign direct investment, plus privatisation, deregulation and downsizing of civil servants. Basic necessities invariably rise in price because subsidies are outlawed; exports are encouraged at the expense of local production for satisfying local needs. Mass unemployment often results as governments fire employees and small businesses fail due to high interest rates, shedding their personnel. While the IMF may call these measures Structural Adjustment, ordinary people call them hardship and austerity packages. And many of us sum up this doctrine as neo-liberalism.

The World Bank is the world's most important "development" lender. In tandem with the Fund, it shapes policy in dozens of countries. It cooperates with Transnational corporations not only through procurement but also by its policy choices; for example, it lends 25 times as much to fossil-fuel-based energy projects as to sustainable/renewable energy projects. The Bank also oversees massive privatisation policies from which local and foreign investors profit.

The role of the Bank and the Fund, especially the Fund, in managing recent financial crises in Thailand, Korea, Indonesia, Russia, Brazil and Mexico has been sharply criticised, not just by progressives but by important Establishment figures like Harvard economist Jeffrey Sachs and the Meltzer Commission, named by the US Congress. This group of eleven mainstream economists recommended a much-reduced role for both the Fund and the Bank but the US Treasury so far refuses to follow these recommendations.

Treasury recognises, quite correctly, that the combination of debt plus structural adjustment plus massive privatisation, is a far more efficient instrument than colonialism ever was for keeping countries in line. The international institutions that implement these policies help both transnational corporations and elites in the poorer countries who profit from structural adjustment because wages are lower. It's worth noting as well that every time a financial crisis strikes, cash-strapped local businesses can be bought up on the cheap. TNCs again benefit from these fire-sale prices as do local elites.

Perhaps most useful of all to the corporate programme is the World Trade Organisation because it is spearheading the drive towards total freedom of trade and its rules are binding. The decisions of the WTO's "Dispute Resolution Mechanism" [panels of trade experts, meeting behind closed doors] are enforceable through sanctions and apply to all 136 member-countries, developed and less developed, soon to be joined by China and others. The WTO's future negotiations will concern not merely the liberalisation of trade in goods and agricultural products but also rules pertaining to intellectual property, investment and government procurement. Through the General Agreement on Trade in Services, it is bringing virtually all areas of human existence under its purview, including health, education, culture, the environment, tourism, energy, etc.]. Its Dispute

Resolution Body is proving a highly effective tool for reducing standards of food safety and environmental protection; on the whole the WTO is perhaps the greatest institutional threat to democracy now functioning.

Transnationals are quite naturally interested in the greatest possible freedom of trade since fully one-third of world trade takes place between subsidiaries of the same company [e.g. IBM "trading" with IBM, Ford with Ford and so on]; a further third is trade between subsidiaries of different TNCs [e.g. Ford trading with IBM]. Corporations have shaped the agenda of the WTO from the beginning: workings of the WTO: as the Director of the WTO Services Division, David Hartridge, explained, "[W]ithout the enormous pressure generated by the American financial services sector, particularly companies like American Express and CitiCorp, there would have been no services agreement and therefore perhaps no Uruguay Round and no WTO".**2**

That's a very quick overview of the official instruments transnationals use to further the trinity of freedoms. Let me now turn briefly to some of the unofficial instruments, a variety of highly effective lobbies through which TNCs influence opinion-shapers and governments. Most people think of highly visible gatherings like Davos when they think of transnational lobbies; in reality the most important organizations are far more discrete. They include:

The European Round Table of Industrialists [ERT] made up of the Chief Executive Officers of 47 of the largest European TNCs. The ERT works closely with the European Commission and individual heads of states; it has virtually written some of the Commission's most important "White Papers" and has taken primary responsibility for the European Transport Network ["TEN"];**3**

The TransAtlantic Business Dialogue [TABD] composed of CEOs from North America and Europe. The TABD holds regular meetings with top politicians and international agency leaders; it strongly influences international trade negotiations and maintains permanent working committees on a variety of topics including standard-setting for goods and services so that products may be freely sold in all markets;

The US Coalition of Service Industries. USCSI coordinates a wide variety of sectoral service groups; works closely with the US Special Trade Representative in targeting the WTO;

The US Council for International Business was particularly visible during the attempt to establish the Multilateral Agreement on Investment.

With regard to negotiations at the WTO, both the US government and the European commission have set up TNC advisory groups to guide them. The US Special Trade Representative has established over two dozen committees, by industry, with over 800 people from TNCs represented.

When US environmental groups brought a lawsuit against the government because they were not represented in the Wood and Paper Products Committee, a Federal judge ruled in their favour. Rather than include the environmentalists, the US government is appealing the decision. The European Commission put together the European Services Forum, chaired by the President of Barclays Bank, and recently called on it to identify the most promising markets and existing trade barriers in the fields of "education, environmental, health and social services and audio-visual services".**4**

No other group in civil society has anywhere near the access to political decision makers that transnational corporations enjoy.

## **II. Confrontation and transformation.**

After that lightning tour of the world economy, you may have the impression that these actors - the industrial and financial Transnationals and their assorted lobbies, plus the Bank, the Fund, the WTO are simply too powerful to confront, much less transform. Perhaps it's true, as they keep telling us, that corporate-led globalisation is inevitable and we may as well learn to live with it. Conservative American foundations and think-tanks have spent hundreds of millions of dollars over the past two decades to convince us that resistance is vain and, in any case, the system is good for us. Eventually, we are assured, everyone will benefit from globalisation, no one will be excluded, so not to worry.

I want to devote the rest of this talk to showing that all of this is nonsense. In the first place, the ideological arguments of the Washington Consensus and the TNCs are false. Second, corporate-led, neo-liberal globalisation is not a force of nature like gravity. What some people have built - and it is a construction - others can dismantle and put better and fairer rules in place. Third, and finally, significant victories have already been won. They have been, like most victories, partial and they may be fragile, but they are nonetheless signs that times are changing. The Corporate Consensus, however powerful, is running scared and the proof of that is that they are holding one crisis meeting after another and consulting their public relations firms non-stop in an attempt to figure out how they can discredit social movements, how they can cut off their funding or coopt them.

### **Let me take these points in turn.**

First the ideology: The Corporate Consensus claims that their kind of globalisation is good for everyone. I've already explained that these companies are not employment-friendly or environment-friendly and are interested only in shareholder value. So it is no surprise that neo-liberal style globalisation is not good for everyone: since the early 1990s, in the

United States, average corporate profits have increased by 108%, the Standard and Poor stock market index has increased by 224% and the compensation packages of Corporate Chief Executives have increased by a whopping 481%. During the same period, average annual wages for workers have risen only 28%, just barely ahead of inflation.

Indeed, if workers had been rewarded like their CEOs they would be making an average of \$110,000 a year, not \$23,000 and the minimum hourly wage in the US would be \$22, not \$5.15. In the US, instead, a person working 40 hours a week, 52 weeks a year at the minimum wage earns only \$10,700 a year. This is 40% below the official poverty line for a family of four.

Furthermore, studies by both UNCTAD and the United Nations University show that inequalities in most countries are inexorably rising, whether in China, Russia, Latin America or the West. 85% of the world's population now lives in countries where inequalities are growing, not diminishing. Aggravating this situation is third world debt which continues to rise and creates an unbearable burden.

As for inequalities at the global level, the difference between the top 20% and the bottom 20% of the world's population stood at about 30 to 1 at the end of World War II, about 60 to 1 in the early 1970s and is now about 82 to 1 and increasing. Economics professor Robin Hahnel points out that during the immediate post-war period until the early 1970s - a period that favoured capital controls, restrictions on foreign investment and diverse models of development, growth rates for GDP per capita were about twice as high as in the more recent neo-liberal, TNC-dominated era which began at the end of the 1970s.<sup>5</sup> In any given society, globalisation benefits mainly the top 20%, and the

higher they are on the social scale, the more they benefit. In contrast, the lower they are, the more they lose of the little they have. The TNCs and their allies, the Fund, the Bank and the WTO, cannot build an inclusive world. Their policies are in fact throwing petrol on the fires of inequality.

On the second point, neo-liberal, corporate-driven globalisation is not a force of nature and it is not inevitable although lobbies plus ideological conditioning plus the Corporate Consensus have often made it seem that way. Globalisation as we know it has been put in place particularly since the fall of the Berlin Wall, before most people understood what was happening.

The third world has been largely silenced because it is indebted and dependent on the IMF/World Bank and on the good will of the North and southern elites have been largely coopted. As for the elites and the governments of the North, with few exceptions, they are delighted with the status quo - the elites because they have enriched themselves beyond all historical precedent, the governments because they listen chiefly to the Consensus and seem to have acquiesced to the erosion of their powers. The so-called Third Way is a dead end. So who is left? Who might possibly change the current course of globalisation? Isn't it an illusion to believe it can be done?

The answer - the only answer - lies in the citizen's movement, also known as social movements, or NGOs, or civil society, which has a difficult but not impossible task. Here it is important to remember the successes already registered. You will recall that one of the freedoms I mentioned in the Trinity of freedoms the TNCs demand is freedom of investment. Between 1995 and 1998 they attempted to push through a treaty called the Multilateral Agreement on Investment, the MAI, which would have given them complete control over this vital domain, including the option to sue governments directly if any government regulation or law might impair their expected profits. In spite of the secrecy - the MAI was being negotiated behind closed doors at the OECD - citizens learned about this scandalous treaty and were able to force governments to abandon it.

Some companies that sought to impose genetically modified organisms on consumers have discovered that people-power is not dead: for example, Monsanto's agricultural division is, today, worth approximately zero dollars. Shell has received very bad publicity because of its oil platforms and its environmental and human rights record in Nigeria. In France, after the devastating oil-spill of the Erika, Total-Fina declared that it had played by the rules and was not responsible. Only days later, due to public pressure, the company promised to cough up several hundred million francs to help pay for the damage. And need I remind you of the Battle of Seattle and of the April demonstrations against the Bank and the Fund in Washington? These highly visible events didn't just happen - they were the outcome of years of patient organising by groups throughout the world. This movement is international and it is broadly based. The different national coalitions that make up the citizens movement are workers and unions, small farmers and their organisations, consumers, environmentalists, students, women, the unemployed, indigenous people, religious believers. There are some scientists, technicians and other intellectual workers as well, but not nearly enough. These people have widely differing backgrounds, they have set out on this journey from very different places and most of them didn't even know each other five years ago. Nonetheless, and in spite of the cultural and organisational difficulties, they have arrived at a common analysis and are well on the way to common platforms and common strategies. They are the backlash against corporate-led globalisation and they are not going to go away. Here, in telegraphic style, are a few of the demands they are making:

We need fair trade, not free trade. Like any other system, the world trading system needs rules, but not the rules now in place at the WTO. Education, health, culture and the environment should not be treated as merchandise and food security is above

trade in agriculture. The WTO dispute resolution mechanism - its court of law - should be subordinate to international law such as human rights, multilateral environmental agreements and the core conventions of the ILO. The body has already entirely too much power and should not be granted any new ones.

We need to tax international capital. \$1.5 trillion dollars is traded every day on foreign exchange markets alone and most of it is purely speculative and has nothing to do with the real economy. A "Tobin Tax" - a very small burden - should be applied to Forex; one could also tax mergers and acquisitions and TNC sales worldwide. The money should be used for the excluded throughout the world, to abolish poverty and at least begin to reduce the North-South gap.

We need to close down the tax havens. The criminal economy is flourishing partly because legitimate governments tolerate money-laundering and financial crimes. While we're at it, why not abolish flags of convenience?

We need rules to protect the environment, starting with the precautionary principle. And poor people must be given material incentives to protect their environment. World Bank lending to ecologically destructive projects must stop.

We need to make corporations both financially and legally responsible for all their actions, that is, for the actions of all their subsidiaries. No more Bhopals, no more oil-spills.

And, of course, we need to cancel third world debt, otherwise we are condemning countless millions to continued misery and death. This is only for starters... The organisers of INES suggested that my paper be titled "Confronting and Transforming the International Economic and Financial System: a Task for Global Governance". However, since I'm not entirely sure what Global Governance means, and since the citizens movement, myself included, doesn't trust the institutions we have at present; I preferred to call this brief effort "A Succinct User's Guide". Surely we need more diversity and more responsibility at the local level, more democratic national governments, more control over TNCs, but so far, we don't have any blueprints, just some guidelines and frankly, we have been too busy putting out fires. So I don't know about "global governance", but I'm sure I don't want a single world government: let's go, rather, for subsidiarity, a complicated name for saying decisions should be taken as close as possible to the people who will be affected by them. Various layers of governance are possible and desirable. I also speak out for a diversified citizens movement and I see no reason why we shouldn't win. The Corporate Consensus is not even economically efficient. They may have the money, they may have most of the power for now, but their way is guaranteed to be ecologically unsustainable, culturally homogenised, socially polarising, financially destabilising and democratically unacceptable. On our side, we have the numbers, we have excellent ideas, and we are, slowly, getting organised nationally and internationally. What's even better is that we are on the right side of the argument because we are fighting for dignity, decency and democracy. I hope you will want to join us.

## **Notes**

**1** Bank for International Settlements, 68th Annual Report, Basle, 8 June 1998, Chapter V and p. 90.

**2** David Hartridge, Director of Trade in Services Division, WTO, "What the General Agreement on Trade in Services [GATS] can do", Clifford Chance conference on "Opening Markets for Banking Worldwide"

**3** See Corporate European Observatory [CEO], Europe, Inc., Pluto Press, London, 1999.

**4** Robert Madelin, DGI, Directorate M, to Andrew Buxton, Chair of the

ESF, 24 January 2000.

**5** Hahnel gives full figures in his commentary of 8 April 2000 for the ZNet network [a subscriber service]. Only Asia grew slightly faster in the 2nd period compared to the first and that growth fell drastically after the 1997-98 crisis.